# Interim Financial Report

as at and for the half year ended  $30^{th}$  June 2014

Translation from the Italian original which remains the definitive version



Joint stock co-operative company
Registered office: Bergamo, Piazza Vittorio Veneto 8
Operating offices: Bergamo, Piazza Vittorio Veneto 8; Brescia, Via Cefalonia 74
Member of the Interbank Deposit Protection Fund and the National Guarantee Fund
Tax Code, VAT No. and Bergamo Company Registration No. 03053920165
ABI (Italian Banking Association) 3111.2 Register of Banks No. 5678 Register of banking groups No. 3111.2
Parent of the Unione di Banche Italiane Banking Group
Share capital on 8<sup>th</sup> August 2014: €2,254,371,430 fully paid up

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### BRANCH NETWORK OF THE UBI BANCA GROUP

### CALENDAR OF CORPORATE EVENTS OF UBI BANCA FOR 2014

### **Contacts**

The following abbreviations are used in the tables:

- dash (-): when the item does not exist;
  not significant (n.s.): when the phenomenon is not significant;
  not available (n.a.): when the information is not available;
- a cross "X": when no amount is to be given for the item (in compliance with Bank of Italy instructions).

All figures are given in thousands of euros, unless otherwise stated.

# **UBI Banca: company officers**

#### **Honorary Chairman**

Giuseppe Vigorelli

#### Supervisory Board (appointed by the Shareholders' Meeting of 20th April 2013)

Chairman Senior Deputy Chairman Deputy Chairman Deputy Chairman Andrea Moltrasio Mario Cera Alberto Folonari Armando Santus Dorino Mario Agliardi Antonella Bardoni Letizia Bellini Cavalletti

Marina Brogi Pierpaolo Camadini Luca Vittorio Cividini Alessandra Del Boca

Ester Faia

Marco Giacinto Gallarati

Carlo Garavaglia Gianluigi Gola

Lorenzo Renato Guerini Alfredo Gusmini<sup>(\*)</sup> Federico Manzoni Mario Mazzoleni Enrico Minelli Sergio Pivato Andrea Cesare Resti Maurizio Zucchi

#### Management Board (appointed by the Supervisory Board on 23rd April 2013)

Chairman
Deputy Chairman
Chief Executive Officer

Franco Polotti Giorgio Frigeri Victor Massiah Silvia Fidanza Luciana Gattinoni Francesco Iorio Italo Lucchini Flavio Pizzini Elvio Sonnino

#### General Management

General Manager Senior Deputy General Manager Deputy General Manager Deputy General Manager Deputy General Manager Francesco Iorio Elvio Sonnino Rossella Leidi Ettore Medda Pierangelo Rigamonti

Senior Officer Responsible in accordance with Art. 154 bis of the Consolidated Finance Act

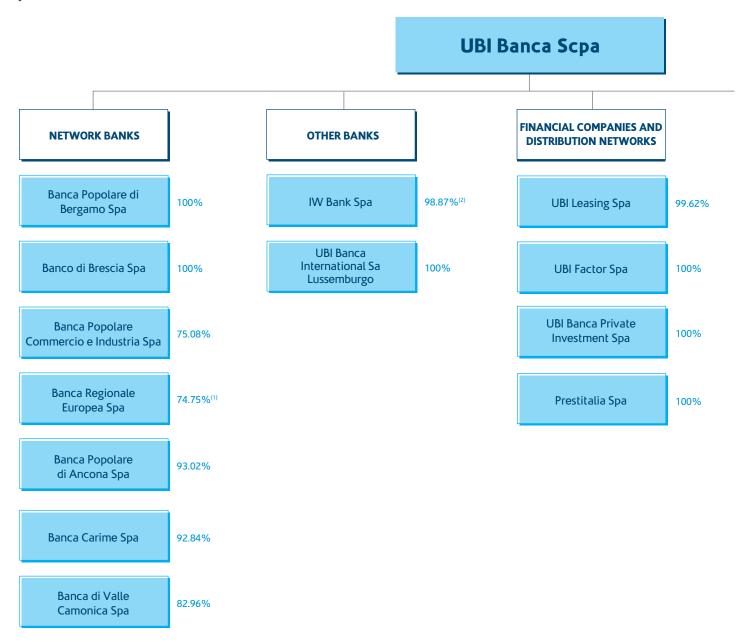
Elisabetta Stegher

**Independent auditors** 

DELOITTE & TOUCHE Spa

<sup>(\*)</sup> Secretary to the Supervisory Board

# UBI Banca Group: the principal subsidiaries, joint ventures and associates as at 30.06.2014

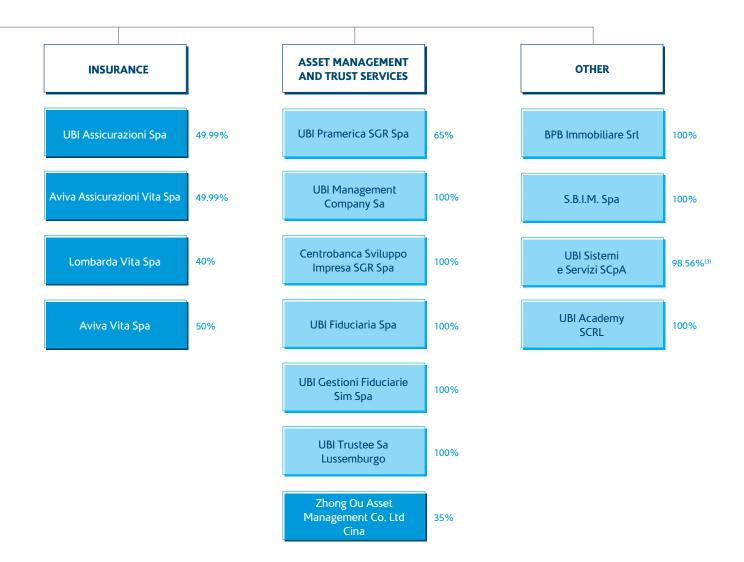


<sup>(1)</sup> The percentage given represents the control over the total share capital held.

The percentages relate to the total interests held (direct and indirect) by the Group in the entire share/quota capital.

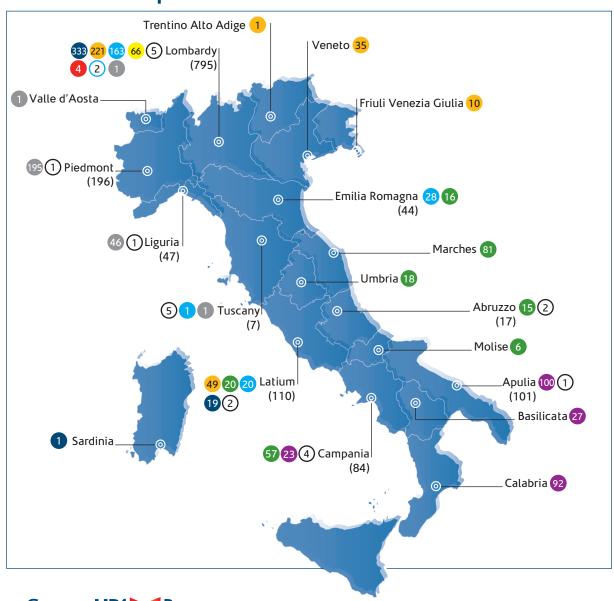
<sup>(2)</sup> The percentage does not include treasury shares held in portfolio by IW Bank.

<sup>(3)</sup> The remaining 1.44% is held by UBI Assicurazioni Spa.





# UBI Banca Group: branch network at 30.06.2014



# Gruppo **UBI** >< Banca

Branches in	Italy	1,673	Branches abroad	6
UBI Banca	Scpa	4	Banca Regionale Europea Spa Nizza, Mentone, Antibes (France)	
Banca Pop	polare di Bergamo Spa	353	UBI Banca International Sa (Luxembourg)	
Banco di E	Brescia Spa	316	Luxembourg, Munich (Germany), Madrid (Spain)	
Banca Pop	polare Commercio e Industria Spa	212	International presences	
Banca Reg	gionale Europea Spa	244	UBI Factor Spa Krakow (Poland)	
Banca Pop	polare di Ancona Spa	213	UBI Management Co. Sa Luxembourg	
Banca Car	ime Spa	242	Zhong Ou Asset Management Co. Ltd	
Banca di \	/alle Camonica Spa	66	Shanghai (China)	
O UBI Banca	Private Investment Spa	21	UBI Trustee Sa Luxembourg	
O IW Bank S	pa	2	Representative offices São Paolo (Brazil), Moscow, Mumbai, Hong Kong, Shanghai.	

# UBI Banca Group: key figures and performance indicators<sup>1</sup>

	30.6.2014	31.12.2013	31.12.2012	31.12.2011	31.12.2010	31.12.2009	31.12.2008
STRUCTURAL INDICATORS							
Net loans and advances to customers/total assets	70.7%	71.2%	70.1%	76.8%	78.0%	80.1%	79.0%
Direct funding from customers/total liabilities	73.2%	74.5%	74.6%	79.2%	81.8%	79.5%	80.0%
Net loans and advances to customers/direct funding from customers	96.6%	95.5%	94.0%	97.0%	95.4%	100.8%	98.7%
Equity (including profit/loss for the period) /total liabilities	8.7%	8.3%	7.4%	6.9%	8.4%	9.3%	9.1%
Assets under management/indirect funding from private individual customers	55.3%	55.2%	54.3%	51.2%	54.6%	53.2%	53.1%
Financial leverage ratio							
(total assets - intangible assets) /(equity inclusive of profit (loss) for the period + equity							
attributable to non-controlling interests - intangible assets)	13.9	14.7	17.0	18.5	19.3	17.1	17.3
PROFIT INDICATORS							
ROE (profit for the period/equity including profit/loss for the period) annualised	2.0%	2.4%	0.8%	3.9%	1.6%	2.4%	0.6%
ROTE annualised [profit for the period/tangible equity (equity inclusive of profit/loss, net of intangible assets)]	2.7%	3.4%	1.2%	5.9%	3.1%	4.6%	1.2%
ROA (profit/total assets) annualised	0.17%	0.20%	0.06%	0.27%	0.13%	0.22%	0.06%
The costincome ratio (operating expenses/operating income)	60.2%	62.3%	64.3%	69.5%	70.6%	64.4%	63.9%
Staff costs/operating income	37.3%	37.9%	39.0%	41.4%	41.5%	37.5%	38.8%
Net impairment losses on loans/net loans to customers (loans losses annualised)	0.99%	1.07%	0.91%	0.61%	0.69%	0.88%	0.59%
Net interest income/operating income	52.3%	50.9%	52.8%	61.7%	61.3%	61.5%	68.7%
Net fee and commission income/operating income	35.1%	34.5%	33.5%	34.7%	33.9%	31.1%	33.3%
Net result on financial activities/operating income	7.9%	9.4%	7.3%	0.2%	1.0%	3.2%	-5.9%
RISK INDICATORS							
Net non-performing loans/net loans to customers	4.33%	3.89%	3.18%	2.49%	1.91%	1.36%	0.88%
Net impairment losses on non-performing loans/gross non-performing loans	40.040/	44.000/	40.000/	40.040/	40.000/	E4 E70/	E4 E00/
(coverage for non-performing loans)  Coverage for non-performing loans, gross of write-offs of positions subject to	40.61%	41.60%	42.60%	43.31%	48.69%	51.57%	54.58%
bankruptcy proceedings and the relative impairment losses	55.09%	56.05%	57.63%	59.06%	63.62%	66.10%	
Net non-performing + net impaired loans /net loans to customers	9.06%	8.77%	7.06%	5.03%	3.91%	3.24%	2.08%
Net impairment losses on non-performing and impaired loans/gross non-performing	9.0070	0.7770	7.0070	3.0370	3.9170	3.24 /0	2.00 /0
loans+impaired loans (coverage)	29.97%	29.33%	29.26%	30.55%	34.89%	35.93%	38.22%
CAPITAL RATIOS Basel 3 from 31 3 2014 <sup>2</sup>							
Tier one ratio (tier one capital after filters and deductions/risk weighted assets)	12.73%	13.23%	10.79%	9.09%	7.47%	7.96%	7.73%
Common Equity Tier 1 ratio							
(Common Equity Tier 1 capital after filters and deductions/risk weighted assets)	12.73%	12.60%	10.29%	8.56%	6.95%	7.43%	7.09%
Total capital ratio (total own funds/risk weighted assets)	18.03%	18.91%	16.01%	13.50%	11.17%	11.91%	11.08%
Total own funds (figures in thousands of euro)	10,853,408	11,546,144	12,203,619	12,282,153	10,536,200	10,202,555	9,960,812
of which: tier one capital after filters and deductions	7,664,095	8,075,247	8,263,720	8,276,278	7,047,888	6,816,876	6,944,723
Risk weighted assets	60,190,438	61,045,600	76,589,350	91,010,213	94,360,909	85,677,000	89,891,825
INCOME STATEMENT, BALANCE SHEET FIGURES (in thousands of euro),							
STRUCTURAL DATA (numbers)	100 100	050 000	00.700	(4.044.400)	470 404	270 000	00.004
Profit (loss) for the year/period attributable to the shareholders of the Parent	106,192	250,830	82,708	(1,841,488)	172,121	270,099	69,001
Profit (loss) for the year/period attributable to the shareholders of the Parent normalised		100,220	97,324	111,562	105,116	173,380	425,327
Operating income	1,735,889	3,437,292	3,526,311	3,438,339	3,496,061	3,906,247	4,089,739
Operating expenses	(1,044,353)	(2,141,798)	(2,266,660)	(2,389,626)	(2,468,564)	(2,514,347)	(2,611,348)
Net loans and advances to customers	87,119,396	88,421,467	92,887,969	99,689,770	101,814,829	98,007,252	96,368,452
of which: net non-performing loans	3,771,412	3,437,125	2,951,939	2,481,417	1,939,916	1,332,576	848,671
net impaired loans	4,117,369	4,313,981	3,602,542	2,533,780	2,032,914	1,845,073	1,160,191
Direct funding from customers	90,175,601	92,603,936	98,817,560	102,808,654	106,760,045	97,214,405	97,591,237
Indirect funding from customers	73,666,835	71,651,786	70,164,384	72,067,569	78,078,869	78,791,834	74,288,053
of which: assets under management	40,762,807	39,553,848	38,106,037	36,892,042	42,629,553	41,924,931	39,430,745
Total funding from customers  Equity attributable to the shareholders of the Parent (including profit (loss) for the	163,842,436	164,255,722	168,981,944	174,876,223	184,838,914	176,006,239	171,879,290
period/year)	10,709,433	10,339,392	9,737,882	8,939,023	10,979,019	11,411,248	11,140,207
Intangible assets	2,896,274	2,918,509	2,964,882	2,987,669	5,475,385	5,523,401	5,531,633
Total assets	123,226,228	124,241,837	132,433,702	129,803,692	130,558,569	122,313,223	121,955,685
Branches in Italy	1,673	1,725	1,727	1,875	1,892	1,955	1,944
Total staff at the end of the period	.,270	.,0	- ,	.,	.,-32	.,	., ,
(actual employees in service + workers on agency leasing contracts)  Average total staff <sup>3</sup>	18,438	18,338	19,090	19,407	19,699	20,285	20,680
(actual employees in service + workers on agency leasing contracts)	17,571	17,625	18,490	18,828	19,384	20,185	20,606
Financial advisors	686	671	672	713	786	880	924

The indicators have been calculated using the reclassified figures contained in the section "Reclassified consolidated financial statements, reclassified income statement net of the most significant non-recurring items and reconciliation schedules" in the Interim Consolidated Management Report.

Information on the share is reported in the relative section of that report.

The profit indicators for 2011 were calculated on profit before impairment losses on goodwill and finite life intangible assets, which amounted to €349,373 thousand.

The ratios as at 30th June 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 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); the core tier one ratio after specific deductions from the tier one capital (tier one capital net of preference shares and savings or privileged shares held by non-controlling interests/risk weighted assets); total capital ratio (regulatory capital + tier three / 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).

 $<sup>16^{</sup>th}$  May 2012 (from the supervisory report as at  $30^{th}$  June 2012). For previous periods the figures were calculated according to the Basel 2 standard rules.

<sup>3</sup> Part time employees have been calculated within total average staff numbers according to convention on a 50% basis.

# The rating

The ratings assigned to the UBI Banca Group by the three main international agencies are given below.

On 14<sup>th</sup> February 2014, **Moody's** upgraded its outlook for Italy from negative to stable, in consideration of the country's financial strength and the sustainability of its debt, in a context of historically low interest rates.

On 15th July 2014, this agency reviewed its 12-18 month outlook for the Italian banking sector and confirmed its negative outlook, in view of both the persistent negative impacts that the country's fragile economy is having on the quality of assets and profitability and also the implications of the new rules which will regulate the resolution of banking crises in Europe, limiting the possibilities of support from national governments.

Furthermore, the negative outlook for the sector is consistent with the outlooks assigned to the individual ratings of most Italian banks.

MOODY'S	
Long-term debt and deposit rating (I)	Baa3
Short-term debt and deposit rating (II)	Prime-3
Bank Financial Strength Rating (BFSR) (III)	D+
Baseline Credit Assessment (BCA) (IV)	ba1
Outlook (deposit ratings)	Negative
Outlook (Bank Financial Strength Rating)	Negative
RATINGS ON ISSUES	
Senior unsecured	Baa3
Euro Commercial Paper Programme	Prime-3
Covered bonds (First programme – residential mortgages)	A2

- (I) The ability to repay long-term debt (maturing in or after one year) in local currency. By using the JDA method (Joint Default Analysis), this rating associates the financial strength rating (BFSR Bank Financial Strength Rating) with the probability of intervention if needed by external support (shareholders, the group to which it belongs or official institutions).
  - (Aaa: best rating C: default)
- (II) The ability to repay debt in local currency maturing in the short-term (due in less than one year).(Prime -1: highest quality – Not prime: speculative grade)
- (III) This rating does not relate to the ability to repay debt, but considers the bank's intrinsic financial strength (by analysing factors such as its geographical market presence, the diversification of its activities, the financial basics, its exposure to risk) in the absence of external support. (A: best rating – E: worst rating)
- (IV) The Baseline Credit Assessment represents the equivalent of the Bank Financial Strength Rating on the traditional scale of the long-term rating.

As part of its periodic review of sovereign debt ratings, on 6th June 2014 **Standard & Poor's** confirmed its Italian ratings and maintained its negative outlook. The agency's decision was based on risks connected with the growth prospects for Italian GDP and the actual progress made in implementing important structural reforms announced by the government.

STANDARD & POOR'S		
Short-term Counterparty Credit Rating (i)	A-3	
Long-term Counterparty Credit Rating (i)	BBB-	
Stand Alone Credit Profile (SACP) (ii)	bbb-	
Outlook	Negative	
RATINGS ON ISSUES		
Senior unsecured debt	BBB-	
French Certificats de Dépôt Programme	A-3	
		Г

- (i) The issuer credit rating reflects the agency's opinion of the intrinsic creditworthiness of the bank combined with an assessment of the potential for future support that the bank might receive in the event of default (from government or from the group to which it belongs).
  - Short-term: ability to repay short-term debt with a maturity of less than one year (A-1+: best rating D: Default)
- Long-term: ability to pay interest and principal on debt with a maturity of longer than one year (AAA: best rating D: default) i) The SACP is a rating of the intrinsic creditworthiness of the bank in the absence of external support (from government or from the group to which it belongs). It is calculated on the basis of an "anchor SACP", which summarises economic and industry risk for the Italian banking sector. This is then adjusted to take account of bank-specific factors such as capitalisation, market positioning, exposure to risk and the funding and the liquidity situation, which are also assessed from a comparative viewpoint.

As part of wide-ranging action taken at international level on the support ratings of major banking groups, on 26<sup>th</sup> March 2014 **Fitch Ratings** confirmed its Support Rating (2) and Support Rating Floor (BBB) for UBI Banca.

According to the agency it is possible that the support ratings of all European banks involved in the review will be downgraded as the new regulatory framework for the resolution of banking crises is established. Nevertheless, the agency itself stated that for those banks with long-term ratings (Long Term IDR) in line with their Viability Ratings (an indicator of a bank's intrinsic strength) – as is the case for UBI Banca – in the absence of changes to the Viability Rating, any downgrading of the Support Rating will have no impact on the Long Term IDR.

On 25<sup>th</sup> April 2014 this agency changed its outlook for Italy from negative to stable in consideration of the improved sovereign debt financial conditions and a substantial balancing of risk factors which could affect the government rating.

On the following 13<sup>th</sup> May Fitch reviewed the ratings of five major Italian banks, including UBI Banca. In this respect it confirmed both the long-term rating (BBB+), in line with the sovereign debt rating, and the negative outlook due to the repercussions of the difficult Italian economic environment on revenues and loan portfolio risk.

FITCH RATINGS	
Short-term Issuer Default Rating (1)	F2
Long-term Issuer Default Rating (2)	BBB+
Viability Rating (3)	bbb+
Support Rating (4)	2
Support Rating Floor (5)	BBB
Outlook (Long-term Issuer Default Rating)	Negative
RATINGS ON ISSUES	
Senior unsecured debt	BBB+
Euro Commercial Paper Programme	F2
French Certificats de Dépôt Programme	F2
Covered bonds (First programme – residential mortgages)	A+
Covered bonds (Second programme – commercial mortgages)	BBB+

- The ability to repay debt maturing in the short-term (duration of less than 13 months)
   (F1+: best rating - D: worst rating)
- (2) The ability to meet financial commitments in the long-term, independently of the maturity of individual obligations. This rating is an indicator of the probability that an issuer will default.
  (AAA: best rating – D: default)
- (3) An assessment of a bank's intrinsic strength in the event that it cannot rely on forms of external support (aaa: best rating f: default)
- (4) A rating of the possibility of concrete and timely external support (from the state or large institutional investors) if the bank finds itself in difficulty (1: best rating 5: worst rating).
- (5) This rating gives additional information, closely linked to the Support Rating, in that for each level of the Support Rating it identifies the minimum level which the Issuer Default Rating could reach if negative events were to occur.

# INTERIM CONSOLIDATED MANAGEMENT REPORT FOR THE PERIOD ENDED 30<sup>TH</sup> JUNE 2014



# The macroeconomic scenario<sup>1</sup>

The macroeconomic scenario continued to show signs of improvement in the first half, however the magnitude was nevertheless conditioned by the following: the speed with which United States reduced its monetary stimuli; international tensions caused by the crisis in the Ukraine (following the annex of the Crimea by Russia); the feared slowdown of the Chinese economy; and uncertainties over the possible results of European elections in May.

With regard to the latter, while progress was made by anti-European movements, the strength of traditional parties, together with the progress made along the slow path to a banking union<sup>2</sup>, helped reduce the temporary pressures created on financial markets. The reduction in sovereign spreads with Germany continued in those eurozone countries most exposed to the debt crisis, although the speed decreased. As shown in the chart, the spread between ten-year BTPs and the equivalent German Bunds has continued to return to normal, despite a temporary increase in May, partly due to uncertainties over the election results. It stood at 149 basis points at the end of the first half (215 basis points at the end of 2013). The improvement came to a halt in recent weeks as uncertainties arose over the strength of the recovery in the eurozone and over the solidity of a Portuguese bank.



Economic prospects for the euro area are still affected by risks of a downturn of a geopolitical nature connected with the performance of emerging countries and world financial markets and of lower than expected domestic demand, weak exports and insufficient implementation of structural reforms in the countries in the area<sup>3</sup>.

Even in the light of these difficulties, in a meeting of  $5^{th}$  June the Governing Council of the European Central Bank launched a combination of measures designed to further loosen monetary policy, with the objective of bringing inflation close to 2% and also to support credit granting processes:

• with effect from 11th June the rate on principal refinancing operations was cut by 10 basis points to 0.15%, as was the rate on deposits held with the ECB, which became negative for the first time (-0.10%);

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<sup>1</sup> The data contained in the scenario is updated to 5th August 2014.

<sup>2</sup> In a meeting held on 20<sup>th</sup>-21<sup>st</sup> March the European Parliament and Council reached an agreement on the new single resolution mechanism. They established that the single resolution fund financed by banks will come into force gradually from January 2015 and will be fully funded with €55 billion within eight years rather than ten.

<sup>3</sup> Progress with budgetary policies on the other hand led to a recommendation by the European Commission, accepted by the Council on 20th June, to end excessive deficit procedures for four countries: the Netherlands, Belgium, Austria and Slovenia.

<sup>4</sup> The negative interest rate also applies to reserves in excess of the compulsory reserve as well as to other types of deposits held with the Eurosystem.

- a series of unconventional longer term operations (targeted longer-term refinancing operations, TLTRO) were decided with maturities in September 2018, designed to support the expansion of bank lending to households and non-financial companies. Counterparties will be assigned an initial borrowing allowance equal to 7% of the total amount of their loans to the euro area non-financial private sector net of mortgages and securitisations, outstanding on 30<sup>th</sup> April 2014 (approximately €400 billion). Two operations will be conducted in September and December 2014, while from March 2015 until June 2016 all parties will be able to make quarterly borrowings up to three times the amount of their net lending to the euro area non-financial private sector. Banks that have requested TLTRO loans and which do not reach their targets on 30<sup>th</sup> April 2016 will be required to pay back all the funds obtained on 30<sup>th</sup> September 2016. Finally, it was decided to broaden the range of assets eligible as collateral until at least September 2018;
- it was decided to intensify preparatory work related to outright purchases from the securitisations market (asset-backed securities ABS) in order to improve the functioning of the monetary policy transmission mechanism<sup>5</sup>;
- the system will continue to benefit from extremely abundant liquidity and in this context the ECB has extended the practice of the full allotment of amounts bid in principal refinancing operations and those with three-month maturities until December 2016.

In the following meeting held on  $3^{rd}$  July, the ECB lengthened the time between monetary policy meetings from one month to six weeks, with effect from January 2015.

As concerns the central banks of the major developed countries<sup>6</sup>:

- the Federal Reserve maintained its reference rate within a range of 0%-0.25%, but announced a change in its forward guidance with the elimination of macroeconomic targets linked to unemployment (unemployment rate no higher than 6.5%), no longer considered significant. In its January, March, April, June and July meetings the Federal Reserve also decided to continue progressive tapering of unconventional measures started in December 2013 with effect from the following month. Therefore between January and August a reduction totalling \$30 billion occurred in both outright purchases of mortgage backed securities (down from \$40 billion to \$10 billion per month) and purchases of long-term treasury bonds (down from \$45 billion to \$15 billion per month). During the June meeting the Federal Reserve also decided that if the economy improved according to expectations, tapering would be brought to an end by the end of November with the elimination of the remaining \$25 billion per month;
- the Bank of Japan left its monetary base target and its securities purchase programme (60,000 billion yen 70,000 billion yen per year) unchanged. It also strengthened two minor programmes ("Stimulating Bank Lending Facility" and "Growth-Supporting Funding Facility"), by increasing funding available to banks twofold in order to stimulate lending.

The **commodities** prices index rose by a total of 10% in the first half, a reflection of strong increases in agricultural products between January and March due to the repercussions of the Ukraine crisis on the cereals market.

In the months that followed the slowdown in the non-energy component was more than compensated for by an increase in energy resources, with oil prices which started to rise again as a consequence of geopolitical tensions affecting some producer countries (Russia, Iraq and Libya). At the end of June Brent crude stood at \$112.36 per barrel, an increase of 4.3% compared with the end of March.

**Inflation** was again at very low levels in the euro area within which risks of deflation are also currently feared. Prices in the United States and Japan seem to be accelerating, while they continue to rise, although slowing slightly, in the main emerging economies.

On **foreign exchange** markets the table shows a progressive appreciation of the yen against both the dollar and the euro, while the yuan has also started to appreciate again against the United States currency since April. The exchange rate between the euro and the dollar, on the other hand, seems to be more stable,

The main exchange rates and oil (Brent) and commodities prices

	Jun-14 A	Mar-14 B	Dec-13 C	%change A/C	Sep-13 D	Jun-13 E
Euro/Dollar	1.3691	1.3770	1.3752	-0.4%	1.3524	1.3008
Euro/Yen	138.69	142.09	144.71	-4.2%	132.82	128.94
Euro/Yuan	8.4933	8.5600	8.3250	2.0%	8.2767	7.9835
Euro/Franc CH	1.2141	1.2180	1.2263	-1.0%	1.2237	1.2289
Euro/Sterling	0.8003	0.8263	0.8299	-3.6%	0.8355	0.8550
Dollar/Yen	101.30	103.19	105.23	-3.7%	98.21	99.12
Dollar/Yuan	6.2036	6.2164	6.0537	2.5%	6.1200	6.1374
Futures - Brent (in \$)	112.36	107.76	110.80	1.4%	108.37	102.16
CRB Index (commodities)	308.22	304.67	280.17	10.0%	285.54	275.62

Source: Thomson Financial Reuters

although a slight depreciation has been seen in the European currency starting in May (when the ECB announced measures to loosen monetary policy which was then introduced in June)

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<sup>5</sup> As part of this initiative the Eurosystem will consider the purchase of simple and transparent ABS for which the underlying is loans to the euro area non-financial private sector.

<sup>6</sup> As concerns the major emerging countries, the People's Bank of China cut its compulsory reserve requirements for some categories of intermediaries and it invited commercial banks to relax their criteria for the grant of first home-purchase mortgages. In order to curb inflationary pressures, in January the Reserve Bank of India raised its repo rate by 25 basis points to 8%, while the Brazilian Central Bank made three increases (in January, March and April), which progressively raised its reference rate to 11%.

Although it slowed in the first three months of the year, partly due to the temporary United States downturn, the recovery in the world economy in progress in the second half of 2013 is now continuing, mainly as a result of good performance by emerging countries, and Asian countries in particular, as well as by Japan, while performance in the euro area is modest and of varying intensity within it<sup>7</sup>.

Actual and forecast data: industrialised countries

	Gross	domestic p	roduct	Co	nsumer pri	ces	U	nemployme	nt	Deficit (	+) Surplus ( sector (%of GDP)	-) Public		e interest tes
Percentages	2013	2014 <sup>(1)</sup>	2015 <sup>(1)</sup>	2013 <sup>(2)</sup>	Jun-14 <sup>(3)</sup>	2014 <sup>(1) (2)</sup>	2013 <sup>(2)</sup>	Jun-14 <sup>(3)</sup>	2014(1)(2)	2013	2014 <sup>(1)</sup>	2015 <sup>(1)</sup>	Dec-13	Jul-14
United States	2.2	1.5	2.7	1.5	2.1	2.0	7.4	6.1	6.3	6.5	4.5	3.6	0-0.25	0-0.25
Japan	1.5	1.7	1.8	0.9	3.6	2.8	3.9	3.7	3.3	10.3	9.3	7.6	0-0.10	0-0.10
Euro Area	-0.4	0.9	1.3	1.4	0.5	0.7	11.9	11.5	11.6	3.0	2.6	2.5	0.25	0.15
Italy	-1.9	0.3	1.2	1.3	0.2	0.6	12.2	12.3	12.8	3.0	3.0	2.7	-	-
Germany	0.4	1.8	1.7	1.6	1.0	1.0	5.3	5.1	5.2	0.0	0.0	0.1	-	-
France	0.3	0.5	1.0	1.0	0.6	0.8	10.3	10.2	10.2	4.3	4.0	3.5	-	-
Portugal	-1.4	0.6	1.2	0.4	-0.2	-0.3	16.4	14.1	14.5	4.9	4.1	3.2	-	-
Ireland	-0.3	2.0	1.7	0.5	0.5	0.3	13.1	11.8	11.9	7.2	4.8	3.7	-	-
Greece	-3.9	-1.6	0.4	-0.9	-1.5	-1.2	27.5	27.3	26.7	12.7	4.1	2.2	-	-
Spain	-1.2	1.2	1.3	1.5	0.0	0.3	26.1	24.5	25.2	7.1	6.2	6.4	-	-
United Kingdom	1.7	3.0	1.6	2.6	1.9	2.4	7.6	6.5	6.6	5.8	5.4	5.1	0.50	0.50

(2) Average annual rate

3) The latest available information has been used, where data had not been published as at 30th June 2014

After a contraction in the winter (-2.1%) – attributable to persistent adverse weather conditions - United States GDP grew by 4% year-on-year in the second quarter, benefiting from a marked recovery in consumption and inventories as well as from a greater contribution from fixed investments while the deficit on net exports reduced primarily as a result of a significant improvement in exports.

The unemployment rate fell in June to 6.1% (6.7% at the end of 2013), down to the same levels as in September 2008.

On the other hand, after the low of 1.1% reached in February, inflation rapidly rose to 2.1% in May and June (1.5% in December). Core inflation (net of foodstuffs and energy products) stood at 1.9% (1.7% in December), remaining more stable over the six-month period.

The balance of trade deficit increased between January and May to \$218.2 billion (+5.8% compared with the same period in 2013), affected by an increase in the deficit with euro area countries, China and OPEC countries which more than offset the lower deficit with the African continent and Japan.

In the second quarter **China's** GDP grew by 7.5% on an annual basis (+7.4% in the previous

Actual and forecast data: the principal emerging countries

	Gross	lomestic	product	Consum	er prices	Reference interest rates		
Percentage s	2013	2014 <sup>(1)</sup>	2015 <sup>(1)</sup>	2013 <sup>(2)</sup>	Jun-14(3)	Dec-13	Jul-14	
China	7.7	7.3	7.2	2.6	2.3	6.00	6.00	
India	4.7	4.9	5.3	10.1	7.3	7.75	8.00	
Brazil	2.5	1.3	2.0	6.2	6.5	10.00	11.00	
Russia	1.2	0.2	1.0	6.8	7.8	8.25	8.25	
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(3) The latest available information has been used, where data had not been published as at 30th June 2014

three months) driven by measures to stimulate investments in infrastructures and in the property sector and by stronger demand from advanced economies.

As concerns the balance of trade, year-onyear trends for exports (-1.2%) and imports (-0.6%) in the first half resulted in a surplus of \$6.3 billion, which helped further increase currency reserves which had reached \$4,000 billion at the end of June, over one third of which are stably invested in United States government

#### securities.

Inflation fluctuated between a low of 1.8% and a high of 2.5% and stood at 2.3% in June,

<sup>7</sup> According to the most recent estimates of the International Monetary Fund (July 2014) world GDP will grow by 3.4% in 2014 (+3.2% in 2013), again driven by emerging countries (+4.6%; +4.7% in 2013), but with a recovery by advanced economies (+1.8%; up from +1.3% in 2013).

driven again by food prices (3.7%).

The **Japanese** economy accelerated significantly in the first three months of the year with quarter-on-quarter growth in GDP of 1.6% (+0.1% in the last period of 2013), the best result since the third quarter of 2011. This trend benefited from a substantial increase in domestic demand for consumer goods and non-residential investments – stimulated also by advance purchases made before an increase in indirect taxes – notwithstanding the negative contribution from inventories and the balance of trade, which, however, was reducing due to a strong recovery in exports.

The first data for the second quarter seems to signal a natural slowdown: industrial output grew by only 1% month-on-month (+3.8% in April, +7.4% in March), while the results of the Tankan survey in June showed a slight fall in business confidence for both large and small manufacturing companies.

The unemployment rate stood at 3.7% in June, up on May (3.5%), but unchanged compared with December. While it was slightly down compared with the previous month, inflation at 3.6% appreciated quite substantially again during the first half (1.6% in December) incorporating the impacts of the increase in VAT at the beginning of April.

The recovery in progress in the **euro area** is struggling to gain ground. Between January and March GDP increased by 0.2% compared to the previous period (+0.3% in the last quarter of 2013), the result of an increase in inventories and a modest contribution from consumption and investments, which more than offset the slowdown in the balance of trade due to an appreciable reduction in exports.

The cyclical and structural differences between countries is continuing to affect prospects for the euro area with an increase in the gap between those showing signs of recovery in domestic demand and those which are almost exclusively dependent on the international context.

With regard to the second quarter, in June the €-coin indicator calculated by the Bank of Italy – which provides an estimate of core trends for European GDP – was unchanged compared to May, in positive territory for ten months but down compared to the high reached in April.

In May the industrial production index recorded a month-on-month fall of 1.1% (+0.7% in April, -0.4% in March), caused by a general decrease for all the major economies in the area (-1.4% for Germany). On the other hand, the year-on-year figure has remained positive since the beginning of the year (+0.5% in May), although it is slowing (+1.4% in April).

In June, the unemployment stood at 11.5% – slightly down on 11.6% in April and May (11.8% in December) – still incorporating particularly critical situations in Greece (27.3% in April), Spain (24.5%) and Portugal (14.1%).

In that same month, inflation stood again at 0.5% (0.8% in December), more or less unchanged since March and still far from the ECB monetary policy targets (2%). The figure fell further to 0.4% in July. The core consumer price index, net of foodstuffs and energy products, stood at 0.8% slightly down compared to 1% in February and April (0.7% in December).

After an increase of 0.1% recorded in the fourth quarter of 2013, the quarter-on-quarter trend for **Italian** GDP stood again in negative territory in the first three months of 2014 (-0.1%), highlighting the continuing weakness of the economy, especially in industry and the services sector.

The first data for the second quarter shows no sign of a rapid reversal in the trend.

The trend for industrial production adjusted for seasonal factors continues to fluctuate. In May the index fell by 1.8% year-on-year – the worst result in 2014 – the aggregate result of decreases in almost all sectors including the "Fabrication of electrical equipment" (-6.5%), "Other manufacturing industries, repair and installation of machines and equipment" (-4.6%) and the "Electronics" sector (-3.9%). Only the following sectors recorded positive trends: "Mineral extraction" (+3.7%), "Fabrication of rubber articles and plastic materials" (+2.9%) and "Foodstuffs" (+0.2%).

In parallel with this, no signs of improvement emerged on the labour market: the unemployment rate in June was 12.3% (12.5% at the end of 2013), down compared with May (12.6%) but with an increasingly more critical level for the 15-24 age Group (43.7%).

Moreover the overall figure continues to be cushioned by the presence of state income benefits, which between January and June saw a slight reduction in year-on-year state lay-off and

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 $<sup>8\,</sup>$  Il dato esprime l'incidenza dei giovani disoccupati sul totale dei giovani occupati o in corso di occupazione.

redundancy benefits: 562.5 million hours authorised compared to 582.5 million hours a year before (-3.4%), the aggregate result of a fall in the ordinary components (-28.3%) and in exceptional benefits (-16.1%) and an increase in extraordinary benefits (+23.1%).

Inflation, measured by the harmonised consumer price index, fell to significantly low levels to reach 0.2% in June and zero in July (0.7% in December).

In the first five months of the year the balance of trade showed a surplus of  $\in 14.1$  billion ( $+\in 8.6$  billion in the same period of 2013), the result of a surplus on the balance for non-energy products, of which around two thirds relating to plant and equipment, which more than offset the deficit for energy products ( $-\in 19.1$  billion). The overall surplus, however, continues to reflect basically weak trade, with exports up over five months year-on-year by 1.3% and imports down by 2.5%.

As concerns public finances, negotiations are in progress at European level to obtain an extension, under the provisions of the Stability Pact, of the time available to achieve the medium-term objective of eliminating structural debt and reducing debt, with the implementation of important structural reforms<sup>9</sup>.

As at  $21^{st}$  July 2014, funding of  $\in$ 30.1 billion had been made available to debtor administrations, of which  $\in$ 26.1 billion had already been paid to creditors.

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**Share prices** benefited, although with varying performances, in the six months of the reporting period from a progressive improvement in conditions on financial markets, affected

The principal share indices in local currency

Jun-14 Dec-13 %change Sep-13 Jun-13 В С A/C Ε Ftse Mib (Milan) 21,283 21,692 18,968 12.2% 17,435 15,239 23,143 Ftse Italia All Share (Milan) 22,585 20,204 11.8% 18,480 16,250 Xetra Dax (Frankfurt) 9,833 9,556 Cac 40 (Paris) 4,423 4,392 4,296 3.0% 4,143 3,739 6,744 Ftse 100 (London) 6,598 6,749 -0.1% 6,462 6,215 1,960 1,848 1,872 6.1% 1,606 S&P 500 (New York) 1,682 DJ Industrial (New York) 16.827 16,458 16,577 1.5% 15.130 14,910 Nasdaq Composite (New York) 4.408 4.199 4.177 5.5% 3,771 3,403 Nikkei 225 (Tokyo) 15.162 14.828 16.291 -6.9% 14.456 13.677 Topix (Tokyo) 1,263 1,203 1,302 -3.0% 1.194 1,134 MSCI emerging markets 1.051 995 1.003 4.8% 987 940

Source: Thomson Financial Reuters

only temporarily by tensions in emerging countries.

As shown in the table, the best performances were recorded on Italian stock markets, up by approximately 12% compared December, to notwithstanding the reversal of the trend that started in June. After weak performance in the first quarter United States and

Japanese indexes – the latter still down on December – started to increase again in the months that followed.

The MSCI index – an indicator of performance by emerging country markets – also recorded a recovery in the second quarter as a consequence of signs that the main economies, and Asian economies in particular, were stabilising.

Moreover, in July European share prices were affected by new pressures, mainly in the financial sector, partly as a result of difficulties encountered by a Portuguese bank. However, good performance continued on Japanese and United States stock markets, the latter reaching new record highs.

In a context of a general improvement for assets under management the trend for the **mutual investment funds** sector was again particularly satisfactory in the first half as a result of positive net inflows of  $\in$ 41.9 billion consisting of  $\in$ 26.5 billion for foreign registered funds and  $\in$ 15.4 billion for Italian registered funds.

In terms of the type of fund, the performance was attributable mainly to flexible funds (+€24.2 billion) and bond funds (+€12.4 billion), while a more modest contribution was made by balanced products (+€3.5 billion), equity funds (+€3.5 billion) and hedge funds (+€1 billion). Monetary funds on the other hand fell (-€3 billion)<sup>10</sup>.

At the end of June assets under management had reached €620.4 billion, up by 11.4% compared with December 2013, with substantial changes in the percentage composition into flexible funds (up from 17.8% to 20.8%) and balanced funds (up from 5.3% to 6.1%) and out of monetary products (down from 5.2% to 3.7%), equity funds (down from 21.6% to 20.7%) and bond funds (down from 48.2% to 47.3%).

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<sup>9</sup> The Italian six-month presidency began on 1st July.

<sup>10</sup> Net inflows in the first half also included +€0.3 billion into "unclassified funds".

The effects of the long crisis continued to condition activities in the first months of 2014, during which the **banking sector** was affected by a weak trend for funding, a reflection also of the continuing decrease in loans, while growth in delinquent loans slowed only marginally.

On the basis of estimates published by the Italian Banking Association  $^{11}$ , at the end of June the year-on-year rate of change in *direct funding* (deposits of residents and bonds) remained negative by -0.9%, although it had improved compared to the low of -2.2% reached in February (-1.8% in December 2013). Within the item, the gap between funding from bonds (-8.3% compared with -9.8% at the end of 2013 $^{12}$ ) and other forms of funding, which increased (+2.4% compared with +2% $^{13}$ ), remained, despite a particularly negative year-on-year trend for repurchase agreements (-33.8% in May), and also for "term deposits with maturity up to two years" (-7.7% in May) $^{14}$ .

For *loans to private sector residents*, those same Italian Banking Association reports show a year-on-year decrease in June of 2.9% (-4.2% in December), which nevertheless benefited from the positive impact of a change in the statistics, due to a reorganisation of major banking groups, which affected loans to non-financial companies<sup>15</sup>.

In terms of borrowers, details for May published by the Bank of Italy<sup>16</sup> – which take account of loans not recognised in the balance sheets of banks because they are securitised and are net of changes in amounts not connected with transactions (e.g. changes due to fluctuations in foreign exchange rates, to impairment or to reclassifications) – continue in reality to reveal a persistent weakness (which is only lessening marginally) in the overall proportion lent to both households (-1% compared to -1.3% at the end of December) and to businesses (-4.7% compared to -5.2% in December).

The situation also remains critical from the viewpoint of risk, although with some signs of a slowdown. In May *non-performing loans to the private sector gross of impairment losses* <sup>17</sup> increased further – especially those to non-financial companies – to reach €168.2 billion, a rise of 24.2% year-on-year and of 8.1% since the beginning of 2014 (the increase recorded in 2013 was 24.8%). This stock consists of €47.5 billion relating to households (+12.1% year-on-year, +2.9% compared with December) and €119.5 billion to businesses (+29.7% year-on-year; +10.3% compared with December)<sup>18</sup>.

The ratio of gross non-performing private sector loans to private sector loans was therefore 10.35% (9.33% at the end of December).

*Net non-performing loans* amounting to €78.7 billion, were up 14.9% over twelve months (a significant slowdown compared to +23.5% recorded in 2013), but down by 1.6% compared to December, having benefited also from disposals.

In consideration of the trend for loans, at the end of May the *ratio of net non-performing loans to total loans* had nevertheless increased to 4.36% from 4.31% five months before.

Securities issued by residents in Italy held in the portfolios of Italian banks<sup>15</sup> stood at €856 billion, down both over twelve months (-€66.9 billion; -7.2%) and compared with December (-€37.3 billion; -4.2%).

The year-on-year performance is in reality the aggregate result of opposing trends. Investments in Italian government securities, amounting to  $\[ \]$ 402.9 billion, remained largely unchanged (+ $\[ \]$ 7.7 billion over twelve months, but + $\[ \]$ 15.4 billion since the beginning of the year). Within the item medium to long-term purchases (CCTs and BTPs; + $\[ \]$ 39.2 billion, of which + $\[ \]$ 33.4 billion since the beginning of the year) compensated for the decrease in the short-term maturity categories (BOTs and CTZs; - $\[ \]$ 31.4 billion, of which - $\[ \]$ 18.1 billion since

<sup>11</sup> Italian Banking Association, Monthly Outlook, Economia e Mercati Finanziari-Creditizi, July 2014.

<sup>12</sup> The changes were calculated by excluding the portion included within the investments in the securities portfolio from bond funding.

<sup>13</sup> The changes were calculated by excluding amounts relating to the disposal of loans and transactions with central counterparties from deposits.

<sup>14</sup> The slowdown in this last item mainly reflects lower yields compared to other types of investment, the result of repricing policies pursued by the banking sector which in view of the easing of pressures on funding gave preference to indirect funding through the sale of financial instruments to households.

<sup>15</sup> The trend for loans could also have been affected in recent months by greater caution in making grants by banks in expectation of the conclusion of the asset quality review (AQR) and stress tests for banks.

<sup>16</sup> Press release: "The main items on banks' balance sheets", 8th July 2014.

<sup>17</sup> Supplement to the Statistics Bulletin Moneta e Banche, July 2014.

<sup>18</sup> Outstanding non-performing loans were also affected by statistical change in January 2014 due to company ownership transactions carried out by some banking groups. These transactions are largely responsible for the changes compared to previous months.

the beginning of the year).

"Other certificates" on the other hand, amounting to  $\[ \le 453.1 \]$  billion, recorded a significant decrease (- $\[ \le 74.6 \]$  billion;-14.1%), which has become greater since the beginning of the year (- $\[ \le 52.8 \]$  billion; -10.4%), mainly attributable to bonds issued by banks (- $\[ \le 62.4 \]$  billion; -16.8%), which fell as a percentage to  $\[ \le 68.1\% \]$ .

The average interest rate on bank funding from customers in June calculated by the Italian Banking Association <sup>19</sup> (which includes the yield on deposits, bonds and repurchase agreements for households and non-financial companies) was 1.71% (1.88% at the end of 2013). The average weighted interest rate on lending to households and non-financial companies on the other hand was 3.86% (3.82% in December 2013).

The constant recommendations by supervisory authorities to take action to strengthen capital, together with pressures from markets to maintain capital levels higher than the minimum required by regulations even in the case of full and earlier application of them (full impact) and the growing uncertainties over the results of the "comprehensive assessment" exercise by the ECB have persuaded many banks to go to the market to increase their capital. In the first half of the year nine of the 15 major Italian banking groups increased their capital to acquire  $\[mathebox{\ensuremath{\in}} 10.7$  billion by July on conclusion of the operations.

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 $<sup>19 \</sup> Italian \ Banking \ Association, \ Monthly \ Outlook, \ \textit{Economia e Mercati Finanziari-Creditizi}, \ July \ 2014.$ 

# Significant events in the first half of 2014

# Amendments to the articles of association and the new governance of UBI Banca

As already disclosed in previous reports, on 13th February 2014, following the issue of the authorisation by the Bank of Italy, pursuant to article 46 of the Articles of Association the Supervisory Board resolved to add to article 8 *ex lege* and to amend article 15 of the Articles of Association in order to implement provisions concerning acceptance as a registered shareholder and loss of that status contained in article 30, paragraph 5-*bis* of the Consolidated Banking Act¹ (a paragraph introduced by Decree Law No. 179 of 18th October 2012 and converted, with amendments, by Law No. 221 of 17th December 2012).

The minimum number of 250 shares set in the articles of association of the then BPU Banca in 2005 was maintained. Paragraph 2 of article 8 of the Articles of Association has therefore been added to as follows: "For the purposes of acceptance as a registered shareholder, certificates testifying to the ownership of at least 250 shares must be presented, while should they no longer be held, this shall result in the loss of registered shareholder status in accordance with the law". Article 15 of the articles of association has been amended for consistency with the elimination of paragraph 4.

In consideration of the mutual spirit of the Bank as a co-operative and its broad shareholder base, it was decided to introduce a transition period until 19<sup>th</sup> April 2014 in order to allow holders of fewer shares than the minimum set in article 8 to increase the number of shares held and maintain their registered shareholder status.

As reported in a press release of 24<sup>th</sup> April 2014, only 3,419 of the 23,972 shareholders who did not possess the minimum number required to maintain their Registered Shareholder status increased the minimum number held within the time limit set. Consequently, the Management Board was obliged to acknowledge the loss of registered status by 20,553 shareholders.

On the following 10<sup>th</sup> May 2014, an extraordinary shareholders' meeting approved the new draft text of the articles of association submitted by the Supervisory Board on 19<sup>th</sup> December 2013 and authorised by the Bank of Italy on 13<sup>th</sup> March 2014.

The amendments approved form part of a unified and organic project. This takes account of regulatory developments, recommendations made several times by the Bank of Italy and market trends and leads the corporate ownership of UBI Banca in the direction of an "integrated popular bank", still based on the principle of a per capita vote, but able to facilitate a balanced representation of all members of the registered shareholder base in the corporate bodies of the Bank.

The key points of the new governance are as follows:

- a) the introduction of the principle of equal dignity (article 1) designed to maintain the balance between the roots and histories of the two companies which merged to form UBI Banca, with the elimination of the reference to an equal partnership.
- b) a reduction in the number of members of the Supervisory Board from 23 to 17 (article 44), with effect from the next renewal of the Board and a reduction in the maximum number of members of the Management Board from 11 to 9 (article 30), with the presence of senior managers of the Bank on that Board (this is already the situation for the Management Board currently in office);
- c) an increase in the requirements of professionalism for members of governing bodies with

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<sup>1</sup> The paragraph cited states that, "In order to facilitate the capitalisation of the company, the articles of association may subject acceptance of a registered shareholder, not only to subjective requirements, but also to possession of a minimum number of shares, which if no longer held results in loss of the status thereby acquired".

respect to those set by the legislation and regulations in force and also of age limits for appointment to those positions. As concerns the Supervisory Board, a provision was made that the majority of the members should be in possession of the requirements of independence set forth in the Corporate Governance Code recommended by Borsa Italia and a limit to the maximum number of terms of office was set for the senior management appointments to that Board;

- d) the concept of an "integrated popular bank", which means maintaining the per capita voting principle in the selection of the two majority and minority lists for the election of the Supervisory Board, but nevertheless accompanied by a premium mechanism for the appointment of Board Members, which takes account of the total capital held by the registered shareholders who have voted for each list, if it exceeds 10% of the share capital (article 45). This approach allows the different interests of the Group's stakeholders to converge in an integrated manner;
- e) the amendment, from the same viewpoint, of the criteria for submitting lists for the election of members of the Supervisory Board which may be done (i) by at least 500 shareholders who represent at least 0.50% of share capital (ii) by the outgoing Supervisory Board supported by at least 500 shareholders representing at least 0.50% of the share capital (iii) by collective investment undertakings (UCITS) who together are holders of at least 1% of the share capital and have the right to participate and vote in shareholders' meetings called to elect the Supervisory Board (article 45);
- f) the introduction of a videoconference in shareholders' meetings (article 24) and an increase in the number of proxies to five for each registered shareholder (article 26) in order to encourage participation in shareholders' meetings.

The new text of the articles of association also introduced a threshold of 3% of the share capital for stakes which may be held by banking foundations (article 18) – in observance of the right introduced by Art. 30, paragraph 2 *bis* of the Consolidated Finance Act – and set out some provisions more clearly.

In order to implement the amendment to article 1 of the articles of association, on 14<sup>th</sup> July 2014 the Supervisory Board approved a revision of the regulations for the Appointments Committee formed internally to it and updated the text in compliance with the new provisions of the articles of association.

The new regulations were published in a special section of the UBI Banca corporate website.

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It must also be considered that as part of the powers assigned to it by the Consolidated Banking Act, the Bank of Italy issued supervisory provisions concerning the corporate governance of banks in order to implement those parts of CRD IV relating to the corporate governance of banks (Circular No. 285 of December 2013, first update of  $6^{th}$  May 2014).

The new provisions add to public disclosure obligations in order to allow the market to carefully assess the governance decisions made by banks and they also provide an appropriate transition regime<sup>2</sup> for compliance by the banking sector.

UBI Banca is examining the new provisions in order to proceed with any further necessary compliance action within the time limits set.

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<sup>2</sup> The period allowed for compliance extends at the latest to the date of the approval of the 2014 Annual Report and, as an exception to that for specific provisions, until 30th June 2017.

# The process of convergence towards Single European Supervision

In October 2013 the European Central Bank (ECB) announced the start of "Comprehensive Assessment" activities in accordance with the regulations for the Single Supervisory Mechanism which came into force in November 2013. This assessment is an important step towards the implementation of single supervision and, more generally, towards greater transparency in banks' balance sheets and consistency in supervisory practices in Europe.

The exercise lasts 12 months and is carried out in co-operation with the competent national authorities (CNA's) of the member states participating in the single supervisory mechanism and is supported at all levels at the ECB and the NCA's by independent third parties.

The goals of the comprehensive assessment are threefold:

- transparency (enhancing the quality of information available on the condition of banks);
- repair (identifying and implementing any necessary corrective actions);
- *confidence building* (assuring all stakeholders that banks are fundamentally sound and trustworthy); and it will take place in three main stages:
- 1) a supervisory risk assessment, in order to evaluate fundamental risk factors in quantitative and qualitative terms, including liquidity, leverage and funding factors;
- 2) an asset quality review to enhance the transparency of bank exposures by reviewing the quality of banks' assets, including the adequacy of asset and collateral valuation and related provisions;
- 3) a stress test to examine the resilience of banks' balance sheets to stress scenarios.

These three items are closely interconnected. The assessment will be carried out using a capital benchmark of 8% for the Common Equity Tier 1 for the baseline scenario and 5.5% for the stress scenario.

As part of the comprehensive assessment, in compliance with the provisions of the ECB decision of 4th February 2014 (ECB/2014/3), on 10th March 2014 the Bank of Italy commenced assessments of the UBI Banca Group for the purposes of the asset quality review.

In relation to the above, the Group worked hard in the second quarter of the year to carry out all the complex activities related to the asset quality review and the stress test.

At the date of this report, the relative activities of the Bank, conducted on the basis of the ECB manual, had been concluded and the stage involving verification and consolidation of the data submitted is in progress.

On 14<sup>th</sup> July 2014, the ECB published a methodological note on the continuation of the exercise, stating that disclosure of the results will take place in the second half of October 2014 on the basis of standard templates (attached to the Communication of 14<sup>th</sup> July) both in individual and aggregate form. Banks facing a capital shortfall with respect to the parameters of the assessment will be requested to submit capital plans within a period of two weeks following publication of the data.

Join up activity between banks and supervisory authorities designed to consolidate the impacts will intensify in September, although a full and detailed report will not be issued until the middle of October when the results are published.

On the basis of the best estimates possible today, the UBI banca Group's solid capital base should be adequate to withstand the results of the rigorous comprehensive assessment exercise.

## The branch network: further rationalisation action

After the marginal action taken on the branch network in 2013 and illustrated in the annual report, on 10<sup>th</sup> January 2014 the Group officially announced its intention to trade union organisations to proceed to a new series of actions on the distribution network. These are actions taken mainly due to the need to further rationalise physical presence in local areas with limited margins for growth and reduced profitability, but which at the same time will reinforce those branches with best growth prospects as well as adjacent branches, also on the basis of customer migration. The relative agreement was signed on 6<sup>th</sup> March 2014.

The rationalisation – implemented with effect from 14th April 2014 – involved all Group banks, except for Banca di Valle Camonica, and was accompanied by a partial change in the types of the branches concerned.

In detail the initiative involved the following:

- the closure of 16 branches, 38 mini-branches<sup>3</sup> and one treasury branch;
- the transformation of 32 branches into mini-branches and seven mini-branches into branches;
- a change of parent reporting branch for five mini-branches;
- the internal redefinition of the type of some of the Banco di Brescia and Banca Carime branches.

Details of the closures and of other marginal actions undertaken on the distribution network are given in the next section "the distribution network and market positioning" which may be consulted.

The agreement with trade union organisations also involved, with regard to Banca Carime, the centralisation of the General Management Staff Support Service located at Cosenza at the Central Headquarters in Bari. This centralisation was concluded during the course of the first half.

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<sup>3</sup> The closure of four BRE mini-branches took place with effect from  $1^{\rm st}$  July 2014.

# New Supervisory Provisions on the "System of internal controls, the reporting system and operational continuity"

As already reported in the last Annual Report, on  $2^{nd}$  July 2013 the Bank of Italy issued new provisions on the "System of internal controls, the reporting system and operational continuity" (Prudential supervision of banks – Circular No. 263 of  $27^{th}$  December 2006 –  $15^{th}$  update) with effect from  $1^{st}$  July 2014.

These provisions introduced important changes to the regulatory framework in order to furnish banks with a complete, adequate, functional and reliable system of internal controls, by regulating, amongst other things, the following: the role of corporate bodies within the internal control system; the role of corporate control functions, the outsourcing of corporate functions, the IT system and operational continuity.

The results of gap analysis carried out and the compliance actions identified are illustrated in the self-assessment report submitted to the supervisory authority in January 2014. These actions are being implemented in the second stage of the project, which was started in February 2014 and is still in progress.

The required regulatory compliance actions were carried out before the deadline set (1st July 2014), with particular reference to the following:

- internal control system regulates guidelines, roles, duties and responsibilities of the corporate bodies and control functions of the Parent and its subsidiaries and also the relative co-ordination procedures;
- outsourcing of corporate functions regulations for decision-making processes, controls and the relative lines of reporting, as well as the main roles and responsibilities of the persons involved;
- risk appetite framework (RAF) definition of the main roles and responsibilities assigned to the units involved in activities to define, implement and monitor the RAF; RAF training processes and approval and the main reporting lines between the Group units involved;
- compliance, risk control and internal audit update and establishment of the main roles and responsibilities, the processes and the relative lines of reporting of these functions;
- operational continuity update of the Operational Continuity Programme in compliance with the new provisions.

The "Report on corporate governance and the ownership structure of UBI Banca Scpa" attached to the 2013 Annual Report may be consulted for a description of the internal control system in terms of architecture, rules and organisational units.

### Changes to the organisational structure of UBI Banca

In compliance with the above-mentioned supervisory provisions, in meetings held on 24th June and 1st July 2014, the Management Board and the Supervisory Board respectively approved, each within the scope of their responsibilities, a series of changes to the organisational structure of the Parent.

In detail, with effect from 14th July 2014:

- 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.

## Operations to strengthen the capital of investees

Operations to increase share capital were approved during the first half designed, amongst other things, to ensure compliance with prudential limits set by the Supervisory Board within the Risk Appetite Framework:

- IW Bank Spa: on 7<sup>th</sup> May 2014 this bank's Board of Directors approved an increase in the share capital up to a maximum of €12 million, authorised by the Bank of Italy with a provision issued on 28<sup>th</sup> July 2014, which will be submitted to a forthcoming Extraordinary Shareholders' Meeting.
  - This increase to be drawn from the "reserve for future capital increases" of approximately €60.2 million, generated in 2011 by a payment made by UBI Banca to meet a situation of particular volatility on markets, which had had a negative impact on this bank's equity due to the fall in the value of its proprietary securities portfolio became advisable because the aforementioned "reserve" is only included in equity for statutory accounting purposes and not for regulatory purposes.

In consideration of the policy set by the Management Board of UBI Banca on 11<sup>th</sup> March 2014 (which following the increase in capital was repaid by the remaining amount of the payment mentioned) and in view of the recovery in prices which progressively reduced the negative reserve for government securities to zero, together with the increase in equity resulting from retained earnings in the years 2011-2013 (€16.7 million), IW Bank resolved to proceed as follows:

- to eliminate the nominal value of shares outstanding (in application of article 2346, paragraph 3 of the Italian Civil Code), while the characteristics and entitlement on the outstanding shares remain unchanged;
- to cancel the 831,168 treasury shares held in portfolio, with a consequent redetermination of the total shares to number 72,788,012.
  - The cancellation took place at the same time as the share capital was reduced (unchanged at the current amount of epsilon 18,404,795) and therefore resulted in an increase in the value of each share as a percentage of the share capital;
- an increase in the share capital, in a single issue, offered as an option to UBI Banca in accordance with article 2441 of the Italian civil code 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);
- to be carried out by drawing on the "reserve for future capital increases", created following a payment for a total of €60,179,000 made by the Parent in September 2011 for the corresponding amount of €11,999,994. After the capital increase that reserve will amount to €48,179,006 and a proposal will be submitted to an Ordinary Shareholders' Meeting to repay that sum to UBI Banca;
- the operation is expected to be concluded by the end of the year.
- Banca di Valle Camonica Spa: on 6<sup>th</sup> May 2014 the Board of Directors approved a proposal to increase the share capital by a maximum of €30 million to be submitted to an Extraordinary Shareholders' Meeting.
  - -With account taken of presence of non-controlling shareholders in the shareholder base of Banca di Valle Camonica, this operation, authorised by the Bank of Italy with a provision issued on 28<sup>th</sup> July 2010, will be carried out with the issue of a maximum of 438,190 new shares with a nominal value of one euro each and normal dividend entitlement, to be offered as an option to shareholders, with four new shares offered for every 25 old shares held, at a price of €68 each with an increase in the final capital by €29,796,920. Since the competent bodies of the Parent have already approved the exercise of its option right and also pre-emption rights on options not taken up, the increase in the capital should be fully subscribed, with an increase in the share capital from €2,738,693 to €3,176,883. It is expected that the operation will be concluded by the end of the year.

## The strategic partnership with the Aviva Group

On 16<sup>th</sup> April 2014, UBI Banca signed a series of agreements with the Aviva Group to totally redefine the existing joint venture in the sector of the distribution of life insurance products. On the basis of the agreements reached, the parties have agreed the following:

- 1. from a commercial viewpoint:
  - the extension until 31st December 2020 of the duration of the existing commercial distribution agreements in force (expiring in 2015), effective for the current distribution perimeter of companies, with a broader range of life and investment products;
  - the acquisition by UBI Pramerica SGR of the management of Aviva Vita Spa's technical reserves, amounting to approximately €3 billion;
- 2. from a company ownership viewpoint:
  - the simplification of the share ownership structure for the two joint ventures Aviva Vita Spa and Aviva Assicurazioni Vita Spa.
    - As a consequence of the agreements mentioned, UBI Banca will sell 30% of the two joint ventures (50% held in Aviva Vita and 49.99% held in Aviva Assicurazioini Vita) to Aviva, remaining with approximately 20% of the share capital of each one and thereby realising a gain at consolidated level of approximately €57 million net;
  - the repurchase by UBI Banca of all the stakes held by the companies controlled by Aviva Holding Italia Spa in Banca Popolare Commercio e Industria, Banca Popolare di Ancona and Banca Carime. The price of this repurchase will be €327 million, in line with the fair value of the subsidiaries.
    - The reduction in these non-controlling interests will have a limited impact on capital ratios for the Group, estimated at approximately 20 basis points on the Common Equity Tier 1 ratio when fully loaded.
    - Following the repurchase, the Group will hold 83.8% of BPCI, 99.5% of BPA and 100% of Carime.

It is estimated that the necessary legal authorisations will be obtained by the end of 2014.

Furthermore, UBI Pramerica SGR has been given a mandate from the beginning of May to manage the investments of Aviva Vita's technical reserves, which amount to approximately €3 billion.

# The distribution network and positioning

# The branch network of the Group

The branch network of the UBI Banca Group as at 30<sup>th</sup> June 2014 consisted of 1,679 branches, of which 1,673 operating in Italy, a decrease of 52 compared with the end of 2013. At the date of this report, branch numbers had fallen to 1,676, of which 1,670 in Italy.

The branch network of the UBI Banca Group in Italy and abroad

	30.6.2014	31.12.2013	Change
number of branches	30.0.2014	31.12.2013	Onlange
UBI Banca Scpa	4	4	-
Banca Popolare di Bergamo Spa	353	357	-4
Banco di Brescia Spa	316	322	-6
Banca Popolare Commercio e Industria Spa (1)	212	219	-7
Banca Regionale Europea Spa (2)	247	259	-12
Banca Popolare di Ancona Spa	213	219	-6
Banca Carime Spa	242	255	-13
Banca di Valle Camonica Spa	66	66	-
UBI Banca Private Investment Spa	21	25	-4
IW Bank Spa	2	2	-
UBI Banca International Sa - Luxembourg	3	3	-
TOTAL	1,679	1,731	-52
Total Branches in Italy	1,673	1,725	-52
Financial advisors	686	671	15
ATMs	2,282	2,327	-45
POS Terminals	61,209	59,594	1,615

The change compared with December is attributable almost entirely to the additional action taken to rationalise the distribution network carried out during the first half which, with effect from 14<sup>th</sup> April 2014, has resulted in the closure of 16 branches and 34 mini-branches <sup>1</sup>, together with the transformation of 32 branches into mini branches and seven mini-branches into branches.

In addition to the action taken mentioned above, a Banca Popolare Commercio e Industria mini-branch closed in Milan in January, located at RCS in Via Rizzoli, a Banca Popolare di Bergamo mini-branch closed at Concorrezzo (Monza Brianza) located at Linkra in April and a BPB treasury branch at Erve (Lecco) was transformed into a mini branch in July.

<sup>(1)</sup> The figures do not include nine units dedicated exclusively to pawn credit.

<sup>(2)</sup> The figures include three foreign branches.

<sup>1</sup> Details of the closures carried out with effect from  $14^{\rm th}$  April, 2014 are as follows:

<sup>-</sup> BANCA POPOLARE DI BERGAMO: Lecco in Piazza Manzoni; Gallarate in Piazzale Europa and Saronno (Varese) in Via Roma;

<sup>-</sup> BANCO DI BRESCIA: Brescia in Via Cyprus; Toscolano Maderno (Brescia) in the Maderno District; Milan in Via Monti and Via Morgagni; Rome in Via Appio Claudio; Quinto di Treviso (Treviso);

<sup>-</sup> BANCA POPOLARE COMMERCIO E INDUSTRIA: Milan in Via Dolci, Via Pergolesi, Largo Zandonai and Viale Monza; Garbagnate Milanese (Milan) in Via Milano; Vigevano (Pavia) in Via Decembrio;

<sup>-</sup> BANCA REGIONALE EUROPEA: Alba in Corso Cavour, Frabosa Sottana in Frazione Prato Nevoso, Lesegno, Montanera, Pagno, Pradleves (Cuneo); Turin in Corso Regina Margherita; Airasca, Moncalieri in Corso Savona, Rondissone (Turin); Genoa in Via Gramsci and Via Marina di Robilant; on 1st July four other mini branches also ceased operations located at Neviglio, Rifreddo, Rodello and Verduno (Cuneo);

<sup>-</sup> BANCA POPOLARE DI ANCONA: Falconara Marittima (Ancona) in Frazione Palombina Vecchia; Grottammare (Ascoli Piceno); Macerata in Frazione Piediripa; Montelabbate (Pesaro-Urbino) in Frazione Osteria Nuova; Rome in Piazza Mignanelli; Lanuvio (Rome);

<sup>-</sup> BANCA CARIME: Cosenza in Via dei Mille; Aiello Calabro, Altomonte and Saracena (Cosenza); Brancaleone and San Ferdinando (Reggio Calabria); San Mauro Forte (Matera); Latronico, Muro Lucano and Rivello (Potenza); Bari in Via Lembo; Molfetta in Corso Fornari (Bari); Lecce in Via Gabriele D'Annunzio;

<sup>-</sup> UBI BANCA PRIVATE INVESTMENT: Genoa in Via Roma; Latina; San Giovanni Valdarno (Arezzo); Terni.

#### Action undertaken on branches in the first seven months of 2014

	Transformation of	Ciosules.		Transformation of branches into mini-	Transformation of mini-branches into
	treasury branches into mini-branches	branches	mini-branches	branches	branches
Banca Popolare di Bergamo Spa	1	1	3	-	-
Banco di Brescia Spa	-	3	3	8	-
Banca Popolare Commercio e Industria Spa	-	4	3	3	-
Banca Regionale Europea Spa	-	3	13	9	-
Banca Popolare di Ancona Spa	-	1	5	12	-
Banca Carime Spa	-	-	13	-	7
UBI Banca Private Investment Spa	-	4	-	-	-
T	OTAL 1	16	40	32	7

The Italian network is supplemented by the UBI Banca "Private & Corporate Unity" (PCU - private and corporate banking) units, which at Private & Corporate Banking Units

the end of the first half operated throughout Italy with 130 centres (49 PCUs and 81 "corners"), down by one unit compared with December.

More specifically in January a BPB PCU was closed in Varese and a new Banca Carime "corner" opened for business in Catanzaro, while in May a BPB corner closed down at Vimercate (Monza Brianza).

Finally, market coverage continued to be further guaranteed by a network of 686 financial advisors reporting to the Financial Advisory Area of UBI Banca Private Investment.

		1
	30.6.2014	31.12.2013
Private & Corporate Banking Units	130	131
Private & Corporate Banking Units (PCUs) (*)	49	50
Banca Popolare di Bergamo	12	13
Banco di Brescia	9	9
Banca Popolare Commercio e Industria	7	7
Banca Regionale Europea	7	7
Banca Carime	5	5
Banca Popolare di Ancona	7	7
Banca di Valle Camonica	2	2
"Corners"	81	81
Banca Popolare di Bergamo	25	26
Banco di Brescia	12	12
Banca Popolare Commercio e Industria	9	9
Banca Regionale Europea	4	4
Banca Carime	7	6
Banca Popolare di Ancona	22	22
		***************************************

(\*) The figure does not include 6 units of UBIBanca Private Investment for use by individual customers only and three UBIBanca units operating since six May 2013 and also for individual customers only.

Banca di Valle Camonica

# The international presence

At the date of this report, the international presence of the UBI Banca Group was structured as follows:

- one foreign bank, UBI Banca International Sa (with headquarters in Luxembourg and branches in Munich and Madrid);
- three foreign branches of Banca Regionale Europea in France (at Nice, Menton and Antibes);
- representative offices in Sao Paolo in Brazil, Mumbai, Shanghai, Hong Kong and Moscow;
- investments (mainly controlling interests) in three foreign companies: UBI Trustee Sa, UBI Management Co. Sa and Zhong Ou Asset Management Co. Ltd;
- a branch of UBI Factor Spa in Krakow in Poland;
- 31 commercial co-operation agreements with foreign banks (covering approximately 50 countries) in addition to two "trade facilitation" agreements with the European Bank for Reconstruction and Development (EBRD) and with the International Financial Corporation (IFC) and also a "product partnership" in the Middle East and in Asia to guarantee effective assistance on all the principal markets in those areas for corporate clients<sup>2</sup>.

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<sup>2</sup> Two new agreements were signed in the first half of 2014, the first with Scotiabank Inverlat Sa Mexico, valid for Mexico, in order to direct customers of the UBI Banca Group to this correspondent and the second with the Milan branch of Bank of China Limited to support Chinese customers operating in Italy.

#### Remote channels

With the continued difficulty of the economic environment, the continuous technological development and improvement of direct channels is becoming an increasingly more important strategic tool for the acquisition of new customers and the management of relationships with the existing customer base. At the same time it lowers operating costs and ensures appropriate management of product and process innovation.

Channels available to customers on the integrated platform of the UBI Banca Group include the following:

- the QUI UBI internet banking service which also includes "Business" versions for "Small Business" and "Corporate" customers who operate using facilities made available by the Corporate Banking Interbank (CBI) service;
- the Customer Service, contactable on a toll free number even outside normal branch opening times, is for customer relationship and consultation activities with customers less likely to use the internet or who do not have a connection;
- the Mobile Banking service for access to the main internet banking functions using devices such as smart phones, BlackBerry and tablets;
- a network consisting of approximately 2,300 self service facilities (ATMs and kiosks), including over 300 able to receive payments in cash and cheques using a "Bancomat" debit card or free-of-charge VersaQuick card (evolved ATMs).

Users of the QUI UBI service increased by a total of over 7.4% to 1.31 million in the first six months of 2014 (1.22 million in December 2013). Growth continues to be driven by the performance of home banking (+7.7% to approximately 1.02 million users) and also by the QUI UBI Business service, users of which exceeded 156 thousand at the end of June (+16.6%). Mobile Banking, on the other hand, continued to record significant progress both in the number of average monthly accesses to the optimised site (+43.9%) and in the number of app downloads (+22.1%).

The popularity with customers was also confirmed by the results for use in the first half:

- +25.4% for credit transfers, payments and reloads compared with the same period in 2013, for a total of 5.8 million transactions;
- approximately 58% of securities trades on regulated markets were performed via internet;
- one fourth of payments into accounts in cash and cheques are now constantly carried out using evolved ATMs;

The results for the online sales platform launched in November 2011 continue to be encouraging. Applications completed online between January and June increased by 12.4% and the products sold by 13%.

## Payment cards

While the market context is difficult with a strong reduction in consumption, the payment card area is also continuing to seek the most up-to-date technological solutions with targeted initiatives designed to consolidate customer relationships and increase the customer base.

The range of cards and payment tools currently offered by the Group satisfies the requirements of all types of user, both individual and business. Similarly, the range of devices that allow card payments to be accepted (POS terminals) is complete and meets the highest technological standards.

#### In detail:

- individual customers can choose between debit cards, flexible credit cards (i.e. with the choice between either repayment of the balance or in instalments) and revolving and prepaid cards (which also come with an IBAN);
- business customers, on the other hand, are offered business and corporate cards which
  vary according to the credit limit and the services as well as a complete range of
  technologically advanced payment acceptance systems (which include both physical and
  virtual POS terminals).

At the end of June a total of 702 thousand credit cards existed issued by UBI Banca (Libra and Kalìa cards) and the CartaSi card, slightly down compared with December (-0.6%). In terms of use the data available for the first five months of 2014 nevertheless shows an increase of 3.1% compared with the same period in the previous year.

Successful performance was recorded by prepaid cards on the other hand, with the total issued reaching 382 thousand at the end of June, an increase of approximately 13% in the first half. The growth continued to benefit from the trend for the Enjoy card – the prepaid card with an associated IBAN (+12.3% to approximately 244 thousand cards) – while positive results were also achieved by Like, the new prepaid card sold both in branches and by remote selling, available since November 2013. Approximately 46 thousand cards had been issued as of 30th June, which confirmed the results of a study carried out by OF (Osservatorio finanziario – financial observatory) which selected it as the best prepaid card for 2014, due above all to the numerous additional and innovative services offered with it<sup>3</sup>.

The success of prepaid cards is reflected in their use, up in the first six months of the year by 26.8% compared with the same period of the previous year.

Debit cards issued by the Group numbered approximately €1.54 million, an increase of 3.1% compared with December. The overall trend for card use was also positive with an average year-on-year increase over the first five months of the year of 2.5% for the Bancomat network.

At the end of June 2014 the number of POS terminals installed by the UBI Banca Group had passed the 61 thousand mark, a significant increase compared with December, partly due to the impact of the entry into force of a law on the traceability of payments<sup>4</sup>.

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<sup>3</sup> With a unique and distinctive graphic design, the Like card is issued by the network banks on the MasterCard network and is equipped with a microchip and MasterCard's PayPass contactless technology. It also has MasterCard's SecureCode security service (3-D Secure technology) enabled by default. Also the Like card requires compulsory subscription to QUI UBI and is equipped with an IBAN allowing cardholders to receive transfers from their own or other accounts. Details of movements can be sent either by email notifications at the time a card is used or by means of weekly or monthly statements. It also has a "box" function which can be used to limit either in part or totally the amount that can be spent with a card either by a simple telephone call or through QUI UBI.

<sup>4</sup> The obligation for businesses and professionals to accept payments of amounts greater than €30 by payment card or in any case by traceable means, as well as in cash, was postponed from 1st January to 30th June 2014 by Decree Law, No. 150 of 2013.

# The positioning of the Group

The table summarises the market positioning of the UBI Group in terms of branches at both national and regional level and in provinces where Group banks have a more significant presence.

The figures are based on the latest available data from the Bank of Italy relating to  $31^{\rm st}$  March 2014.

The update shows basic stability compared with the situation at the end of 2013. National market share grew slightly to 5.5%, but did not yet incorporate the impacts of the rationalisation action taken with effect from 14th April 2014.

At the end of the first half percentages of greater than 10% were again recorded in 15 Italian provinces, together with a substantial presence in Milan (over 9%) and Rome (over 4%).

#### UBI Banca Group: market shares<sup>(\*)</sup>

	31.3.2014	31.12.2013		
	Branches	Branches		
North Italy	6.3%	6.3%		
Lombardy	13.1%	13.1%		
Prov. of Bergamo	22.2%	22.1%		
Prov. of Brescia	22.6%	22.5%		
Prov. of Como	6.3%	6.3%		
Prov. of Lecco	6.1%	6.1%		
Prov. of Mantua	5.4%	5.3%		
Prov. of Milan	9.3%	9.3%		
Prov. of Monza Brianza	8.5%	8.4%		
Prov. of Pavia	15.0%	15.0%		
Prov. of Sondrio	8.2%	8.1%		
Prov. of Varese	23.6%	23.4%		
Piedmont	8.0%	8.0%		
Prov. of Alessandria	10.8%	10.7%		
Prov. of Cuneo	24.1%	24.0%		
Prov. of Novara	3.4%	3.4%		
Liguria	5.5%	5.5%		
Prov. of Genoa	4.7%	4.6%		
Prov. of Imperia	5.3%	5.3%		
Prov. of La Spezia	8.7%	8.6%		
Prov. of Savona	5.7%	5.6%		
Central Italy	3.3%	3.4%		
Marches	7.6%	7.5%		
Prov. of Ancona	9.7%	9.7%		
Prov. of Fermo	10.7%	10.7%		
Prov. of Macerata	8.3%	8.3%		
Prov. of Pesaro and Urbino	5.1%	5.1%		
Latium	4.3%	4.3%		
Prov. of Rome	4.1%	4.1%		
Prov. of Viterbo	13.9%	13.9%		
South Italy	7.8%	7.7%		
Campania Prov. of Naples	<b>5.4%</b> 4.7%	<b>5.4</b> % 4.7%		
Prov. of Caserta	9.0%	4.7% 8.9%		
Prov. of Salerno	6.8%	6.7%		
Calabria	20.5%	20.5%		
Prov. of Catanzaro	12.1%	12.0%		
Prov. of Cosenza Prov. of Crotone	24.5%	24.6%		
	14.7% 21.6%	14.7% 21.4%		
Prov. of Reggio Calabria				
Prov. of Vibo Valentia	25.0%	25.0%		
Basilicata	13.2%	13.1%		
Prov. of Potenza	13.0%	13.0%		
Prov. of Matera	13.5%	13.3%		
Apulia	7.8%	7.8%		
Prov. of Bari	9.9%	9.9%		
Prov. of Brindisi	9.6%	9.6%		
Prov. of Barletta Andria Trani	7.7%	7.7%		
Prov. of Taranto	8.6%	8.5%		
Total Italy	5.5%	5.4%		

<sup>(\*)</sup> Source Bank of Italy: Statistics Bulletin

# **Human resources**

# The composition of Group staff and changes in the first half

#### **Group staff**

	Employees actually in service				Employees on the payroll			
	30.6.2014	31.12.2013	Changes	30.6.2013	30.6.2014	31.12.2013	Changes	
Number	Α	В	A-B	С	D	Е	D-E	
Banca Popolare di Bergamo Spa	3,713	3,662	51	3,632	3,766	3,711	55	
Banco di Brescia Spa	2,565	2,564	1	2,522	2,567	2,555	12	
Banca Carime Spa	1,946	1,960	-14	1,980	2,099	2,109	-10	
Banca Regionale Europea Spa	1,781	1,792	-11	1,809	1,869	1,874	-5	
Banca Popolare Commercio e Industria Spa	1,617	1,626	-9	1,629	1,795	1,794	1	
Banca Popolare di Ancona Spa	1,609	1,606	3	1,628	1,688	1,685	3	
UBI Banca Scpa	1,653	1,588	65	1,621	2,478	2,171	307	
Banca di Valle Camonica Spa	354	351	3	348	338	335	3	
IW Bank Spa	206	208	-2	197	202	204	-2	
UBI Banca Private Investment Spa	144	150	-6	156	126	135	-9	
UBI Banca International Sa	101	100	1	103	96	95	1	
TOTAL FOR BANKS	15,689	15,607	82	15,625	17,024	16,668	356	
UBI Sistemi e Servizi SCpA	1,973	1,961	12	1,990	816	1,111	-295	
UBI Leasing Spa	222	234	-12	236	213	219	-6	
Prestitalia Spa	153	176	-23	170	73	74	-1	
UBI Pramerica SGR Spa	150	144	6	145	118	115	3	
UBI Factor Spa	139	148	-9	149	130	132	-2	
BPB Immobiliare Srl*	52	8	44	52	48	4	44	
UBI Fiduciaria Spa	22	22	-	22	17	17	-	
UBI Academy SCRL	15	15	-	16	-	-		
UBI Gestioni Fiduciarie Sim Spa	7	7	-	7	4	4	-	
UBI Management Company Sa	5	5	-	4	4	4	-	
UBI Trustee Sa	4	4	-	3	3	3	-	
Coralis Rent Srl	3	3	-	3	-	-	-	
Centrobanca Sviluppo Impresa SGR Spa	2	2	-	2	-	-	-	
S.B.I.M. Spa	1	1	-	1	-	-	-	
TOTAL	18,437	18,337	100	18,425	18,450	18,351	99	
Workers on staff leasing contracts	1	1	-	1	1	1	-	
TOTAL STAFF	18,438	18,338	100	18,426				
On secondment outside the Group					[			
- out	19	21	-2	23				
- in					6	7	-1	
TOTAL WORKFORCE	18,457	18,359	98	18,449	18,457	18,359	98	

At the end of the first half staff numbers shown in the table included 183 who had ended their employment contract on 30th June 2014 and had gained access to extraordinary benefits from the sector "Solidarity Fund" on the following 1st July, under the provisions of the Framework Agreement of 6th March 2014. Net of those staff leaving, at the end of the first half, the total workforce of the UBI Banca Group numbered 18,255 (83 fewer than as at 31st December 2013)

The table above gives details for each company of the actual distribution of ordinary employees (workers on permanent and temporary contracts and on apprenticeship contracts) as at  $30^{th}$  June 2014, adjusted to take account of secondments to and from other entities within or external to the Group (column A) compared with the position at the end of 2013 (column B) and the position as at  $30^{th}$  June 2013 (column C), both restated on a consistent basis. Column D, on the other hand, gives details for each company of the number of employees on the payroll as at  $30^{th}$  June 2014 compared with the end of 2013, also restated on a consistent basis (column E).

 $Compared \ to \ the \ previous \ Interim \ Consolidated \ Financial \ Report \ the \ figures \ as \ at \ 30^{th} \ June \ 2013 \ have \ been \ adjusted \ as \ follows:$ 

- the figure for Banca Regionale Europea staff was increased by one in relation to a reinstatement which occurred in the fourth quarter of 2013 as a result of a court settlement;
- the figure for Banca Popolare di Ancona was increased by one following a reinstatement which occurred in the first quarter of 2014 as a result of a court settlement;
- Banque de Dépôts et de Gestion Sa was excluded from calculations of Group staff numbers as a consequence of the disposal of the company completed on 29th November 2013.

Compared with the figures published in the last financial report, staff numbers as at 31st December 2013 have been increased by one at Banca Popolare di Ancona following the reinstatement mentioned above that occurred in the first quarter of 2014.



<sup>\*</sup> At the end of the first half, BPB Immobiliare staff also included personnel appointed on seasonal contracts that were not banking industry contracts: 44 both as at 30th June 2014 and as at 30th June 2013.

At the end of the first half of 2014, the total staff of the UBI Banca Group numbered 18,438 compared with 18,338 at the end of 2013 (restated on a consistent basis) with an overall increase in the period of 100 (two of which due to a return from secondment at companies not included in the Group consolidation of the Group).

Nevertheless from 1<sup>st</sup> July 2014, in accordance with agreements signed with trade unions on 6<sup>th</sup> March 2014, 183 staff with permanent contracts gained access to extraordinary benefits from the sector "Solidarity Fund". If those staff leaving are considered, total staff numbers in service at the end of the first half stood at 18,255, a contraction of 83 compared with 31<sup>st</sup> December 2013 and of 171 compared with 12 months before, a continuation of the general policy to reduce staff pursued in recent years.

The change in workforce numbers recorded in the first half is attributable mainly to the following events:

- the recruitment at BPB Immobiliare of 44 staff with seasonal contracts (not banking industry contracts):
- the recruitment of staff on flexible contracts mainly at Banca Popolare di Bergamo and, to a marginal extent, at other network banks, consistent with the provisions of the Framework Agreement of 29th November 2012 and the subsequent memorandums of intent signed on 12th February 2013 and 10th October 2013, already mentioned in previous reports.

#### Employees on the payroll

		1		
Number	30.6.2014	31.12.2013	Change	
Total employees	18,450	18,351	99	
of which: permanent	18,106	18,169	-63	
on temporary contracts	302	140	162	
apprentices (*)	42	42	-	

(\*) Contract for young people between the ages of 18 and 29, by which they acquire a qualification through training at work which provides them with specific occupational skills. The duration varies from a minimum of 18 months to a maximum of 48 months. As shown in the table giving figures for type of contract relating to staff with employee contracts, staff on permanent contracts leaving were offset by more staff being recruited on temporary contracts.

As concerns intragroup movements, the table shows the following:

- the centralisation at UBI Banca, consistent with the trade union agreement of 15<sup>th</sup> January 2014, of Prestitalia, UBI Factor and UBI Leasing governance and control activities, with the relative changes in the workforces of the companies concerned;
- the growth in employees on the payroll at UBI Banca, attributable to the registration on the payroll of the Parent with effect from 1<sup>st</sup> January 2014 of 302 staff who are continuing to work at UBI Sistemi e Servizi. As a consequence, staff on secondment from UBI Banca to UBI.S at the end of the first half numbered 823 (524 at the end of 2013).

#### Composition of staff in Group Banks by rank

30.6.2014	%	31.12.2013	%
321	1.9%	313	1.9%
3,000	17.6%	2,988	17.9%
3,907	22.9%	3,814	22.9%
9,605	56.5%	9,373	56.2%
191	1.1%	180	1.1%
17,024	100.0%	16,668	100.0%
	321 3,000 3,907 9,605 191	321 1.9% 3,000 17.6% 3,907 22.9% 9,605 56.5% 191 1.1%	321 1.9% 313 3,000 17.6% 2,988 3,907 22.9% 3,814 9,605 56.5% 9,373 191 1.1% 180

Finally, as shown in the table there were no significant changes in the composition of banking staff by rank.

## **Training**

Training conducted in the first six months of 2014 mainly addressed the following:

- the improvement of expertise in commercial roles, through training initiatives on the 2014 commercial programme, foreign trade and corporate internationalisation, inter-channel banking and payment cards;
- the improvement of managerial and behavioural skills, by means of remote training delivered to all employees on subjects relating to communication and professional assessment and, with regard to the "Human Resources Quality" project, classroom training focusing on awareness of the managerial model and the new performance management. Also a training course to support the career growth of 41 young talents in the Group for the target role of Area Director.

As always training initiatives were carried forward to qualify and update staff who conduct inhouse training.

As concerns the university masters courses for Group talents, the "Masters in the Management of Banking Companies" organised in co-operation with the MIP at Milan Polytechnic came to an end and the "Masters in Management, Banking, Context and Tendencies" commenced in co-operation with Bergamo University. Also the Masters in "Corporate Finance and the Creation of Wealth" continued in co-operation with Turin University.

#### Training activity by subject area in the first half of 2014

Subject area	Classroom	Remote training	Internship	Total person/days of training	%	FY 2013 Total person/days of training	%
Insurance	7,986	771	-	8,757	24.9%	28,180	33.2%
Commercial and Finance	9,456	349	251	10,056	28.5%	17,698	20.8%
Credit	1,396	114	1,056	2,566	7.3%	11,185	13.1%
Managerial-Behavioural	2,669	4,065	-	6,734	19.1%	12,711	14.9%
Regulatory	1,937	1,924	-	3,861	11.0%	10,395	12.2%
Operational and other subjects	1,373	1,414	471	3,258	9.2%	4,903	5.8%
TOTAL	24,817	8,637	1,778	35,232	100.0%	85,072	100.0%

From a quantitative viewpoint, 35.2 thousand training days were delivered in the first half, compared with a target of 80.3 thousand person days set for the whole of 2014.

In addition to the continuation of the projects mentioned above, new initiatives in the following areas are planned for the second half of the year:

- *credit quality monitoring*, by means of specialist training on new systems, processes and procedures to support the development of credit quality monitoring activity and tools to manage companies in crisis;
- improvement of distribution network staff skills, through action in both behavioural areas and targeted at specialist knowledge for small business account managers, affluent account managers, customer contacts (Mass market team) and roles in the "Private Banking Market & Corporate Unity" division.

A new training platform (web 2.0) was introduced at the beginning of August as part of the "Human Resources Quality" project, which will allow a simpler and more immediate and effective approach to training. At the same time the new tool, "Social Learning" will be rolled out for the sharing and development of knowledge through the use of social tools (blogs, forums, wikis and material for further study that is always available). Essentially this is a new "virtual meeting place" where experiences, knowledge and virtuous behaviours can be discussed and shared.

## Trade union relations

As already mentioned in previous financial reports, memorandums of intent were signed on  $6^{th}$  March 2014 with trade union organisations on the following matters:

- the acceptance of applications for early redundancy which had been suspended as part of the provisions of the Framework Agreement of 29th November 2012 and the subsequent amendment of 12th February 2013. The 183 staff concerned, mainly employed at Banco di Brescia and Banca Popolare di Bergamo, ended their employment relationships on 30th June 2014 and gained access to extraordinary benefits from the sector "Solidarity Fund" on the following 1st July¹;
- further action to rationalise the branch network of the Group in Italy was undertaken with effect from 14<sup>th</sup> April (see in this respect the section "Significant events in the first half of 2014").

Meetings with trade union organisations commenced at the beginning of June in the network banks, at the Parent UBI Banca, UBI Sistemi e Servizi and the product companies in order to sign agreements for the payment of company bonuses for the financial year 2013. Having examined the performance of companies in the period and taken account of the overall economic situation and that specific to the banking industry, it was agreed, as in the previous two years, that it would be best to employ different and innovative instruments with, in addition to a cash payment, also a "welfare plan option" which will allow staff to allocate the contribution due to them to finance services of a social nature (e.g. educational expenses, or an additional contribution to the company pension fund). The negotiations were concluded positively at the Group banks and companies involved.

Finally, it is underlined that meetings were resumed in June between the Italian Banking Association and trade union organisations designed to reach an agreement on the renewal of the national labour contract for the sector. Requests put forward by trade union organisations were followed by counterproposals from the Italian Banking Association. Notwithstanding the distances existing to-date between the parties concerned, they are making efforts in the short-term to plan new meetings in order to favour the satisfactory outcome of the negotiations.

#### Internal communication

In the first half of 2014 internal communication activities, organised and implemented by a special unit at the Parent, were conceived of and produced in order to create simpler and more up-to-date communication processes, designed to facilitate and improve the everyday activities of employees, while continuing at the same time to underline key values and corporate culture.

The activity was carried out increasingly more promptly and richer in content by the corporate portal UBILife, both with the publication videos, news and articles on the home page and by enhancing the section on the Commercial Area with spaces dedicated to the new reality of the "Unity Market".

The following in particular is underlined:

- the introduction of two new "Professional Communities" social environments for sharing specific documents and experiences for different professional communities in the reserved areas of UBILife especially for Insurance Contacts and Multichannel Promoters (these two communities are in addition to the existing Network Bank Developers Community);
- the production of three UBIPods, corporate radio-style broadcasts with brief in-depth interviews on corporate subjects.

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<sup>1</sup> In consideration of the forecasts of the commitment already made by the Group and in compliance with the applicable accounting standards, the costs of those redundancies, amounting to €26 million net of taxes and non-controlling interests, were recognised in the consolidated income statement in the fourth quarter of 2013.

The traditional annual conventions of the retired staff associations of BPB-CV and BPCI were held in Varese, at the Ville Ponti Congress Centre, during which an update was given on the 2013 consolidated results.

On the publications front, daily online programming of articles for YOUBI Magazine continued – the section of the corporate portal dedicated to the Group's online magazine – with an appreciable increase in the number of visits and comments on articles thanks to the presence of a blog.

Again this year, the hardcopy magazine Almanacco YOUBI was published in May, distributed not only to employees but also to registered shareholders who took part in the UBI Banca shareholders' meeting held on 10<sup>th</sup> May.

Finally, the most important strategic project activities included the following:

- the start of the project "A New Internal Communication", designed to enhance and improve the current internal communication processes in the Group, in order to make them clearer and more effective and, above all, to plan and structure them in the context of more coordinated and incisive, integrated communication;
- implementation of the pilot initiative "Donate one day", which saw 337 staff employed in Group banks and companies in the Milan and province of Milan area carrying out voluntary work in eleven nonprofit organisations.

# Management policies and the welfare system

No changes occurred during the six month period – except with regard to the initiatives relating to the 2014 company bonuses – with respect to the information reported in the 2013 Annual Report which may therefore be consulted.

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

## Reclassified consolidated balance sheet

Figures in th	nousands of euro	30.6.2014 A	31.12.2013 B	Changes A-B	%changes A/B	30.6.2013 C	Changes A-C	% changes A/C
	ASSETS							
10.	Cash and cash equivalents	486,807	589,705	-102,898	-17.4%	490,754	-3,947	-0.8%
20.	Financial assets held for trading	2,168,661	3,056,264	-887,603	-29.0%	4,686,491	-2,517,830	-53.7%
30.	Financial assets designated at fair value	192,408	208,143	-15,735	-7.6%	206,860	-14,452	-7.0%
40.	Available-for-sale financial assets	16,742,576	15,489,497	1,253,079	8.1%	13,746,914	2,995,662	21.8%
50.	Held-to-maturity investments	3,049,841	3,086,815	-36,974	-1.2%	3,122,272	-72,431	-2.3%
60.	Loans and advances to banks	4,078,892	4,129,756	-50,864	-1.2%	4,774,761	-695,869	-14.6%
70.	Loans and advances to customers	87,119,396	88,421,467	-1,302,071	-1.5%	91,268,495	-4,149,099	-4.5%
80.	Hedging derivatives	458,998	253,609	205,389	81.0%	335,198	123,800	36.9%
90.	Fair value change in hedged financial assets (+/-)	47,680	33,380	14,300	42.8%	57,657	-9,977	-17.3%
100.	Equity investments	295,970	411,886	-115,916	-28.1%	412,881	-116,911	-28.3%
120.	Property, plant and equipment	1,764,564	1,798,353	-33,789	-1.9%	1,921,669	-157,105	-8.2%
130.	Intangible assets	2,896,274	2,918,509	-22,235	-0.8%	2,946,268	-49,994	-1.7%
	of which: goodwill	2,511,679	2,511,679	-	-	2,536,574	-24,895	-1.0%
140.	Tax assets	2,566,975	2,833,188	-266,213	-9.4%	2,393,041	173,934	7.3%
150.	Non-current assets and disposal groups held for sale	188,358	79,877	108,481	135.8%	23,792	164,566	691.7%
160.	Other assets	1,168,828	931,388	237,440	25.5%	1,543,208	-374,380	-24.3%
	Total assets	123,226,228	124,241,837	-1,015,609	-0.8%	127,930,261	-4,704,033	-3.7%
	LIABILITIES AND EQUITY							
10.	Due to banks	15,964,805	15,017,266	947,539	6.3%	15,025,192	939,613	6.3%
20.	Due to customers	47,126,528	50,702,157	-3,575,629	-7.1%	52,843,251	-5,716,723	-10.8%
30.	Debt securities issued	43,049,073	41,901,779	1,147,294	2.7%	43,500,547	-451,474	-1.0%
40.	Financial liabilities held for trading	496,946	1,396,350	-899,404	-64.4%	1,548,967	-1,052,021	-67.9%
60.	Hedging derivatives	623,610	483,545	140,065	29.0%	1,016,669	-393,059	-38.7%
80.	Tax liabilities	620,062	756,359	-136,297	-18.0%	536,670	83,392	15.5%
100.	Other liabilities	3,130,877	2,111,533	1,019,344	48.3%	2,064,030	1,066,847	51.7%
110.	Post-employment benefits	378,320	382,262	-3,942	-1.0%	372,182	6,138	1.6%
120.	Provisions for risks and charges:	303,897	309,219	-5,322	-1.7%	328,812	-24,915	-7.6%
	a) pension and similar obligations	81,134	77,387	3,747	4.8%	78,751	2,383	3.0%
	b) other provisions	222,763	231,832	-9,069	-3.9%	250,061	-27,298	-10.9%
140.+ 170.+180.+ 190.+200.	Share capital, share premiums, reserves, valuation reserves and treasury shares	10,603,241	10,088,562	514,679	5.1%	9,808,892	794,349	8.1%
210.	Non-controlling interests	822,677	841,975	-19,298	-2.3%	832,116	-9,439	-1.1%
220.	Profit for the period/year	106,192	250,830	-144,638	-57.7%	52,933	53,259	100.6%
	Total liabilities and equity	123,226,228	124,241,837	-1,015,609	-0.8%	127,930,261	-4,704,033	-3.7%

## Reclassified consolidated quarterly balance sheets

-	housands of euro	30.6.2014	31.3.2014	31.12.2013			_
			V.1.0.2011	31.12.2013	30.9.2013	30.6.2013	31.3.2013
	ASSETS						
10.	Cash and cash equivalents	486,807	492,398	589,705	505,765	490,754	487,951
20.	Financial assets held for trading	2,168,661	3,900,044	3,056,264	3,318,492	4,686,491	5,045,199
30.	Financial assets designated at fair value	192,408	193,692	208,143	207,370	206,860	202,979
40.	Available-for-sale financial assets	16,742,576	16,030,885	15,489,497	14,900,979	13,746,914	14,134,430
50.	Held-to-maturity investments	3,049,841	3,113,263	3,086,815	3,149,620	3,122,272	3,185,071
60.	Loans and advances to banks	4,078,892	4,009,183	4,129,756	4,118,005	4,774,761	5,505,388
70.	Loans and advances to customers	87,119,396	87,094,749	88,421,467	89,846,392	91,268,495	92,264,578
80.	Hedging derivatives	458,998	323,782	253,609	294,878	335,198	410,003
90.	Fair value change in hedged financial assets (+/-)	47,680	36,493	33,380	45,164	57,657	78,088
100.	Equity investments	295,970	427,438	411,886	421,918	412,881	447,352
120.	Property, plant and equipment	1,764,564	1,780,575	1,798,353	1,908,712	1,921,669	1,940,484
130.	Intangible assets	2,896,274	2,903,371	2,918,509	2,938,448	2,946,268	2,956,402
	of which: goodwill	2,511,679	2,511,679	2,511,679	2,536,574	2,536,574	2,536,574
140.	Tax assets	2,566,975	2,824,368	2,833,188	2,385,593	2,393,041	2,625,658
150.	Non-current assets and disposal groups held for sale	188,358	79,769	79,877	20,448	23,792	23,205
160.	Other assets	1,168,828	773,252	931,388	939,797	1,543,208	1,089,100
	Total assets	123,226,228	123,983,262	124,241,837	125,001,581	127,930,261	130,395,888
	LIABILITIES AND EQUITY						
10.	Due to banks	15,964,805	15,397,770	15,017,266	15,066,091	15,025,192	15,086,195
20.	Due to customers	47,126,528	46,366,664	50,702,157	51,222,883	52,843,251	54,816,744
30.	Debt securities issued	43,049,073	44,477,537	41,901,779	41,545,618	43,500,547	43,861,671
40.	Financial liabilities held for trading	496,946	1,409,672	1,396,350	1,294,108	1,548,967	1,801,256
60.	Hedging derivatives	623,610	528,059	483,545	936,894	1,016,669	1,167,314
80.	Tax liabilities	620,062	908,372	756,359	619,552	536,670	748,223
100.	Other liabilities	3,130,877	2,704,318	2,111,533	2,781,684	2,064,030	1,647,419
110.	Post-employment benefits	378,320	387,412	382,262	373,165	372,182	389,246
120.	Provisions for risks and charges:	303,897	320,253	309,219	314,808	328,812	329,075
	a) pension and similar obligations	81,134	76,251	77,387	77,462	78,751	79,575
	b) other provisions	222,763	244,002	231,832	237,346	250,061	249,500
140.+ 170.+180.+ 190.+200.	Share capital, share premiums, reserves, valuation reserves and treasury shares	10,603,241	10,609,347	10,088,562	9,907,258	9,808,892	9,692,341
210.	Non-controlling interests	822,677	815,723	841,975	837,576	832,116	829,946
	Profit for the period/year	106,192	58,135	250,830	101,944	52,933	26,458
220.							******************************

## Reclassified consolidated income statement

Figures in tho	usands of euro	1H 2014 A	1H 2013 B	Changes A-B	% changes A/B	2nd Quarter 2014 C	2nd Quarter 2013 D	Changes C-D	%changes C/D	FY 2013 E
1020.	Net interest income	908,528	845,442	63,086	7.5%	454,056	428,222	25,834	6.0%	1,750,801
	of which: effects of the purchase price allocation	(14,238)	(18,596)	(4, 358)	(23.4%)	(7,782)	(9, 033)	(1,251)	(13.8%)	(33,983)
	Net interest income excluding the effects of the PPA	922,766	864,038	58,728	6.8%	461,838	437,255	24,583	5.6%	1,784,784
70.	Dividends and similar income	8,868	8,218	650	7.9%	8,081	7,763	318	4.1%	10,409
	Profits of equity-accounted investees	20,662	30,719	(10,057)	(32.7%)	9,763	22,213	(12,450)	(56.0%)	46,579
4050.	Net fee and commission income of which performance fees	609,693 <i>90</i> 8	602,245	7,448 908	1.2% <i>n.</i> s.	309,583 <i>46</i> 3	297,459 -	12,124 <i>4</i> 63	4.1% n.s.	1,187,065 <i>14,19</i> 8
80.+90.+ 100.+110.	Net income from trading, hedging and disposal/repurchase activities and from assets/liabilities designated at fair value	136,642	109,367	27,275	24.9%	74,031	67,351	6,680	9.9%	324,554
220.	Other net operating income/expense	51,496	56,227	(4,731)	(8.4%)	26,950	29,428	(2,478)	(8.4%)	117,884
	Operating income	1,735,889	1,652,218	83,671	5.1%	882,464	852,436	30,028	3.5%	3,437,292
	Operating income excluding the effects of the PPA	1,750,127	1,670,814	79,313	4.7%	890,246	861,469	28,777	3.3%	3,471,275
180.a	Staff costs	(647,943)	(646,234)	1,709	0.3%	(321,849)	(314,881)	6,968	2.2%	(1,301,717)
180.b	Other administrative expenses	(311,214)	(335,250)	(24,036)	(7.2%)	(158,598)	(173,557)	(14,959)	(8.6%)	(659,893)
200.+210.	Depreciation, amortisation and net impairment losses on property, plant and equipment and intangible assets of which: effects of the purchase price allocation	(85,196) <i>(9,799)</i>	(90,389) (10,196)	(5,193) <i>(397)</i>	(5.7%) (3.9%)	(42,663) <i>(4,888)</i>	(45,114) <i>(5,098)</i>	(2,451) <i>(</i> 2 <i>10)</i>	(5.4%) (4.1%)	(180,188) <i>(20,377)</i>
	Depreciation, amortisation and net impairment losses on property, plant and equipment and intangible assets excluding the effects of the PPA	(75, 397)	(80, 193)	(4,796)	(6.0%)	(37,775)	(40,016)	(2,241)	(5.6%)	(159,811)
	Operating expenses Operating expenses excluding the effects of the PPA	(1,044,353) (1,034,554)	(1,071,873) (1,061,677)	(27,520) (27,123)	(2.6%) (2.6%)	(523,110) (518,222)	(533,552) (528,454)	(10,442) (10,232)	(2.0%) <i>(1.9%)</i>	(2,141,798) (2,121,421)
	Net operating income Net operating income excluding the effects of the PPA	691,536 <i>715,57</i> 3	580,345 609,137	111,191 <i>106,4</i> 36	19.2% 17.5%	359,354 372, <i>0</i> 24	318,884 333, <i>015</i>	40,470 39, <i>00</i> 9	12.7% 11.7%	1,295,494 1,349,854
130.a	Net impairment losses on loans	(429,101)	(383,892)	45,209	11.8%	(230,475)	(226,150)	4,325	1.9%	(942,978)
130. b+c+d	Net impairment losses on other financial assets and liabilities	(2,001)	(17,273)	15,272	(88.4%)	(3,674)	(8,960)	(5,286)	(59.0%)	(47,511)
190.	Net provisions for risks and charges	(2,702)	(11,604)	(8,902)	(76.7%)	7,361	(9,275)	16,636	n.s.	(12,372)
240.+270.	Profits (losses) from the disposal of equity investments	(430)	1,085	1,515	n.s.	230	1,609	(1,379)	(85.7%)	(7,324)
	Pre-tax profit from continuing operations Pre-tax profit from continuing operations excluding the effects of the PPA	257,302 281.339	168,661 197.453	88,641 83,886	52.6% 42.5%	132,796 145.466	76,108 90,239	56,688 55,227	74.5% 61.2%	285,309 339,669
290.	Taxes on income for the period/year from continuing operations of which: effects of the purchase price allocation	(135,368) 9,683	(103,086) 9,514	32,282 169	31.3% 1.8%	(76,666) 5,930	(46,507) 4,669	30,159 1,261	64.8% 27.0%	55,136 <i>17,95</i> 9
310.	Post-tax profit (loss) from discontinued operations	-	-	-	-	-	-	-	-	-
330.	Profit for the period/year attributable to non-controlling interests of which: effects of the purchase price allocation	(15,742) 1,288	(12,642) <i>1,79</i> 6	3,100 <i>(508)</i>	24.5% (28.3%)	(8,073) <i>565</i>	(3,126) <i>85</i> 6	4,947 (291)	158.3% <i>(34.0%)</i>	(25,895) 3,385
	Profit for the year/period attributable to the shareholders of the Parent before impairment and expenses for leaving incentives excluding the effects of the PPA	119,258	70,415	48,843	69.4%	54,232	35,081	19, 151	54.6%	347,566
	Profit for the year/period attributable to the shareholders of the Parent before impairment and expenses for leaving incentives	106,192	52,933	53,259	100.6%	48,057	26,475	21,582	81.5%	314,550
200.+260.	Net impairment losses on goodwill and property, plant and equipment net of taxes and non-controlling interests	-	-	-	-	-	-	-	-	(37,736)
180.a	Expenses for the leaving incentives programme net of taxes and non-controlling interests	-	-	-	-	-	-	-	-	(25,984)
340.	Profit for the year/period attributable to the shareholders of the Parent	106,192	52,933	53,259	100.6%	48,057	26,475	21,582	81.5%	250,830
	Total impact of the purchase price allocation on the income statement	(13,066)	(17,482)	(4,416)	(25.3%)	(6, 175)	(8,606)	(2,431)	(28.2%)	(33,016)
	rotal impact of the parenage price anotation of the income statement	(10,000)	(11,702)	(7,770)	(20.070)	(0,173)	(0,000)	(2,701)	(20.270)	(55,010)

## Reclassified consolidated quarterly income statements

		20	14		2	013	
Figures in th	nousands of euro	2nd Quarter	1st Quarter	4th Quarter	3rd Quarter	2nd Quarter	1st Quarter
1020.	Net interest income	454,056	454.472	459.353	446.006	428,222	417.220
1020.	of which: effects of the purchase price allocation	(7,782)	(6,456)	(7,528)	(7,859)	(9,033)	(9,563)
	Net interest income excluding the effects of the PPA	461,838	460,928	466,881	453,865	437,255	426,783
70.	Dividends and similar income	8,081	787	1,072	1,119	7,763	455
	Profits of equity-accounted investees	9,763	10,899	2,913	12,947	22,213	8,506
4050.	Net fee and commission income	309,583	300,110	298,957	285,863	297,459	304,786
	of which performance fees	463	445	14, 198	_		
80.+90.+	Net income from trading, hedging and disposal/repurchase						
100.+110.	activities and from assets/liabilities designated at fair value	74,031	62,611	156,099	59,088	67,351	42,016
220.	Other net operating income/expense	26,950	24,546	32,627	29,030	29,428	26,799
	Operating income	882,464	853,425	951,021	834,053	852,436	799,782
	Operating income excluding the effects of the PPA	890,246	859,881	958,549	841,912	861,469	809,345
180.a	Staff costs	(321,849)	(326,094)	(327,339)	(328,144)	(314,881)	(331,353)
180.b	Other administrative expenses	(158,598)	(152,616)	(165,944)	(158,699)	(173,557)	(161,693)
200.+210.	Depreciation, amortisation and net impairment losses on property	(42,663)	(42,533)	(45, 139)	(44,660)	(45,114)	(45,275)
	of which: effects of the purchase price allocation  Depreciation, amortisation and net impairment losses on	(4,888)	(4,911)	(5,093)	(5,088)	(5,098)	(5,098)
	property, plant and equipment and intangible assets excluding						
	the effects of the PPA	(37,775)	(37,622)	(40,046)	(39,572)	(40,016)	(40, 177)
	Operating expenses	(523,110)	(521,243)	(538,422)	(531,503)	(533,552)	(538,321)
	Operating expenses excluding the effects of the PPA	(518,222)	(516, 332)	(533,329)	(526, 415)	(528, 454)	(533,223)
	Net operating income	359,354	332,182	412,599	302,550	318,884	261,461
	Net operating income excluding the effects of the PPA	372,024	343,549	425,220	315,497	333,015	276,122
130.a	Net impairment losses on loans	(230,475)	(198,626)	(366,337)	(192,749)	(226,150)	(157,742)
130.							
b+c+d	Net impairment losses on other financial assets and liabilities	(3,674)	1,673	(25,233)	(5,005)	(8,960)	(8,313)
190.	Net provisions for risks and charges	7,361	(10,063)	1,961	(2,729)	(9,275)	(2,329)
240.+270.	Profits (losses) from the disposal of equity investments	230	(660)	(7,507)	(902)	1,609	(524)
	Pre-tax profit from continuing operations  Pre-tax profit from continuing operations excluding the	132,796	124,506	15,483	101,165	76,108	92,553
	effects of the PPA	145,466	135,873	28,104	114,112	90,239	107,214
290.	Taxes on income for the period from continuing operations	(76,666)	(58,702)	204,702	(46,480)	(46,507)	(56, 579)
	of which: effects of the purchase price allocation	5,930	3,753	4, 169	4,276	4,669	4,845
310.	Post-tax profit (loss) from discontinued operations	_	_	_	_	_	-
330.	Profit for the period attributable to non-controlling interests	(8,073)	(7,669)	(7,579)	(5,674)	(3,126)	(9,516)
	of which: effects of the purchase price allocation	565	723	778	811	856	940
	Profit for the period attributable to the shareholders of the						
	Parent before impairment and expenses for leaving incentives				/		
	excluding the effects of the PPA  Profit for the period attributable to the shareholders of the	54,232	65,026	220,280	56,871	35,081	35,334
	Parent before impairment and expenses for leaving	48,057	58,135	212,606	49,011	26,475	26,458
	Net impairment losses on goodwill and property, plant and	46,057	36,133	212,606	49,011	20,475	26,436
200.+260.	equipment net of taxes and non-controlling interests	-	-	(37,736)	_	_	-
***************************************	Expenses for the leaving incentives programme net of taxes and				***************************************		
180.a	non-controlling interests	-	-	(25,984)	-	-	-
040	Profit for the period attributable to the shareholders of the	40.057	50.405	440.000	40.044	00.475	00.450
340.	Parent	48,057	58,135	148,886	49,011	26,475	26,458
	Total impact of the purchase print - Hearthan and the in-						
	Total impact of the purchase price allocation on the income statement	(G 17F)	(6,891)	(7,674)	(7,860)	(8,606)	(8,876)
	statement	(6, 175)	(0,091)	(7,074)	(7,000)	(0,000)	(0,67)

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

	1		
1H 2014 net of non- recurring items	1H 2013 net of non- recurring items	Changes	% Changes
908,528	845,442	63,086	7.5%
8,868	8,218	650	7.9%
20,662	30,719	(10,057)	(32.7%)
609,693	602,245	7,448	1.2%
136,642	95,868	40,774	42.5%
51,496	56,227	(4,731)	(8.4%)
1,735,889	1,638,719	97,170	5.9%
(647,943)	(646,234)	1,709	0.3%
(311,214)	(335,250)	(24,036)	(7.2%)
(1,044,353)	(1,071,873)	(27,520)	(2.6%)
691,536	566,846	124,690	22.0%
(429,101)	(383,892)	45,209	11.8%
(1,289)	729	(2,018)	(276.8%)
(2,702)	(9,986)	(7,284)	(72.9%)
460	1,085	(625)	(57.6%)
258,904	174,782	84,122	48.1%
(111,321)	(109,457)	1,864	1.7%
-	-	_	_
(16,756)	(13,087)	3,669	28.0%
130,827	52,238	78,589	150.4%
	net of non-recurring items  908,528  8,868  20,662  609,693  136,642  51,496  1,735,889  (647,943)  (311,214)  (85,196)  (1,044,353)  691,536  (429,101)  (1,289)  (2,702)  460  258,904  (111,321)  -  (16,756)	net of non-recurring items         net of non-recurring items           908,528         845,442           8,868         8,218           20,662         30,719           609,693         602,245           136,642         95,868           51,496         56,227           1,735,889         1,638,719           (647,943)         (646,234)           (311,214)         (335,250)           (85,196)         (90,389)           (1,044,353)         (1,071,873)           691,536         566,846           (429,101)         (383,892)           (1,289)         729           (2,702)         (9,986)           460         1,085           258,904         174,782           (111,321)         (109,457)           -         -           (16,756)         (13,087)	net of non-recurring items         net of non-recurring items         Changes           908,528         845,442         63,086           8,868         8,218         650           20,662         30,719         (10,057)           609,693         602,245         7,448           136,642         95,868         40,774           51,496         56,227         (4,731)           1,735,889         1,638,719         97,170           (647,943)         (646,234)         1,709           (311,214)         (335,250)         (24,036)           (85,196)         (90,389)         (5,193)           (1,044,353)         (1,071,873)         (27,520)           691,536         566,846         124,690           (429,101)         (383,892)         45,209           (1,289)         729         (2,018)           (2,702)         (9,986)         (7,284)           460         1,085         (625)           258,904         174,782         84,122           (111,321)         (109,457)         1,864           -         -         -           (16,756)         (13,087)         3,669

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

			non-recurrin	g items					non-recurri	ng items		
Figures in thousands of euro	1H 2014	Adjustment to the disposal price of BDG	Change in the substitute tax on the valuation of profit participation stakes in the Bank of Italy	Impact of the change in the IRAP taxrate on prior year deferred tax provisions	Impairment of AFS securities	1H 2014  net of non-recurring items	1H 2013	Disposal of Intesa Sanpaolo and A2A shares (AFS)	Net impairment losses on financial assets (AFS)	Cerved Group (formerly Centrale Bilanci) earn-out	Replenishment of G.E.C. Spa loss and total write-off of the investment	1H 2013  net of non-recurring items
Net interest income (including the effects of the PPA)	908,528					908,528	845,442	!				845,442
Dividends and similar income	8,868					8,868	8,218					8,218
Profits of equity-accounted investees	20,662					20,662	30,719					30,719
Net fee and commission income	609,693					609,693	602,245	i				602,245
Net income from trading, hedging and disposal/repurchase activities and from assets/liabilities designated at fair value	136,642					136,642	109,367	(11,974)		(1,525)		95,868
Other net operating income/expense	51,496					51,496	56,227			,		56,227
Operating income (including the effects of PPA)	1,735,889	-	-	-	-	1,735,889	1,652,218	(11,974)	_	(1,525)		1,638,719
Staff costs	(647,943)					(647,943)	(646,234)	<u> </u>				(646,234)
Other administrative expenses	(311,214)					(311,214)	(335,250)					(335,250)
Depreciation, amortisation and net impairment losses on property, plant and equipment and intangible assets (including the effects of PPA)	(85,196)					(85,196)	(90,389)					(90,389)
Operating expenses (including the effects of PPA)	(1,044,353)	-	-	-	-	(1,044,353)	(1,071,873)	-	-	-	-	(1,071,873)
Net operating income (including the effects of PPA)	691,536	-	-	-	-	691,536	580,345	(11,974)	-	(1,525)	-	566,846
Net impairment losses on loans	(429,101)					(429,101)	(383,892)	l				(383,892)
Net impairment losses on other financial assets and liabilities	(2,001)				712	(1,289)	(17,273)	)	17,860		142	729
Net provisions for risks and charges	(2,702)					(2,702)	(11,604)				1,618	(9,986)
Profits (losses) from the disposal of equity investments	(430)	890				460	1,085					1,085
Pre-tax profit from continuing operations (including the effects of PPA)	257,302	890	-	-	712	258,904	168,661	(11,974)	17,860	(1,525)	1,760	174,782
Taxes on income for the period from continuing operations	(135,368)		4,482	19,565		(111,321)	(103,086)	(1,746)	(4,727)	102		(109,457)
Post-tax profit (loss) from discontinued operations	-					-						-
Profit for the period attributable to non-controlling interests	(15,742)		(826)	(8)	(180)	(16,756)	(12,642)				(445)	(13,087)
Profit for the period attributable to the shareholders of the Parent	106,192	890	3,656	19,557	532	130,827	52,933	(13,720)	13,133	(1,423)	1,315	52,238
							<del></del>					
						2.4%	1.1%					1.1%
Annualised ROE	2.0%					2.4%	1.1%					1.1%
Annualised ROE  Cost:income ratio (including the effects of PPA)	2.0% 60.2%					60.2%	64.9%					65.4%



## Reconciliation schedule for the period ended 30th June 2014

			. —				
	RECLASSIFIED INCOME STATEMENT	1H 2014		Recla	ssificatio	ons	1H 2014
lte ms	Figures in thousands of euro	Mandatory consolidated financial statements	Tax recover	es acc	of equity- ounted estees	Depreciation for improvements to leased assets	Reclassified consolidated financial statements
1020.	Net interest income	908,528				•	908,528
70.	Dividends and similar income	8,868			•		8,868
	Profits of equity-accounted investees				20,662		20,662
4050.	Net fee and commission income	609,693					609,693
80.+90.+ 100.+110.	Net income from trading, hedging and disposal/repurchase activities and from assets/liabilities designated at fair value	136,642					136,642
220.	Other net operating income/expense	143,201	(94,4	68)		2,763	51,496
	Operating income	1,806,932	(94,4	68)	20,662	2,763	1,735,889
180.a	Staff costs	(647,943)					(647,943)
180.b	Other administrative expenses	(405,682)	94,4	68			(311,214)
200.+210.	Depreciation, amortisation and net impairment losses on property, plant and equipment and intangible assets	(82,433)				(2,763)	(85,196)
	Operating expenses	(1,136,058)	94,4	68	-	(2,763)	(1,044,353)
	Net operating income	670,874		-	20,662	-	691,536
130.a	Net impairment losses on loans	(429,101)					(429,101)
130. b+c+d	Net impairment losses on other financial assets and liabilities	(2,001)					(2,001)
190.	Net provisions for risks and charges	(2,702)					(2,702)
240.+270.	Profits (losses) from the disposal of equity investments	20,232			(20,662)		(430)
	Pre-tax profit from continuing operations	257,302		-	-	-	257,302
290.	Taxes on income for the period from continuing operations	(135,368)					(135,368)
310.	Post-tax profit (loss) from discontinued operations	-					_
330.	Profit for the period attributable to non-controlling interests	(15,742)					(15,742)
340.	Profit for the period attributable to the shareholders of the Parent	106,192		-	-	_	106,192

## Reconciliation schedule for the period ended 30th June 2013

							$\overline{}$
	RECLASSIFIED INCOME STATEMENT	1H 2013		Reclas	ssifications		1H 2013
Items	Figures in thousands of euro	Mandatory consolidated financial statements	Tax recoveries	Profit of equity- accounted investees	Depreciation for improvements to leased assets	Consolidation reclassification	Reclassified consolidated financial statements
1020.	Net interest income	845,378	_			64	845,442
70.	Dividends and similar income	8,218	1				8,218
	Profits of equity-accounted investees	-		30,719			30,719
4050.	Net fee and commission income	602,245					602,245
80.+90.+ 100.+110.	Net income from trading, hedging and disposal/repurchase activities and from assets/liabilities designated at fair value	109,367					109,367
220.	Other net operating income/expense	130,077	(76,012)		2,226	(64)	56,227
	Operating income	1,695,285	(76,012)	30,719	2,226	<u>-</u>	1,652,218
180.a	Staff costs	(646,234)					(646,234)
180.b	Other administrative expenses	(411,262)	76,012				(335,250)
200.+210.	Depreciation, amortisation and net impairment losses on property, plant and equipment and intangible assets	(88,163)			(2,226)		(90,389)
	Operating expenses	(1,145,659)	76,012	-	(2,226)	<u> </u>	(1,071,873)
	Net operating income	549,626	_	30,719	-	<u>-</u>	580,345
130.a	Net impairment losses on loans	(383,892)					(383,892)
130. b+c+d	Net impairment losses on other financial assets and liabilities	(17,273)					(17,273)
190.	Net provisions for risks and charges	(11,604)					(11,604)
240.+270.	Profits from the disposal of equity investments	31,804		(30,719)			1,085
	Pre-tax profit from continuing operations	168,661		-	-	-	168,661
290.	Taxes on income for the period from continuing operations	(103,086)					(103,086)
310.	Post-tax profit (loss) from discontinued operations	-					
330.	Profit for the period attributable to non-controlling interests	(12,642)					(12,642)
340.	Profit for the period attributable to the shareholders of the Parent	52,933	-	-	-		52,933

## Reconciliation schedule for the year ended 2013

	RECLASSIFIED INCOME STATEMENT				Reclas	ssifications			
Ite ms	Figures in thousands of euro	FY 2013  Mandatory consolidated financial statements	Tax recoveries	Profit of equity accounted investees	Depreciation for leasehold improvement s	Consolidation reclassification	Expenses for leaving incentives	Net impairment losses on goodw ill and property, plant and equipment	FY 2013  Reclassified consolidated financial statements
1020.	Net interest income	1,750,715				86			1,750,801
70.	Dividends and similar income	10,409							10,409
	Profits of equity-accounted investees	-		46,579					46,579
4050.	Net fee and commission income	1,187,066			•	(1)			1,187,065
80.+90.+ 100.+110.	Net income from trading, hedging and disposal/repurchase activities and from assets/liabilities designated at fair value	324,554							324,554
220.	Other net operating income/expense	310,511	(197,178)		4,636	(85)			117,884
	Operating income	3,583,255	(197,178)	46,579	4,636	-	-	-	3,437,292
180.a	Staff costs	(1,337,687)					35,970		(1,301,717)
180.b	Other administrative expenses	(857,071)	197,178						(659,893)
200.+210.	Depreciation, amortisation and net impairment losses on property, plant and equipment and intangible assets	(198,491)			(4,636)			22,939	(180,188)
	Operating expenses	(2,393,249)	197,178	-	(4,636)	-	35,970	22,939	(2,141,798)
	Net operating income	1,190,006		46,579	-	-	35,970	22,939	1,295,494
130.a	Net impairment losses on loans	(942,978)							(942,978)
130. b+c+d	Net impairment losses on other financial assets and liabilities	(47,511)							(47,511)
190.	Net provisions for risks and charges	(12,372)							(12,372)
240.+270.	Profits (losses) from the disposal of equity investments	14,360		(46,579)				24,895	(7,324)
	Pre-tax profit from continuing operations	201,505		-	-	-	35,970	47,834	285,309
290.	Taxes on income for the year from continuing operations	72,632					(9,892)	(7,604)	55,136
310.	Post-tax profit (loss) from discontinued operations	-							-
330.	Profit for the year attributable to non-controlling interests	(23,307)					(94)	(2,494)	(25,895)
	Profit for the year attributable to the shareholders of the Parent before impairment and expenses for leaving incentives	250,830					25,984	37,736	314,550
200.+260.	Net impairment losses on goodwill and property, plant and equipment net of taxes and non-controlling interests	-						(37,736)	(37,736)
180.a	Expenses for the leaving incentives programme net of taxes and non-controlling interests	-					(25,984)		(25,984)
340.	Profit for the year attributable to the shareholders of the Parent	250,830		-	-	-	-		250,830

### Notes to the reclassified consolidated financial statements

The mandatory financial statements have been prepared on the basis of Bank of Italy Circular No. 262 of 22<sup>nd</sup> December 2005 and subsequent updates. Therefore, as with the 2013 Annual Report, for the purposes of the preparation of these financial statements, the provisions of the second update of that document issued on 21<sup>st</sup> January 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 220 of the mandatory financial statements (other net operating income/expenses) were reclassified as a reduction in indirect taxes included within other administrative expenses;
- the item profits (losses) of equity-accounted investees includes the profits (losses) of equity-accounted investees included within item 240 in the mandatory financial statements;
- the item other net operating income/expense includes item 220, net of the reclassifications mentioned under other points;
- the item net impairment losses on property plant and equipment and intangible assets includes items 200 and 210 in the mandatory financial statements and also the instalments relating to the depreciation of leasehold improvements classified within item 220.
- the item profits (losses) from the disposal of equity investments includes the item 240, net of profits (losses) of equity-accounted investees and also item 270 in the mandatory financial statements;
- net impairment losses on goodwill and property, plant and equipment (net of tax and non-controlling interests), present in the fourth quarter of 2013, partially include items 200 and 260 in the mandatory financial statements;
- leaving incentives expenses (net of taxation and non-controlling interests), present in the fourth quarter of 2013, partially include item 180a in the mandatory financial statements.

Following the disposal of Banque de Dépôts et de Gestion Sa (Switzerland) on 29<sup>th</sup> November 2013, from 31<sup>st</sup> December 2013 the balance sheet no longer contains items relating to this Swiss bank, while the income statement for 2013 does contain items relating to this subsidiary from 1<sup>st</sup> January until 31<sup>st</sup> October 2013.

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 the Group's operating performance and in compliance with Consob Communication No. DEM/6064293 of  $28^{th}$  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:

### First half 2014:

- adjustment to the price of the sale of the subsidiary Banque de Dépôts et de Gestion Sa (Switzerland) and of its subsidiary Sofipo Sa (Switzerland);
- change in the substitute tax on the valuation of profit sharing stakes held in the Bank of Italy;
- impact of the change in the IRAP (regional production tax) tax rate on prior year deferred tax provisions;
- impairment of AFS securities (G.E.C. Spa, held by BRE);

### First half 2013:

- partial disposal of Intesa Sanpaolo shares and full disposal of A2A shares (AFS);
- adjustment in the price for the disposal in 2008 of the interest held in Centrale Bilanci (now the Cerved Group) (AFS);
- impairment losses on financial assets held in the AFS portfolio;
- replenishment of G.E.C. Spa losses and full write-down of the investment.

## The consolidated income statement

The income statement figures commented on are based on the reclassified consolidated financial statements (the income statement, the quarterly income statements and the income statement net of the more significant principal non-recurring items – in brief and detailed versions) contained in the preceding 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 changes that occurred in both the first half of 2014 compared to the same period in 2013 and also those occurring in the second quarter of 2014 compared to the preceding three months (in the latter case the comments are highlighted with a slightly different background colour).

After some positive signals at the beginning of the year growth failed to start up again in the second quarter due to still unclearly defined performance by industrial production, which moreover was common to the whole of the euro area. This nevertheless occurred in the presence of an improvement in both short-term indicators of business and householder confidence and in conditions on international financial markets, due to a reduction in risk premiums in a context of exceptionally low volatility (which then partly increased).

In the difficult scenario which took shape, the UBI Banca Group nevertheless ended the first half of the year with a **profit** of &106.2\(^1\) million, a twofold increase compared to &52.9 million in the same period of 2013.

On a quarterly basis, the second quarter of 2014 showed a profit of €48.1 million, a marked improvement over the €26.5 million earned in the same period of the year before but down on €58.1 million in the first three months of the year.

In the first half ordinary operations generated **operating income** of €1,735.9 million (+€83.7 million compared with the first half of 2013), due mainly to the performance of core income (net interest income and, to a lesser extent, net fee and commission income), but also to the contribution from financial activities.

Net interest income, inclusive of the negative effects of the PPA which amounted to €14.2 million and €18.6 million respectively, rose to €908.5 million (+€63.1 million; +7.5% year-on-year), in a context of more or less stable interest rates<sup>2</sup>. In detail<sup>3</sup>:

- business with customers generated net interest income of €718.5 million (+€38.6 million), driven largely by a reduction in the cost of short-term funding and to a more marginal extent by the relative average volumes of business, although also by the effect of interest rates on medium to long-term lending. In fact the widening of the customer spread (by approximately 20 basis points) more than offset the downward trend for lending (average data show a fall of 5% over twelve months, against a fall in funding from ordinary customers of 4.4%, caused partly by the process to optimise the relative cost). The balance also includes differentials received mainly on own issue bond hedges (€82.1 million, compared with €98.8 million before);
- the securities portfolio generated net interest income of €213.3 million (€209.8 million in 2013), due to growth in investments in debt instruments over twelve months of €0.5 billion (+€0.7 billion of Italian government securities). Government securities continued to make a substantial contribution to net interest income (€204.8 million from the AFS portfolio and €53 million from the held-to-maturity portfolio), although these investments were penalised by the costs of hedges on fixed interest rate bonds (the differentials paid on the derivatives amounted to €48.8 million, down compared to €63.6 million in the comparative half year);
- business on the interbank market generated a negative balance of €23.1 million, sharply

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<sup>1</sup> Net of non-recurring items (considered net of taxes and non-controlling interests) normalised profit for the period rose to €130.8 million from €52.2 million in the first half of 2013. In the first half of 2014 these items consisted of expense of €24.6 million (due above all to the impact of some tax provisions) and of income of €0.7 million in the first half of 2013 (mainly as a result of disposals of equity instruments, although these were partially offset by impairment losses on AFS instruments).
Both periods included costs resulting from the purchase price allocation amounting to €13.1 million in 2014 and €17.5 million in

<sup>2</sup> The average one month Euribor rate grew over the two half years from 0.119% in 2013 to 0.229% in the current year.

<sup>3</sup> The calculation of net balances was performed by allocating interest for hedging derivatives and financial liabilities held for trading within the different areas of business (with customers, financial, with banks).

down compared with -€44.4 million in 2013.

Given the small changes in the volumes of business, the reduction is explained primarily by the decrease in the cost of debt held with the central bank for the outstanding LTRO finance, which fell from  $\[ \in \]$ 40.8 million to  $\[ \in \]$ 14.4 million, following progressive reductions in the rate for principal refinancing operations down from 0.75% at the beginning of 2013 to the current 0.15% (since 11th June 2014). Net of that component, the net contribution from business with banks was  $\[ \in \]$ 8.7 million compared to  $\[ \in \]$ 8.6 million in the first half of 2013.

### Interest and similar income: composition

Figures in thousands of euro	i	Debt nstruments	Financing	Other transactions	1H 2014	1H 2013
Financial assets held for trading		20,261	-		20,261	29,707
2. Financial assets designated at fair value		-	-	-	-	-
3. Available-for-sale financial assets		204,757	-	-	204,757	213,400
3. Held-to-maturity investments		53,026	-	-	53,026	54,258
5. Loans and advances to banks		32	3,952	-	3,984	4,892
6. Loans and advances to customers		132	1,247,894	435	1,248,461	1,307,484
7. Hedging derivatives		-	-	33,334	33,334	35,270
8. Other assets		-	-	30	30	315
	Total	278,208	1,251,846	33,799	1,563,853	1,645,326

### Interest and similar expense: composition

Net interest income				908,528	845,442
	10tai (146,636)	(506,175)	(512)	(655,325)	(799,884)
8. Hedging derivatives	- Total (148,638)	(506,175)	- (512)	- (655,325)	- (700 004)
7. Other liabilities and provisions		_	(179)	(179)	(199)
6. Financial liabilities designated at fair value	-	-	-	-	-
5. Financial liabilities held for trading	(15,949)	_	-	(15,949)	(23,979)
4. Debt securities issued	-	(506,175)	-	(506,175)	(524,250)
3. Due to customers	(105,560)		(333)	(105,893)	(202,119)
2. Due to banks	(12,712)	-	-	(12,712)	(8,504)
1. Due to central banks	(14,417)	-	-	(14,417)	(40,833)
Figures in thousands of euro	Borrowings	Securities	Other transactions	1H 2014	1H 2013

*Dividends* of €8.9 million were received in the first six months of the year (€8.2 million in 2013), consisting of €7 million on the UBI Banca securities portfolio (of which €3.1 million from SIA Spa, a leading infrastructure and technology services company in the payments and payment card sectors) and €1.8 million on the BRE and Carime portfolios (of which €1.6 million relating to 1,259 stakes held in the Bank of Italy which participated in the distribution of profits and 0.15 million relating to SIA). In 2013 €4 million had been received on Intesa Sanpaolo shares (fully disposed of at the end of the year).

*Profits of equity-accounted investees*<sup>4</sup> totalled €20.7 million (€30.7 million in the comparative period). The most important amounts were from the following: Aviva Vita (€8 million, compared with €12.2 million in 2013), Lombarda Vita (€4.2 million, compared with €8.8 million before), Aviva Assicurazioni Vita (€2.2 million, compared with €5.5 million) and UBI Assicurazioni (€5.4 million, compared with €3.8 million in 2013).

Net fee and commission income reached €609.7 million, with growth of €7.4 million compared with 2013, and it included €0.9 million of performance fees earned by UBI Pramerica SGR on particular types of funds and Sicav's<sup>5</sup>.

The total is the aggregate result on the one hand of good performance by investment services-

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<sup>4</sup> The item consists of the profits of the companies recognised on the basis of the percentage interest held by the Group.

<sup>5</sup> These consisted of all the varieties of the UBI Pramerica Total Return funds offered by the asset management company and of UBI Pramerica Active Duration, for which the "incentive commissions" are calculated as the percentage changes in the value of a single unit compared to the "absolute high water mark", i.e. compared to the highest ever value of a unit previously recorded. These commissions are paid monthly on a final basis with no settlement of balances as opposed to other types of performance fee (against the benchmark) which are constantly disclosed because due to their nature they are not recognised in the accounts until the end of the year – given the impossibility of knowing the amount or whether they are payable beforehand.

As a consequence, the Group accounts were adjusted also with regard to the first quarter of 2014.

related business (+€21.7 million) and on the other of a slowdown in general banking services fees and commissions (-€14.2 million), as follows:

- management, trading and advisory services contributed €319.36 million to the result, driven by portfolio management (+€8.3 million), the receipt and transmission of orders (+€3.5 million) and placement activities (+€1.7 million, of which +€4.7 million relating to the subscription of Sicav's), but above all by the distribution of third party services (+€11.8 million), inclusive of insurance products (+€9.8 million). On the other hand items relating to custody and administration and advisory services performed rather weakly (down by a total of €3 million). Fee and commission expense on sales of financial instruments, products and services through indirect networks came to €22.9 million (+€1 million compared to the comparative period);
- ordinary banking business<sup>7</sup>, on the other hand, continued to be affected by the difficult operating environment and in particular by the slowness of the recovery in lending. This business contributed €290.4 million, with decreases recorded for the following items: factoring (-€2.3 million), payment and collections services (-€2.7 million), current account administration (-€0.8 million) and other services (-€17.5 million, which include commitment fees down by €8 million).

As already reported, the item "guarantees" includes the cost (down to  $\[mathbb{e}\]$ 15.7 million from  $\[mathbb{e}\]$ 23.1 million in the first half of 2013) of a guarantee granted by the Italian government on bond issues made in 2012 by UBI Banca amounting to  $\[mathbb{e}\]$ 6 billion nominal, designed to increase assets eligible for refinancing with the ECB. The change reported incorporates the effect of the early redemption of bonds for  $\[mathbb{e}\]$ 3 billion carried out on  $\[mathbb{T}^{th}\]$  March 2014, where the cost consists of a percentage of the nominal value of the bonds applied on an annual basis.

Because these were issued by the Parent, subscribed by Centrobanca and then repurchased by UBI Banca, on the basis of IFRS international accounting standards, they are not recognised in the accounts. However, as with the interest income and expense attributable to them, they are nevertheless included within the assets eligible for refinancing that form part of the cover pool available to the ECB.

### Fee and commission income: composition

Figures in thousands of euro	1H 2014	1H 2013
a) guarantees granted	27,864	26,180
c) management, trading and advisory services	362,325	340,500
1. trading in financial instruments	11,730	12,383
2. foreign exchange trading	3,169	2,916
3. portfolio management	128,800	121,271
3.1. individual	32,788	34,154
3.2. collective	96,012	87,117
4. custody and administration of securities	4,419	5,867
5. depository banking	-	-
6. placement of securities	96,073	94,244
7. receipt and transmission of orders	28,874	25,351
8. advisory activities	2,224	3,183
8.1 on investments	2,224	3,183
9. distribution of third party services	87,036	75,285
9.1. portfolio management	17	18
9.1.1. individual	17	18
9.2. insurance products	68,255	58,442
9.3. other products	18,764	16,825
d) collection and payment services	71,661	72,725
f) services for factoring transactions	10,056	12,369
i) current account administration	98,128	98,895
j) other services	130,985	149,799
Total	701,019	700,468

### Fee and commission expense: composition

	4110044	1H 2013
Figures in thousands of euro	1H 2014	1H 2013
a) guarantees received	(16,882)	(24,019)
c) management and trading services:	(39,816)	(39,897)
trading in financial instruments	(5,510)	(6,454)
2. foreign exchange trading	(3)	(4)
3. portfolio management	(5,136)	(5,882)
3.1. own	-	-
3.2. on behalf of third parties	(5,136)	(5,882)
4. custody and administration of securities	(3,854)	(3,310)
5. placement of financial instruments	(2,449)	(2,331)
6. financial instruments, products and		
services distributed through indirect networks	(22,864)	(21,916)
d) collection and payment services	(20,913)	(19,320)
e) other services	(13,715)	(14,987)
Total	(91,326)	(98,223)
Net fee and commission income	609,693	602,245

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<sup>6</sup> The amount consists of management, trading and advisory services net of the corresponding expense items and is calculated excluding currency trading.

<sup>7</sup> All the changes were calculated by subtracting commission expense from the respective commission income.

### Net trading income

		Profits from		Losses from	Net income	
	Gains	trading	Losses	trading	1H 2014	1H 2013
Figures in thousands of euro	(A)	(B)	(C)	(D)	[(A+B)-(C+D)]	
1. Financial assets held for trading	15,155	30,392	(8,290)	(10,330)	26,927	142,933
1.1 Debt instruments	13,398	14,172	(377)	(204)	26,989	18,349
1.2 Equity instruments	347	62	(83)	(6)	320	1,502
1.3 Units in UCITS	17	2	(19)	(2)	(2)	(40)
1.4 Financing	-	-	-	-	-	-
1.5 Other	1,393	16,156	(7,811)	(10,118)	(380)	123,122
2. Financial liabilities held for trading	-	13,176	-	(3,117)	10,059	9,143
2.1 Debt instruments	-	13,176	-	(3,117)	10,059	9,146
2.2 Payables	-	-	-	-	-	-
2.3 Other	-	-	-	-	-	(3)
3. Financial assets and liabilities: exchange rate differences	Х	Х	Х	Х	475	4,143
4. Derivative instruments	285,391	197,942	(302,907)	(183,209)	13,133	(103,715)
4.1 Financial derivatives	285,391	197,942	(302,907)	(183,209)	13,133	(103,715)
- on debt instruments and interest rates	283,080	193,225	(300,367)	(178,502)	(2,564)	10,563
- on equity instruments and share indices	30	105	(257)	(171)	(293)	132
- on currencies and gold	Χ	X	Х	Χ	15,916	(114,628)
- other	2,281	4,612	(2,283)	(4,536)	74	218
4.2 Credit derivatives	-	-	-	-	-	-
Total	300,546	241,510	(311,197)	(196,656)	50,594	52,504
Net hedging loss Figures in thousands of euro					1H 2014	1H 2013
Net hedging loss					(7,395)	(4,634)
Profit from disposal or repurchase  Figures in thousands of euro			Profits	Losses	Net profit 1H 2014	1H 2013
Financial assets						
Loans and advances to banks			_	_	-	_
Loans and advances to customers			916	(1,803)	(887)	(324)
Available-for-sale financial assets			98,339	(473)	97,866	63,091
3.1 Debt instruments			78,604	(367)	78,237	47,934
3.2 Equity instruments			13	(60)	(47)	15,157
3.3 Units in UCITS			19,722	(46)	19,676	10,107
3.4 Financing			-	(10)	-	
4. Held-to-maturity investments			_			
Total assets			99,255	(2,276)	96,979	62,767
Financial liabilities			55,256	(=,=: 0)	20,0.0	5 <u>-</u> ,. 61
1. Due to banks			-	-	-	
2. Due to customers			-	-	-	-
3. Debt securities issued			982	(4,246)	(3,264)	(2,852)
Total liabilities			982	(4,246)	(3,264)	(2,852)
Total			100,237	(6,522)	93,715	59,915
			100,237	(0,322)	33,713	33,313
Net profit (loss) on financial assets and liabilities de	signated a	t fair value				
Figures in thousands of euro					1H 2014	1H 2013
Net profit (loss) on financial assets and liabilities designated at fa	ir value				(272)	1,582
Net income from trading, hedging and disposal/repure assets/liabilities designated at fair value	chase activ	ities and fro	m		136,642	109,367

In the wake of the improvement in conditions on financial markets in the second quarter, after the announcement of new expansionary measures by the ECB, which brought about a further fall in sovereign debt risk premiums, the *result for financial activities* recorded another improvement, rising to &136.6 million, up by &27.3 million compared with 2013. In detail:

- trading generated €50.6 million (€52.5 million in the comparative period) consisting of €37 million from debt instruments, of which approximately €13 million of net gains and €24 million of profits from trading, inclusive of €10.1 million from uncovered short positions on debt instruments. Foreign exchange trading generated a profit of €16 million, while derivatives on debt instruments and interest rates produced a loss of €2.6 million.
- · hedging, which consists of the change in the fair value of derivatives and of the relative

items hedged gave rise to a loss of €7.4 million, in relation largely to derivatives on AFS securities and to a lesser extent to the underlying mortgages/loans and bonds/deposits (-€4.6 million in 2013 resulting mainly from derivatives to hedge bonds);

- the disposal of AFS instruments and the repurchase of financial liabilities made a large contribution of €93.7 million, as follows: €78.1 million from the sale of €3.8 billion of Italian government securities; €19.7 million from the disposal of units in UCITS (ETFs, i.e. European equity funds that passively replicate benchmark indexes); -€0.9 million from the disposal of packets of network bank and former B@nca 24-7 non-performing loans and from marginal deteriorated positions (restructured and impaired) relating to the former Centrobanca; and finally -€3.3 million from the repurchase of securities in issue as part of normal direct business with customers.
  - In 2013, €59.9 million was earned as follows: €47.9 million from debt instruments (of which €49.7 million from government securities and -€1.8 million from the sale of bonds mainly issued by banks or relating to UBI Banca); €15.2 million from equity instruments (of which €11.4 million from Intesa Sanpaolo shares, €0.6 million from A2A shares and an addition of €1.5 million to the price of the disposal of Centrale Bilanci - Cerved Group - performed in 2008 - all these amounts have been normalised -, as well as €1.6 million from the complete disposal of the interest held in Unione Fiduciaria); -€2.9 million from the buyback of debt securities issued as part of ordinary business operations; and -€0.3 million from the disposal of unsecured non-performing loans by the network banks:
- changes in fair value (relating to investments in Tages Funds, to the residual position in hedge funds and private equity investments held by the former Centrobanca classified as designated at fair value since the end of 2012) were negative by €0.3 million (+€1.6 million euro in 2013).

result on the one hand of positive Other net operating income results by operating income (+€3.7 relation to expense million), in recoveries on current accounts and on finance lease contracts (a total of +€6.2 million, partly due to the seasonal nature of the charges) and on the other hand of an increase in operating expenses (+€8.4 million). This trend was due to reimbursements to Prestitalia customers amounting to approximately €12 million - relating to the company's operations prior to its acquistion by the UBI Banca Group - recognised within prior year expenses (with a provision of €10 million already made in the first quarter within provisions for risks and charges, as the quantification was currently in progress).

Prior year income includes a fast credit processing fee, up by €1.2 million compared with the comparative first half.

Other net operating income/expense fell from €56.2 million to €51.5 million, the aggregate

Figures in thousands of euro	1H 2014	1H 2013
Other operating income	86,085	82,404
Recovery of expenses and other income on current		
accounts	10,493	6,319
Recovery of insurance premiums	12,221	13,144
Recoveries of taxes	94,468	76,012
Rents and other income for property management	2,487	3,243
Recovery of expenses on finance lease contracts	7,174	5,113
Other income and prior year income	53,710	54,585
Reclassification of "tax recoveries"	(94,468)	(76,012)
Other operating expenses	(34,589)	(26,177)
Depreciation of leasehold improvements	(2,763)	(2,226)
Costs relating to finance lease contracts	(4,100)	(2,453)
Expenses for public authority treasury contracts	(2,325)	(2,799)
Ordinary maintenance of investment properties	-	-
Other expenses and prior year expense	(28,164)	(20,925)
Reclassification of depreciation of leasehold		
improvements	2,763	2,226
Other net operating income	51,496	56,227

From a quarterly viewpoint, operating income (€882.5 million) compares with €852.4 million in the

second quarter of 2013 and with €853.4 million in the first quarter of the year. In detail: • net interest income remained almost unchanged at €454.1 million (compared with €454.5 million in the

first three months), performing as follows: business with customers down by €3.2 million (even with one extra working day), affected by lower volumes of business, notwithstanding the reduction in the cost of funding, in relation to repricing of short-term funding (moreover the spread widened slightly further); the contribution from the debt instrument portfolio was up by €1.8 million, while in reality the total portfolio fell by €0.9 billion quarter on quarter; interest expense on business with banks reduced by €1 million, benefiting from the lower cost of LTRO funding (0.15% from 11th June 2014);

• dividends - which related mostly to the Parent's

Quarterly net interest income

	2014		
Figures in thousands of euro	2nd Quarter	1st Quarter	
Banking business with customers	357,667	360,853	
Financial activities	107,536	105,766	
Interbank business	(11,089)	(12,056)	
Other items	(58)	(91)	
Net interest income	454,056	454,472	

available-for-sale portfolio and to the shareholder meetings held by the issuer companies, although also to the Carime and BRE shareholdings, as reported above, rose to €8.1 million from €0.8 million in the preceding quarter;

• profits of equity-accounted investees, amounting to €9.8 million (down from €10.9 million before), continued to relate mainly to insurance

companies;

- net fee and commission income totalled €309.6 million (€300.1 million) included, €0.5 million of performance fees, reported above, relating to UBI Pramerica SGR (a similar amount in the first quarter). The growth recorded was composed as follows: +€2.7 million from management, trading and advisory services, mainly the result of performance by portfolio management (+€4.5 million), in the presence of a certain weakness on the part of both trading in financial instruments and placement; €6.8 million of the increase, on the other hand, is attributable to banking services and in particular to current account administration (+€3 million) and to other services (+€1.3 million, of which commitment fees were down by  $\ensuremath{\mathfrak{C}}0.7$  million). The item relating to guarantees improved due to the partial redemption (€3 billion on 7th March) of government backed issues, for which the cost therefore fell from €10.1 million in the first quarter to €5.6 million in the second quarter;
- finance activities again produced a positive result (€74 million compared with €62.6 million before), achieved mainly from the disposal of Italian government securities (€44.1 million), from the sale of European equity ETF's (€19.7 million), from trading in debt instruments (€11.4 million) and from forex trading (€8.3 million). On the other hand losses were incurred on both hedging and fair value movements on assets designated at fair value amounting to €4.1 million;
- other net operating income/expense also increased to approximately €27 million (€24.5 million), the aggregate result on the one hand of an increase in operating income (+€12.2 million, consisting of €4 million from expense

Quarterly net fee and commission income

	20	14
Figures in thousands of euro	2nd Quarter	1st Quarter
Management, trading and advisory services		
(net of the corresponding expense items):	161,021	158,322
trading in financial instruments	2,456	3,764
portfolio management	64,093	59,571
custody and administration of securities	239	326
placement of securities	46,511	47,113
receipt and transmission of orders	14,392	14,482
advisory activities	920	1,304
distribution of third party services	43,923	43,113
financial instruments, products and services		
distributed through indirect networks	(11,513)	(11,351)
Banking services		
(net of the corresponding expense items):	148,562	141,788
guarantees	6,663	4,319
foreign exchange trading	1,884	1,282
collection and payment services	25,336	25,412
services for factoring transactions	4,869	5,187
current account administration	50,562	47,566
other services	59,248	58,022
Net fee and commission income	309,583	300,110

### Quarterly performance by financial activities

	2014		
Figures in thousands of euro	2nd Quarter	1st Quarter	
Financial assets held for trading	5,398	21,529	
Financial liabilities held for trading	3,595	6,464	
Other financial liabilities: exchange rate			
differences	(1,019)	1,494	
Derivative instruments	8,535	4,598	
Net trading income	16,509	34,085	
Net hedging loss	(3,207)	(4,188)	
Total assets	63,594	33,385	
Total liabilities	(1,994)	(1,270)	
Profit from disposal or repurchase	61,600	32,115	
Net income (loss) on financial assets and		500	
liabilities designated at fair value	(871)	599	
Net income	74,031	62,611	

recoveries on current accounts and of €7.3 million of prior year income which included the "fast credit processing fee" up by approximately €5 million compared to the first three months of the year) and on the other hand of growth in expenses (+€9.8 million, of which €12 million for reimbursements to Prestitalia customers).

In the first half of the year **operating expenses** fell to €1,044.4 million (-€27.5 million compared with 2013), confirmation, moreover, of the extremely low level reached by costs, while maintaining the general and full operational functioning of the Group. In detail:

staff costs amounted to €647.9 million (+€1.7 million). As shown in the table, the increase is mainly associated with the item "other employee benefits" (+€3.8 million) and relates both to the release of a provision in 2013 and to expenses resulting from INPS (National Insurance Institute) recommendations concerning "safeguarded personnel" under the Fornero Reform8.

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<sup>8</sup> The INPS (National Insurance Institute) issued message No. 3591 of 26th March 2014 (Italian Banking Association Circular - Labour Series No. 30 - 16th April 2014) in which it furnished recommendations for application concerning both the effects of the credit pursuant to law No. 214 2011 on the operation of the "Solidarity Fund" and technical pension-related matters. While article 24 of the law mentioned (the "Fornero Reform"), raised the overall requirements in terms of maturity and access to a pension, it provided for the maintenance of prior regulations for pension holders as of 4th December 2011 concerning an extraordinary cheque from the

Employee wages, on the other Staff costs: composition hand, continued to fall (-€1.6 million), incorporating a reduction in the average work force (-90), partly due to the effects of the exclusion of Banque de Dépôts et de Gestion from the consolidation and to the liquidation of UBI Capital Singapore Pte (-€5.9 million), as well as to reduced expenses on labour costs in relation to trade union agreements signed starting from 29th November 2012 and to the use of the "Ordinary Solidarity Fund". This performance offset normal growth in wages;

other administrative expenses fell to €311.2 million, down by €24 million, comprised as follows: +€2.5 million from indirect taxation (registration related mortgage duties on credit recovery procedures and local taxation on properties and services); -€26.5 million from current expenditure on which rigorous cost-cutting policies were pursued million resulting from the exit from the consolidation of BDG and from the liquidation of UBI Capital Singapore Pte).

This reduction in costs involved the following: rent payable and the tenancy of premises (-€4.7 million, as a result of branch closures, renegotiations of contracts and 1ower energy consumption); telephone and data transmission services (-€6.2 million, in relation to the renegotiation of contracts); professional and advisory services (-€4.6 million, partly due to the absence of costs incurred for the validation of advanced internal methods); insurance premiums due (-€4.2 million partly reduced volumes of business); advertising promotion and expenses (-€2.7 million as a result of the absence of the 2013 IW Bank radio advertising campaign

Figures in thousands of euro	1H 2014	1H 2013
1) Employees	(640,114)	(637,578)
a) Wages and salaries	(445,973)	(447,597)
b) Social security charges	(123,328)	(121,624)
c) Post-employment benefits	(24,075)	(24,106)
d) Pension expense	(14)	(625)
e) Provision for post-employment benefits	(2,092)	(2,062)
f) Pensions and similar obligations:	(978)	(1,125)
- defined contribution	-	(64)
- defined benefit	(978)	(1,061)
g) Payments to external supplementary pension plans:	(19,804)	(20,392)
- defined contribution	(19,482)	(20,392)
- defined benefit	(322)	-
h) Expenses resulting from share based payments	-	-
i) Other employee benefits	(23,850)	(20,047)
2) Other staff in service	(811)	(782)
- Expenses for agency staff on staff leasing contracts	(51)	(81)
- Other expenses	(760)	(701)
3) Directors and statutory auditors	(7,018)	(7,874)
4) Expenses for retired staff	-	-
Total	(647,943)	(646,234)

### Other administrative expenses: composition

Figures in thousands of euro	1H 2014	1H 2013
A. Other administrative expenses	(283,406)	(309,894)
Rent payable	(29,311)	(31,907)
Professional and advisory services	(33,867)	(38,509)
Rentals hardware, software and other assets	(19,365)	(20,135)
Maintenance of hardware, software and other assets	(18,708)	(18,933)
Tenancy of premises	(24,354)	(26,475)
Property maintenance	(11,080)	(11,831)
Counting, transport and management of valuables	(6,345)	(6,753)
Membership fees	(4,803)	(5,128)
Information services and land registry searches	(5,279)	(4,908)
Books and periodicals	(662)	(829)
Postal	(9,782)	(11,856)
Insurance premiums	(16,725)	(20,921)
Advertising	(10,629)	(13,300)
Entertainment expenses	(811)	(847)
Telephone and data transmission expenses	(21,609)	(27,770)
Services in outsourcing	(25,356)	(22,666)
Travel expenses	(8,530)	(9,523)
Credit recovery expenses	(22,182)	(21,832)
Forms, stationery and consumables	(3,559)	(4,380)
Transport and removals	(3,346)	(3,517)
Security	(4,170)	(4,413)
Other expenses	(2,933)	(3,461)
B. Indirect taxes	(27,808)	(25,356)
Indirect taxes and duties	(13,317)	(11,565)
Stamp duty	(89,159)	(71,126)
Municipal property tax (former ICI)	(9,279)	(8,611)
Other taxes	(10,521)	(10,066)
Reclassification of "tax recoveries"	94,468	76,012
Total	(311,214)	(335,250)

and of some sponsorships, including Assiom Forex 2013); postal expenses (-€2.1 million, due to less hardcopy mailing and lower unit costs). These savings were only partly offset by increased expenses relating to the outsourcing of services (+€2.7 million, for the start of a

<sup>&</sup>quot;Solidarity Fund, and also for workers whose access to the fund was provided for by collective labour agreements signed before that same date ("safeguarded" workers).

Issues concerning application addressed the following: i) extension of the payment of an extraordinary cheque as a result of progressive increases in time to maturity for pension requirements; ii) the criteria for calculating the size of the cheque itself and of the related contribution.

new "Monetica" - payment card - model);

• depreciation, amortisation and net impairment losses on property, plant and equipment and intangible assets fell to €85.2 million (-€5.2 million), attributable mainly to less depreciation on IT components (hardware peripherals and software) and on properties (due to branch closes) and as a result of the disposal of BDG (-€1.7 million).

The level of **operating expenses** was also again contained on a quarterly basis to €523.1 million (€533.6

million in the same quarter of 2013 and €521.2 million in the previous three months).

In detail, compared with the period January-March 2014, a marginal change of approximately €2 million occurred, affected partly by seasonal factors due to the following:

- a fall in staff costs to €321.9 million (-€4.2 million), and in particular in the item ordinary wages (-€6.1 million), as a result of trade union agreements signed since 2012, partially offset, amongst other things, by provisions (+€2.5 million) to provide for the increase in the national labour contract ("separate wage item") running from 1st June 2014, by the recruitment of new staff and by expenses in line item 1 i) for staff "safeguarded" by the Fornero Reform;
- an increase in other administrative expenses to €158.6 million (+€6 million) relating almost entirely to current expenditure (given the stability of indirect taxation), due above all to the different timing of invoices, which tend to concentrate in June and December. More specifically, the following increased: professional services (partly due to the commencement of new projects relating to the "New Digital Bank", "Single European Supervision" and "Cost Optimisation"); advertising and promotion (due to the start of the new advertising campaign "Flexible mortgages", which involved both conventional and innovative media); property and equipment maintenance; and credit recovery expenses. These increases were, however, cushioned by some reductions, which included insurance premiums and postal expenses (which in the first quarter incorporated the impact of end-of-year statements sent in January);
- the stability of depreciation, amortisation and net impairment losses on property, plant and equipment and intangible assets amounting to €42.7 million (€42.5 million).

### Quarterly performance of staff costs

201	14
2nd Quarter	1st Quarter
(318,124)	(321,990)
(219,934)	(226,039)
(61,488)	(61,840)
(12,119)	(11,956)
(14)	-
(1,103)	(989)
(462)	(516)
(9,826)	(9,978)
-	-
(13,178)	(10,672)
(453)	(358)
(3,272)	(3,746)
-	-
(321,849)	(326,094)
	2nd Quarter (318,124) (219,934) (61,488) (12,119) (14) (1,103) (462) (9,826)  (13,178) (453) (3,272)

### Quarterly performance of other administrative expenses

	2014			
Figures in thousands of euro	2nd Quarter 1st Quart			
A. Other administrative expenses	(144,761)	(138,645)		
Rent payable	(14,454)	(14,857)		
Professional and advisory services	(19,573)	(14,294)		
Rentals on hardware, software and other assets	(9,463)	(9,902)		
Maintenance of hardware, software and other assets	(9,423)	(9,285)		
Tenancy of premises	(11,401)	(12,953)		
Property and equipment maintenance	(6,603)	(4,477)		
Counting, transport and management of valuables	(3,157)	(3,188)		
Membership fees	(2,471)	(2,332)		
Information services and land registry searches	(2,676)	(2,603)		
Books and periodicals	(309)	(353)		
Postal	(3,953)	(5,829)		
Insurance premiums	(6,623)	(10,102)		
Advertising	(7,361)	(3,268)		
Entertainment expenses	(511)	(300)		
Telephone and data transmission expenses	(10,566)	(11,043)		
Services in outsourcing	(12,852)	(12,504)		
Travel expenses	(4,152)	(4,378)		
Credit recovery expenses	(12,150)	(10,032)		
Forms, stationery and consumables	(1,704)	(1,855)		
Transport and removals	(1,733)	(1,613)		
Security	(2,028)	(2,142)		
Other expenses	(1,598)	(1,335)		
B. Indirect taxes	(13,837)	(13,971)		
Other administrative expenses	(158,598)	(152,616)		

As a summary of overall performance in the first half, **net operating income** rose to €691.5 million, up by 19.2% compared to €580.3 million in the comparative half year, while the cost:income ratio fell to 60.2% (59.1% net of the effects of the PPA), the lowest level in recent years.

On a quarterly basis, net operating income grew again to &359.4 million (&318.9 million in the same quarter of 2013), compared with &332.2 million in the first three months of 2014 and the cost:income ratio also improved to 59.3% (58.2% net of the PPA).

Net impairment losses on loans rose in the first half to €429.1 million (up from €383.9 million in 2013) and it was composed of €294.9 million (€229.3 million) relating to the network banks and €117.1 million (€148.4 million) to the product companies (inclusive of UBI Banca, in relation to operations acquired with the merger of the former B@nca 24-7 and the former Centrobanca).

The total was driven on the one hand by specific net impairment losses on deteriorated loans of €449.5 million (+€81.2 million, of which +€90.6 million relating to the network banks<sup>9</sup> and -€19.7 million to the product companies, while the remainder was primarily attributable to UBI Banca International, as a result of further impairment losses on the Pescanova position<sup>10</sup>) and on the other hand by net reversals of impairment losses on performing loans of €20.4 million.

The latter resulted from portfolio impairment recognised by the network banks amounting to €4.3 million and by reversals relating to the UBI Banca and other product company aggregates amounting to €24.7 million, which reflected the reduction in progress in volumes of business, which was greater for the remaining outstanding former B@nca 24-7 loans and for Prestitalia, and which similarly involved UBI Leasing and former Centrobanca loans.

Net specific impairment losses included reversals (net of present value discounts) of  $\in 123.4$  million ( $\in 100.2$  million in 2013).

The loan loss rate (calculated as total net impairment losses as a percentage of net loans to customers) rose at the same time from 0.84% in the first half of 2013 to 0.99% in 2014 (annualised data), compared with 1.07% recorded for the full year 2013. The figure was also affected by the decrease in lending.

### Net impairment losses on loans: composition

	Impairment reversals of impairr	1H 2014	
Figures in thousands of euro	Specific	Specific Portfolio	
A Loans and advances to banks	-	-	-
B. Loans and advances to customer:	(449,499)	20,398	(429,101)
C. Total	(449,499)	20,398	(429,101)

2nd Quarter		Impairmen reversals of impair	
2014	Portfolio	Specific	
-	-	-	
(230,475)	6,814	(237,289)	
(230,475)	6,814	(237,289)	

	1H 2013	
Specific	Portfolio	
-	217	217
(368,346)	(15,763)	(384,109)
(368,346)	(15,546)	(383,892)
	Specific - (368,346)	- 217 (368,346) (15,763)

2nd Quarter		Impairmen reversals of impair
2013	Portfolio	Specific
224	224	-
(226,374)	(13,685)	(212,689)
(226,150)	(13,461)	(212,689)

In quarterly terms, *net impairment losses* rose from  $\[mathbb{e}\]$ 198.6 million in the first quarter to the current  $\[mathbb{e}\]$ 230.5 million, which confirms the difficulties that the economy is still experiencing. While new classifications from performing status remained basically stable – at levels much lower than those seen in 2013 – the second quarter recorded the need for write-downs in relation to increased migrations of deteriorated positions from the impaired to the non-performing categories.

The change in total recognition of impairment (+€31.8 million) is attributable to higher specific impairment losses of approximately €25 million (which benefited from reversals – not including present value discounts – amounting to €42.8 million that included €5.6 million from the closure of positions relating to United States companies in the Lehman Group  $^{11}$ ) and to a reduction in reversals on performing loans amounting to €6.8 million (after reversals of €13.6 million recorded in the first quarter of 2014).

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<sup>9</sup> This consisted mainly of the need for increased recognition of impairment in relation to migrations of loans from "impaired" to "non-performing" status, in relation to new delinquent loan classifications made in 2012 and 2013.

<sup>10</sup> In view of the distribution plan under the creditor arrangement proceedings, in the first quarter of the year the position was written-down by a further €13.7 million. In the first six months of 2013, the Group had written down the same position by €22 million, of which only €4.7 million relating to UBI Banca International Luxembourg.

<sup>11</sup> See the information reported in the section "Financial activities" in this report in this respect.

The loan loss rate for the period therefore stood at 1.06% compared with 0.91% in the first three months of the year (annualised data).

### Net impairment losses/reversals of impairment losses on loans: quarterly performance

Figures in thousands of euro	Specific	Portfolio	1st Quarter	Specific	Portfolio	2nd Quarter		Specific	Portfolio	3rd Quarter	Specific	Portfolio	4th Quarter
2014	(212,210)	13,584	(198,626)	(237,289)	6,814	(230,475)							
2013	(155,657)	(2,085)	(157,742)	(212,689)	(13,461)	(226,150)		(192,435)	(314)	(192,749)	(347,302)	(19,035)	(366,337)
2012	(122,221)	(8,949)	(131,170)	(225,562)	22,381	(203,181)		(161,535)	1,207	(160,328)	(373,308)	20,773	(352,535)
2011	(96,010)	(9,364)	(105,374)	(142,877)	(15,271)	(158,148)		(110,779)	(24,364)	(135,143)	(195,114)	(13,299)	(208,413)
2010	(105,366)	(26,493)	(131,859)	(184,080)	(5,765)	(189,845)		(124,200)	(9,811)	(134,011)	(217,327)	(33,890)	(251,217)
2009	(122,845)	(36,728)	(159,573)	(176,919)	(58,703)	(235,622)	L,	(178,354)	(18,995)	(197,349)	(281,668)	9,001	(272,667)
2008	(64,552)	4,895	(59,657)	(85,136)	(8,163)	(93,299)	L.	(77,484)	(25,384)	(102,868)	(219,512)	(90,887)	(310,399)

The following was also recognised in the income statement in the first half:

€2 million of *net impairment losses on other financial assets/liabilities* composed as follows: -€0.7 million, non-recurring, for the impairment loss on the investment held by BRE in G.E.C. Spa – Gestione Esazioni Convenzionate, following the disclosure by the company of expected losses for 2014; -€1.3 million for impairment losses relating to shares and mainly to units in UCITS held in portfolio by UBI Banca; +€1.2 million for a reversal of the impairment on a bond held by the Parent; and approximately -€1.3 million for item 130d relating to net impairment losses on guarantees.

In 2013 impairment losses of  $\[mathebox{\ensuremath{\mathfrak{e}}}17.3$  million were recognised, which included non-recurring items as follows:  $\[mathebox{\ensuremath{\mathfrak{e}}}17.9$  million of impairment losses on instruments held in the AFS portfolio ( $\[mathebox{\ensuremath{\mathfrak{e}}}9.4$  million relating to a financial instrument previously held in the Centrobanca portfolio,  $\[mathebox{\ensuremath{\mathfrak{e}}}3.9$  million to the Centrobanca Sviluppo Impresa Fund and  $\[mathebox{\ensuremath{\mathfrak{e}}}4$  million to units in UCITS and the remainder to equity instruments) and  $\[mathebox{\ensuremath{\mathfrak{e}}}0.1$  million relating to impairment

of the investment in G.E.C. (to be interpreted jointly with the commentary on provisions for risks below). The reclassified item had also included +€0.7 million of reversals on unsecured guarantees (item 130d);

€2.7 million of net provisions for risks and charges, the aggregate result of provisions for revocation (clawback) actions and litigation, due to

### Net provisions for risks and charges

Figures in thousands of euro	1H 2014	1H 2013
Net provisions for revocation clawback risks	(559)	(1,164)
Net provisions for staff costs	20	(75)
Net provision for bonds in default	21	276
Net provisions for litigation	(4,631)	(3,473)
Other net provisions for risks and charges	2,447	(7,168)
Total	(2,702)	(11,604)
		_

legal action taken by different types of counterparty, and the release of a provision made in prior years amounting to €2.4 million due to the conclusion of the relative litigation.

In 2013 provisions of  $\in 11.6$  million were made as follows:  $\in 2.9$  million by Prestitalia (for the insourcing of activities carried out by external financial companies and for the settlement of outstanding items generated by the records system);  $\in 2.7$  million by UBI Leasing (for cleanup action on a property);  $\in 1.6$  million, non-recurring, by BRE (relating to the replenishment of G.E.C. Spa losses and the full write-off of the investment following a judicial investigation);  $\in 1.5$  million by the Parent for expenses relating to the liquidation of an investee;

• €0.4 million of *net losses on equity investments*, as a result of the settlement of the balance on the price made necessary subsequent to the disposal of the Swiss subsidiary BDG (-€0.9 million normalised), partly offset by profits (€0.5 million) realised by BPB Immobiliare on the disposal of properties, as part of a process to rationalise residential assets. In 2013 a profit of €1.1 million had been recognised within this item, which included €0.6 million from the gain on

the disposal of a property by Banco di Brescia.

As a result of the performance described above, **profit on continuing operations before tax** improved significantly to £257.3 million, an increase of 52.6% compared with £168.7 million in 2013.

On a quarterly basis, continuing operations gave rise to a profit before tax of €132.8 million, (€76.1 million in the same quarter of 2013), compared with €124.5 million in the first three months of 2014.

*Taxes on income for the period from continuing operations* were €135.4 million and included the following two non-recurring expense items:

• €19.6 million for an adjustment to tax assets and deferred IRAP (regional production tax) tax provisions recognised in prior years, due to a reduction in the tax rate from 2014 (of

which €17.9 million relating to the Parent mainly in relation to realigned goodwill<sup>12</sup>).

The conversion into law of Decree Law No. 66/2014 finally reduced (from 4.65% to 4.20%) the IRAP rate from the financial year 2014, nevertheless without effect on the surtax of 0.92% on some companies, including banks (the rate for the banks and financial companies in the UBI Banca Group therefore fell from 5.57% to 5.12%).

This change had positive impacts on the amount of taxation due for the year, but at same time it reduced deferred tax assets (recognised net of deferred tax liabilities) already recognised in the financial statements for the year ended 31st December 2013 on the basis of the previous higher rate. The surplus it thus created was therefore charged to the income statement in the second quarter;

• €4.5 million for the change in the substitute tax on the valuation of profit sharing stakes held in the Bank of Italy<sup>13</sup>. Decree Law No. 66/2014, converted into Law No. 89/2014 raised the substitute tax rate to 26% from the previous 12%.

If the amounts are normalised, taxation in 2014 is stable at €111.3 million compared with €109.5 million before, to give a tax rate of 43% (with IRAP accounting for 13.6%), compared with 62.62% in 2013 (with IRAP accounting for 30.9%).

The appreciable decrease in the percentage of IRAP is mainly due on the one hand to a reduction in the rate itself and, on the other, to the tax regime for the deduction from the IRAP tax base of impairment losses on loans to customers introduced from 2013 by article 1, paragraph 158 of Law No. 147 of 27<sup>th</sup> December 2013 (not yet applicable to the accounts as at 30<sup>th</sup> June 2013).

Compared with the theoretical rate (32.62%), the actual normalised tax rate levied for the first half was mainly conditioned by the combined effect of greater IRES (corporate income tax) and IRAP, due to:

- the partial non-deductibility of interest expense (4%), introduced by Law No. 133/2008 (3.6 percentage points);
- the higher taxation on dividends eliminated in the consolidation (2.2 percentage points);
- non-tax deductible expenses, costs, impairment losses and provisions (3.3 percentage points);
- losses of Group companies not recoverable for tax purposes (1.8 percentage points);
- the non-deductibility of staff costs and the partial non-deductibility of other administrative expenses and depreciation and amortisation (8 percentage points).

These impacts were only partially cushioned by the following: the valuation of equity investments according to the equity criteria not significant for tax purposes (2.6 percentage points); the *Aiuto alla crescita economica* (ACE – "aid to economic growth") concessions (2.6 percentage points); the deduction for IRES purposes of an amount equal to the IRAP corresponding to the taxable portion of employee and similar personnel expenses and the flat rate deduction of 10% (2.1 percentage points); and the subtraction from the Parent's taxable income of prior year tax losses that can be offset (1.3 percentage points).

As a result of the performance reported and also of the profits earned by Group banks and companies, *profit for the period attributable to non-controlling interests* (inclusive of the effects of consolidation entries) improved to €15.7 million from €12.6 million in 2013.

*Profit attributable to non-controlling interests* in the quarter was €8.1 million, an appreciable recovery compared with €3.1 million in the same quarter of 2013, and also up compared with €7.7 million in the first three months of the year.

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<sup>12</sup> In 2013 a non-recurring item for €212.6 million was recognised in the UBI Banca financial statements, resulting from a reassessment of IRAP deferred tax assets for which provision had not been made in prior years on realigned goodwill.

<sup>13</sup> The Group had recognised a gain of €29.2 million in the financial statements for the year ended 31st December 2013 on the new profit sharing stakes held by BRE and Carime in the Bank of Italy after the approval of an increase in the capital pursuant to Decree Law No. 133/2013 converted with amendments into Law No. 5/2014.

The comments that follow are based on items in the consolidated balance sheet contained in the reclassified consolidated financial statements on which the relative tables furnishing details are also based.

The section "Consolidated companies: the principal figures" may be consulted for information on individual banks and Group member companies.

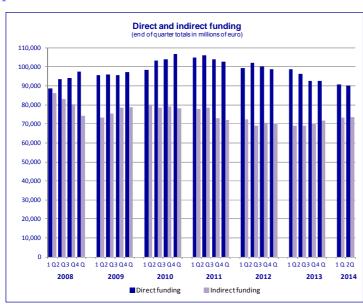
## General banking business with customers: funding

## **Total funding**

Total group funding, consisting of total amounts administered on behalf of customers, stood at €163.8 billion as at 30<sup>th</sup> June 2014, a slight contraction during the first half (-€0.4 billion), while the year-on-year decrease (-€1.4 billion) was larger due to a significant fall in direct funding, not fully offset by the nevertheless large increase in indirect funding.

### **Total funding from customers**

	30.6.2014 %		31.3.2014	%	Changes	Changes A/B		%	Changes A/C		30.6.2013	%	Changes	A/D
Figures in thousands of euro	Α	76	В	70	amount	%	С	70	amount	%	D	70	amount	%
Direct funding	90,175,601	55.0%	90,844,201	55.3%	-668,600	-0.7%	92,603,936	56.4%	-2,428,335	-2.6%	96,343,798	58.3%	-6,168,197	-6.4%
Indirect funding	73,666,835	45.0%	73,391,738	44.7%	275,097	0.4%	71,651,786	43.6%	2,015,049	2.8%	68,944,184	41.7%	4,722,651	6.8%
of which: assets under management	40,762,807	24.9%	39,795,632	24.2%	967,175	2.4%	39,553,848	24.1%	1,208,959	3.1%	38,696,590	23.4%	2,066,217	5.3%
Total funding from customers	163,842,436	100.0%	164,235,939	100.0%	-393,503	-0.2%	164,255,722	100.0%	-413,286	-0.3%	165,287,982	100.0%	-1,445,546	-0.9%
Total funding net of CCG and institutional funding	147,648,169		148,311,912		-663,743	-0.4%	146,312,120		1,336,049	0.9%	146,832,878		815,291	0.6%



The performance of direct funding in particular was affected on the one hand by action taken to reduce the cost which started in 2013 and was made possible by lower funding requirements for the loan portfolio and on the other hand by institutional factors which did not banking business with customers in the true sense of the

Firstly the recovery in placements on international markets did not start until 4Q 2013 - 1Q 2014, notwithstanding the maturities which had occurred in the meantime, a delay made possible by Group structural balance and liquidity. Consequently, in 2014 repurchase

agreement business with the Cassa di Compensazione e Garanzia (CCG – a central counterparty clearing house) diminished, partly as a result of the new liquidity thereby generated.

Net of the institutional components mentioned above, total Group core funding performed positively compared with both June 2013 (+€0.8 billion) and with December (+€1.3 billion) due to the good performance by the indirect component. However, in the second quarter of 2014 the item decreased (-€0.7 billion) due to additional rationalisation action taken on the more

costly deposits, mainly with large corporate counterparties, and to a significant concentration of bond maturities in the period, against relative stability for indirect funding.

## **Direct funding**

Direct funding as at 30<sup>th</sup> June 2014 totalled €90.2 billion, down by €6.2 billion year-on-year and by €2.4 billion compared with December, incorporating the effects of the funding policies mentioned above which had a particularly large impact on short-term types of funding. However, this trend did not impact the structural ratio of deposits to loans with 84.9% (85.3% in June 2013) of the loan portfolio financed by direct funding from ordinary customers, the Group's "core" funding.

In detail, amounts **due to customers** fell to €47.1 billion (-€5.7 billion compared with June 2013; -€3.6 billion since December and +€0.8 billion since March), composed as follows:

- a contraction, occurring mainly in 2013, in volumes for *current accounts* and *term deposits* (-2.4 billion year-on-year)<sup>1</sup> following action taken to optimise the relative cost;
- a fall on the other hand of over €3 billion in 2014 in *repurchase agreements with the Cassa di Compensazione e Garanzia* (CCG a central counterparty clearing house), the use of which was recalibrated on the basis of the increased liquidity available to the Group.

### Direct funding from customers

	30.6.2014	%	31.12.2013	%	Changes	s A/B	30.6.2013	%	Changes	s A/C
Figures in thousands of euro	Α	%	В	%	amount	%	С	%	amount	%
Current accounts and deposits	42,504,977	47.2%	42,627,265	46.0%	-122,288	-0.3%	43,053,031	44.7%	-548,054	-1.3%
Term deposits	853,934	0.9%	1,014,170	1.1%	-160,236	-15.8%	2,714,005	2.8%	-1,860,071	-68.5%
Financing	2,941,959	3.3%	6,232,361	6.7%	-3,290,402	-52.8%	6,187,419	6.4%	-3,245,460	-52.5%
- repurchase agreements	2,516,776	2.8%	5,756,598	6.2%	-3,239,822	-56.3%	5,739,764	6.0%	-3,222,988	-56.2%
of which: repos with the CCG	2,255,084	2.5%	5,499,671	5.9%	-3,244,587	-59.0%	5,367,793	5.6%	-3,112,709	-58.0%
- other	425,183	0.5%	475,763	0.5%	-50,580	-10.6%	447,655	0.4%	-22,472	-5.0%
Other payables	825,658	0.9%	828,361	1.0%	-2,703	-0.3%	888,796	0.9%	-63,138	-7.1%
Total amounts due to customers (item 20 liabilities)	47,126,528	52.3%	50,702,157	54.8%	-3,575,629	-7.1%	52,843,251	54.8%	-5,716,723	-10.8%
Bonds	41,096,164	45.6%	39,773,397	42.9%	1,322,767	3.3%	40,466,264	42.0%	629,900	1.6%
Certificates of deposit (a)+(d)	1,743,734	1.9%	1,774,941	1.9%	-31,207	-1.8%	2,476,972	2.6%	-733,238	-29.6%
Other certificates (b)+(c)	209,175	0.2%	353,441	0.4%	-144,266	-40.8%	557,311	0.6%	-348,136	-62.5%
Total debt securities issued (item 30 liabilities)	43,049,073	47.7%	41,901,779	45.2%	1,147,294	2.7%	43,500,547	45.2%	-451,474	-1.0%
of which:										
securities subscribed by institutional customers:	13,939,183	15.5%	12,443,931	13.4%	1,495,252	12.0%	13,087,311	13.6%	851,872	6.5%
The EMTN programme (*)	4,273,586	4.7%	4,157,406	4.5%	116,180	2.8%	5,837,196	6.1%	-1,563,610	-26.8%
French certificates of deposit programme (a)	636,403	0.7%	225,027	0.2%	411,376	n.s.	401,311	0.4%	235,092	58.6%
The euro commercial paper programme (b)	209,175	0.2%	13,445	0.0%	195,730	n.s.	217,310	0.2%	-8,135	-3.7%
The covered bond programme	8,820,019	9.9%	7,708,057	8.3%	1,111,962	14.4%	6,291,493	6.5%	2,528,526	40.2%
Preference shares (**) (c)	-	-	339,996	0.4%	-339,996	-100.0%	340,001	0.4%	-340,001	-100.0%
securities subscribed by ordinary customers:	28,941,740	32.1%	29,319,478	31.7%	-377,738	-1.3%	30,278,238	31.4%	-1,336,498	-4.4%
of the Group:										
- Certificates of deposit (d)	1,107,331	1.2%	1,549,914	1.7%	-442,583	-28.6%	2,075,661	2.1%	-968,330	-46.7%
- Bonds:	24,408,090	27.1%	24,085,839	26.0%	322,251	1.3%	24,396,726	25.3%	11,364	0.0%
issued by UBI Banca	16,324,310	18.1%	12,736,571	13.7%	3,587,739	28.2%	10,059,926	10.4%	6,264,384	62.3%
issued by the network banks	8,083,780	9.0%	11,349,268	12.3%	-3,265,488	-28.8%	14,336,800	14.9%	-6,253,020	-43.6%
external distribution networks:										
- Bonds issued by the former Centrobanca	3,426,319	3.8%	3,683,725	4.0%	-257,406	-7.0%	3,805,851	4.0%	-379,532	-10.0%
Total direct funding	90,175,601	100.0%	92,603,936	100.0%	-2,428,335	-2.6%	96,343,798	100.0%	-6,168,197	-6.4%
Due to customers net of the CCG	44,871,444		45,202,486		-331,042	-0.7%	47,475,458		-2,604,014	-5.5%
Total direct funding net of the CCG and institutional funding	73,981,334		74,660,334		-679,000	-0.9%	77,888,694		-3,907,360	-5.0%

<sup>(\*)</sup> The corresponding nominal amounts were €4,219 million as at 30<sup>th</sup> June 2014, €4,125 million as at 31<sup>st</sup> December 2013 and €5,771 million (of which €182 million subordinated) as at 30<sup>th</sup> June 2013. The figures shown in the table do not include private placements of an intragroup nature, which were therefore eliminated in the consolidation (€8 million as at 30<sup>th</sup> June 2013).

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therefore eliminated in the consolidation (€8 million as at 30<sup>th</sup> June 2013).

(\*\*) The preference shares (issued for nominal amounts by BPB Capital Trust of €300 million, by Banca Lombarda Preferred Securities Trust of €155 million and by BPCI Capital Trust of €115 million) were all redeemed in the first quarter of 2014.

<sup>1</sup> The disposal of Banque de Dépôts et de Gestion Sa on 29<sup>th</sup> November 2013, led to the loss year-on-year of €0.3 billion of current accounts and term deposits.

#### Direct funding from customers

	30.6.2014	%	31.3.2014	%	Changes	A/D
Figures in thousands of euro	Α	%	D	%	amount	%
Current accounts and deposits	42,504,977	47.2%	42,443,090	46.7%	61,887	0.1%
Term deposits	853,934	0.9%	1,010,287	1.1%	-156,353	-15.5%
Financing	2,941,959	3.3%	2,174,806	2.4%	767,153	35.3%
- repurchase agreements	2,516,776	2.8%	1,704,607	1.9%	812,169	47.6%
of which: repos with the CCG	2,255,084	2.5%	1,410,227	1.6%	844,857	59.9%
- other	425,183	0.5%	470,199	0.5%	-45,016	-9.6%
Other payables	825,658	0.9%	738,481	0.8%	87,177	11.8%
Total amounts due to customers (item 20 liabilities	47,126,528	52.3%	46,366,664	51.0%	759,864	1.6%
Bonds	41,096,164	45.6%	42,461,592	46.8%	-1,365,428	-3.2%
Certificates of deposit (a)+(d)	1,743,734	1.9%	1,914,176	2.1%	-170,442	-8.9%
Other certificates (b)	209,175	0.2%	101,769	0.1%	107,406	105.5%
Total debt securities issued (item 30 liabilities)	43,049,073	47.7%	44,477,537	49.0%	-1,428,464	-3.2%
of which:						
securities subscribed by institutional customers:	13,939,183	15.5%	14,513,800	16.0%	-574,617	-4.0%
The EMTN programme (*)	4,273,586	4.7%	5,147,408	5.7%	-873,822	-17.0%
French certificates of deposit programme (a)	636,403	0.7%	549,917	0.6%	86,486	15.7%
The euro commercial paper programme (b)	209,175	0.2%	101,769	0.1%	107,406	105.5%
The covered bond programme	8,820,019	9.9%	8,714,706	9.6%	105,313	1.2%
securities subscribed by ordinary customers:	28,941,740	32.1%	29,807,343	32.8%	-865,603	-2.9%
of the Group:						
- Certificates of deposit (d)	1,107,331	1.2%	1,364,259	1.5%	-256,928	-18.8%
- Bonds:	24,408,090	27.1%	24,908,074	27.4%	-499,984	-2.0%
issued by UBI Banca	16,324,310	18.1%	15,168,845	16.7%	1,155,465	7.6%
issued by the network banks	8,083,780	9.0%	9,739,229	10.7%	-1,655,449	-17.0%
external distribution networks:						
- Bonds issued by the former Centrobanca	3,426,319	3.8%	3,535,010	3.9%	-108,691	-3.1%
Total direct funding	90,175,601	100.0%	90,844,201	100.0%	-668,600	-0.7%
Due to customers net of the CCG	44,871,444		44,956,437		-84,993	-0.2%
Total direct funding net of the CCG and institutional funding	73.981.334		74.920.174		-938.840	-1.3%

(\*) The corresponding nominal amounts were  $\[mathebox{$\epsilon$}4,219$  million as at  $30^{\rm th}$  June 2014 and  $\[mathebox{$\epsilon$}5,090$  million as at  $31^{\rm st}$  March 2014.

**Debt securities issued** – over 95% of which are bonds – stood at approximately €43.1 billion (-€0.5 billion compared with a year before, up by €1.1 billion in the first half and down by €1.4 billion in the second quarter).

Within the item, *bonds*, amounting to  $\in$ 41.1 billion, were up compared with both June ( $\in$ 0.6 billion) and December 2013 ( $\in$ 1.3 billion, although impacted by a reduction that occurred in the period March-June due to the high concentration of securities maturing) totally offset, year-on-year, by the downward trend for *certificates of deposit* and *other securities* ( $\in$ 1.1 billion together) – the latter consisting solely of commercial paper<sup>2</sup> since March 2014. On a half yearly basis, however, the recovery in issuances for both the institutional programmes resulted in a positive trend for bonds also reflected at aggregate level.

In terms of type of customer, FUNDING IN SECURITIES FROM INSTITUTIONAL CUSTOMERS totalled €13.9 billion compared with €13.1 billion a year before and €12.4 billion in December, continuing nevertheless to represent a marginal percentage of total funding. In detail, institutional funding was composed as follows:

- EMTN securities (Euro Medium Term Notes) amounting to €4.3 billion, listed in Dublin³ and issued as part of a programme for a maximum issuance of €15 billion.
  - Two issuances were made over twelve months for €1.750 billion nominal (€750 million in October 2013 and €1 billion in February 2014), against maturities, redemptions and repurchases for a total of €3.302 billion nominal of which €2.396 billion in the second half of 2013 which explains the decrease in the total year-on-year (-€1.6 billion) and its stability compared with December;

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<sup>2</sup> As already reported the preference shares, which were recognised within other certificates with a value of approximately €340 million until 31st December 2013, were redeemed during the first quarter.

<sup>3</sup> The notes in issue were admitted for listing on the Dublin stock exchange on 23rd June 2014 with the transfer of the programme on the following 25th July 2014. The delisting process from the London stock exchange where they were previously listed is currently in progress.

- covered bonds amounting to €8.8 billion, increased in both comparative periods due to placements totalling €2.5 billion nominal (€1.25 billion in October 2013, subsequently reopened for €0.25 billion in December and €1 billion in January 2014), against marginal decreases (€50.5 million over twelve months), relating to annual amortisation instalments on two of the "amortising" securities.
  - UBI Banca has ten covered bonds in issue under the first "multioriginator" programme backed by residential mortgages with a €15 billion ceiling<sup>4</sup> for a nominal amount of €8.14 billion (net of amortisation totalling €109.9 million)<sup>5</sup>. The securities are traded in Dublin<sup>6</sup>.

As at  $30^{\text{th}}$  June 2014 the residential mortgage asset pool formed at UBI Finance to back the issuances amounted to £14.6 billion, of which 22.2% originated by Banca Popolare di Bergamo, 17.7% by Banco di Brescia, 14.7% by Banca Popolare Commercio e Industria, 13.5% by UBI Banca, approximately 12.2% by Banca Regionale Europea, 9.2% by Banca Popolare di Ancona, 7.2% by Banca Carime, 1.7% by Banca di Valle Camonica and 1.6% by UBI Banca Private Investment.

The portfolio continued to present a high degree of fragmentation, including over 187 thousand mortgages with average residual debt of  $\in$ 78.1 thousand, distributed with approximately 63.9% in North Italy and in Lombardy especially (44.6% of the total).

A transfer of residential mortgages to the programme was made with value date  $1^{st}$  June by Banca Popolare Commercio e Industria, Banca Popolare di Ancona, Banca Carime and Banca Regionale Europea for a total of 6625 million of remaining debt.

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. So far this programme, listed on the Dublin stock exchange<sup>7</sup>, has only been used for self retained issuances<sup>8</sup>.

As at  $30^{th}$  June 2014 the commercial and residential mortgage asset pool formed at UBI Finance CB2 to back the issuances totalled  $\mathfrak{S}.2$  billion, of which 21% originated by Banca Popolare di Bergamo, 19.7% by Banca Regionale Europea, 17.6% by Banco di Brescia, 17.3% by Banca Popolare di Ancona, 10.4% by Banca Popolare Commercio e Industria, 10.3% by Banca Carime and 3.7% by Banca di Valle Camonica.

The portfolio included over 26 thousand mortgages with average residual debt of &120 thousand, distributed, as for the first programme, with a high concentration in North Italy (67.6%) and in Lombardy especially (approximately 43% of the total).

Å transfer of mortgages was made in the first half with value date 1st May by Banca Popolare Commercio e Industria, Banca Popolare di Ancona, Banca Carime and Banca Regionale Europea for a total remaining debt of approximately €1.75 million.

• French certificates of deposit amounting to €636 million, issued by the UBI Banca International as part of a programme with a ceiling on issuance of €5 billion, listed in Luxembourg, and euro commercial paper amounting to €209 million, again issued by UBI Banca International as part of a €6 billion programme also listed in Luxembourg. After the substantial decreases that occurred in 2013, both these short-term funding instruments recorded a recovery since the beginning of year due to a return of interest on the part of investors in the presence of abundant liquidity at system level.

FUNDING IN SECURITIES FROM ORDINARY CUSTOMERS – consisting mainly of bonds (96.2%) – amounted to €28.9 billion, down from €30.3 billion in the previous June and from €29.3 billion in December.

Within the item, captive bonds ( $\[ \in \]$ 24.4 billion), which remained stable in the year-on-year comparison, were slightly up over six months ( $\[ \in \]$ 0.3 billion) and were down on March ( $\[ \in \]$ 0.5 billion). They continued to record opposing trends for UBI Banca issuances (up by  $\[ \in \]$ 0.3 billion year-on-year, by  $\[ \in \]$ 3.6 billion compared with December and by  $\[ \in \]$ 1.2 billion with March) and network bank issuances ( $\[ \in \]$ 6.3 billion,  $\[ \in \]$ 6.3 billion and  $\[ \in \]$ 6.17 billion respectively), a reflection of a strategic policy pursued since January 2013 to centralise issuances for customers at the Parent and place them through the network banks.

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<sup>4</sup> The maximum was increased with respect to the previous €10 billion at the time of the annual renewal of the programme on 25th July 2014.

<sup>5</sup> Two self-retained issuances for a total of €1.7 billion nominal were made to back that programme, an issue for €1 billion in December 2013 and one for €0.7 billion in March 2014. Because these were repurchased by UBI Banca, these liabilities have not been recognised, in accordance with IFRS.

<sup>6</sup> The notes were admitted for listing on the Dublin stock exchange in May 2014 with the transfer of the programme on the following 25th July 2014. The delisting process from the London stock exchange where they were previously listed is currently in progress.

<sup>7</sup> The programme was transferred to the Dublin stock exchange on 29th July 2014. Delisting from the London stock exchange is currently in progress.

<sup>8</sup> Two issuances in 2012 for a total of €1.94 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.

Issues subscribed by network bank customers in the first half of 2014 totalled €5.2 billion nominal compared with maturities of €4.7 billion nominal and repurchases totalling €0.2 billion nominal.

In the absence of new issuances, non-captive funding from customers, which had been carried out in the past by Centrobanca, continued to fall, down to  $\in 3.4$  billion

Finally, with regard to certificates of deposits subscribed by ordinary customers ( $\in$ 1.1 billion), a progressive decrease in the total was recorded over twelve months ( $\in$ 2.1 billion a year before), mainly a reflection of maturities not renewed, but also of a reduction in the total relating to the component swapped with yen (down to  $\in$ 0.5 billion from  $\in$ 0.8 billion in June 2013), and amplified by changes in the exchange rate.

\* \* \*

With regard to the specific service model designed for nonprofit organisations and church-related institutions, one of the products which met with most success from customers and received important acknowledgements nationally due to their innovative nature are the "UBI Community Social Bonds" which in addition to remunerating the investment at market conditions offer subscribers the possibility to support initiatives and projects of high social value.

Two types of this instrument exist. The first involves the donation to nonprofit organisations or institutions of part of the amount placed by means of bond issuances, normally equivalent to 0.5%, while the second involves the whole amount of funding acquired through the issuance being used to finance social enterprise initiatives.

Between April 2012 and the end of the first half of 2014, 51 social bonds were placed, subscribed by over 20 thousand mainly retail customers of the Group to give total funding of  $\[ \in \]$ 532 million. It was therefore possible to make donations of  $\[ \in \]$ 2.65 million and to allocate  $\[ \in \]$ 19.6 million to a loan pool. More specifically, ten new bonds have been placed since January 2014, of which two by the Parent, for a total of  $\[ \in \]$ 95 million, which made it possible to make donations of approximately  $\[ \in \]$ 47 thousand.

The largest percentage of the projects supported by the UBI Community Social Bond programme were in the area of "welfare and solidarity" followed by that of "infrastructures and public utility services".

\* \* \*

The table below summarises maturities for Group bonds in issue at the end of June 2014.

### Maturities for bonds outstanding as at 30th June 2014

Nominal amounts in millions of euro	3rd Quarter 2014	4th Quarter 2014	2015	2016	2017	Subsequent years	Total
UBI BANCA	1,008	1,383	5,317	9,208	3,459	11,599	31,974
of which: EMTNs	690	481	965	100	800	1,183	4,219
Covered bonds	-	25	551	1,801	1,051	4,712	8,140
Network banks	1,226	1,129	3,480	1,213	541	376	7,965
Other banks in the Group			1			4	5
Total	2,234	2,512	8,798	10,421	4,000	11,979	39,944

### **Listed securities**

Bonds listed o	on the MOT (electronic bond market)	Nominal amount of	Book valu	ue as at
ISIN number		issue	30.6.2014	31.12.2013
IT0001197083	Centrobanca zero coupon 1998-2018	L. 800 billion	€ 163,240,986	€ 159,169,619
IT0001257333	Centrobanca 1998/2014 reverse floater	L. 300 billion	€ 82,186,811	€ 82,580,250
IT0001267381	Centrobanca 1998/2018 reverse floater capped	L. 320 billion	€ 132,405,386	€ 127,698,778
IT0001300992	Centrobanca 1999/2019 step down indicizzato al tasso swap euro 10 anni	€ 170,000,000	€ 113,529,052	€ 113,945,355
IT0001312708	Centrobanca 1999/2019 step down eurostability bond	€ 60,000,000	€ 63,957,365	€ 60,977,852
IT0004424435	UBI subordinato low er tier 2 a tasso variabile con ammortamento 28.11.2008-2015	€ 599,399,000	€ 238,890,502	€ 238,284,114
IT0004457070	UBI subordinato low er tier 2 fix to float con rimborso anticipato 13.3.2009-2019	€ 370,000,000	€ 367,825,859	€ 371,552,214
IT0004457187	UBI subordinato low er tier 2 a tasso variabile con ammortamento 13.3.2009-2016	€ 211,992,000	€ 84,345,472	€ 126,531,971
IT0004497050	UBI subordinato low er tier 2 fix to float con rimborso anticipato 30.6.2009-2019	€ 365,000,000	€ 360,155,254	€ 364,094,317
IT0004497068	UBI subordinato low er tier 2 a tasso variabile con ammortamento 30.6.2009-2016	€ 156,837,000	€ 62,261,549	€ 93,403,498
IT0004496557	Unione di Banche Italiane Scpa tasso misto 7.7.2009-2014	€ 200,000,000	€ 200,538,494	€ 199,754,806
IT0004572860	UBI subordinato low er tier 2 a tasso variabile con ammortamento 23.2.2010-2017	€ 152,587,000	€ 91,080,729	€ 121,431,073
IT0004572878	UBI subordinato low er tier 2 a tasso fisso 3,10% con ammortamento 23.2.2010-2017	€ 300,000,000	€ 187,005,275	€ 249,339,305
IT0004645963	UBI subordinato low er tier 2 a tasso fisso 4,30% con ammortamento 5.11.2010-2017	€ 400,000,000	€ 326,368,302	€ 327,555,532
IT0004652043	Unione di Banche Italiane Scpa tasso misto 2.12.2010-2014	€ 174,973,000	€ 174,823,411	€ 174,590,727
IT0004713654	Unione di Banche Italiane Scpa tasso misto 10.6.2011-2015	€ 120,000,000	€ 119,239,671	€ 120,721,235
IT0004718489	UBI subordinato low er tier 2 tasso fisso 5,50% con ammortamento 16.6.2011-2018 Welcome Edition	€ 400,000,000	€ 333,847,597	€ 417,289,961
IT0004723489	UBI subordinato low er tier 2 tasso fisso 5,40% con ammortamento 30.6.2011-2018	€ 400,000,000	€ 333,851,137	€ 417,292,687
IT0004767742	UBI subordinato low er tier 2 tasso misto 18.11.2011-2018 Welcome Edition	€ 222,339,000	€ 221,095,376	€ 221,870,613
IT0004815368	Unione di Banche Italiane Scpa tasso fisso 4% 8.6.2012-8.6.2015 Welcome Edition	€ 15,371,000	€ 15,436,083	€ 15,453,152
IT0004815715	Unione di Banche Italiane Scpa tasso fisso 3,80% 15.6.2012-15.6.2016	€ 20,224,000	€ 20,298,360	€ 20,312,420
IT0004841778	UBI subordinato low er tier 2 tasso misto 8.10.2012-8.10.2019 Welcome Edition	€ 200,000,000	€ 201,683,890	€ 201,598,320
IT0004842370	UBI subordinato low er tier 2 tasso fisso con ammortamento 6% 8.10.2012-8.10.2019	€ 970,457,000	€ 984,523,619	€ 984,922,924
IT0004851710	Unione di Banche Italiane Scpa tasso variabile 23.11.2012-23.11.2016 Welcome Edition "UBI Comunità per l'imprenditoria sociale del sistema CGM"	€ 17,552,000	€ 17,605,858	€ 17,605,909
IT0004851728	Unione di Banche Italiane Scpa tasso fisso step up 4,00% 19.10.2012-19.10.2016 Welcome Edition "UBI Comunità per la Comunità di Sant'Egidio"	€ 20,000,000	€ 20,446,586	€ 20,433,279
	Unione di Banche Italiane Scpa tasso misto 7.12.2012-7.12.2015 Welcome Edition			
IT0004854490	"Progetto T2 Territorio per il Territorio UBI Banca e Assolombarda"	€ 18,550,000	€ 18,591,314	€ 18,582,793
IT0004855554	Unione di Banche Italiane Scpa tasso fisso 4% 30.11.2012- 30.11.2014 Welcome Edition	€ 34,966,000	€ 35,065,686	€ 35,030,835
IT0004855562	Unione di Banche Italiane Scpa tasso fisso 4% 23.11.2012-23.12.2014	€ 99,991,000	€ 100,073,674	€ 100,005,414
IT0004865579	Unione di Banche Italiane Scpa tasso fisso 3% 3.12.2012-3.12.2014	€ 121,440,000	€ 121,652,051	€ 121,514,178
IT0004867310	Unione di Banche Italiane Scpa tasso fisso 3,50% 7.12.2012-7.6.2015	€ 68,189,000	€ 68,255,670	€ 68,222,877
	Unione di Banche Italiane Scpa tasso fisso step up 3,00% 31.12.2012-31.12.2015 Welcome Edition			
IT0004869860	UBI Comunità per Fondazione Umberto Veronesi	€ 20,000,000	€ 20,092,858	€ 20,081,028
IT0004874985	Unione di Banche Italiane Scpa tasso fisso step up 3,00% 31.1.2013-31.1.2017	€ 157,532,000	€ 162,867,140	€ 160,524,550
IT0004874993	Unione di Banche Italiane Scpa tasso fisso 3,50% 31.1.2013-31.1.2016 Welcome Edition	€ 54,419,000	€ 55,423,222	€ 55,222,137
IT0004895352	Unione di Banche Italiane Scpa step up 5.4.2013-5.4.2016 Welcome Edition C Cesvi	€ 20,000,000	€ 20,608,543	€ 20,350,401
IT0004908478	Unione di Banche Italiane Scpa tasso misto 24.5.2013-24.5.2016 Welcome Edition T2 Confapi	€ 20,000,000	€ 20,102,501	€ 20,081,073
Covered bond ISIN number	s listed on the Dublin stock exchange	Nominal amount of issue	30.6.2014	31.12.2013
	LIDI Occurred Developing CO Contractor COACO COEE/Contractor developing COACO	64,000,000,000	64 000 000 555	C 4 070 000 070
IT0004533896	UBI Covered Bonds due 23 September 2016 3,625% guaranteed by UBI Finance SrI	€ 1,000,000,000	€ 1,080,322,365	€ 1,073,828,870
IT0004558794	UBI Covered Bonds due 16 December 2019 4% guaranteed by UBI Finance Srl	€ 1,000,000,000	€ 1,143,270,863	€ 1,126,318,916
IT0004599491	UBI Covered Bonds due 30 April 2022 floating rate amortising guaranteed by UBI Finance Srl	€ 250,000,000	€ 182,015,466	€ 193,360,990
IT0004619109	UBI Covered Bonds due 15 September 2017 3.375% guaranteed by UBI Finance Srl	€ 1.000.000.000	€ 1.073.744.712	€ 1.064.044.289

IT0004619109 UBI Covered Bonds due 15 September 2017 3,375% guaranteed by UBI Finance SrI € 1,000,000,000 € 1,073,744,712 € 1,064,044,289 IT0004649700 UBI Covered Bonds due 18 October 2015 3,125% guaranteed by UBI Finance Srl € 500,000,000 € 520,303,995 € 516,097,173 IT0004682305 UBI Covered Bonds due 28 January 2021 5,25% guaranteed by UBI Finance Srl € 1.159.242.694 € 1.185.558.930 € 1.000.000.000 IT0004692346 UBI Covered Bonds due 22 February 2016 4,5% guaranteed by UBI Finance Srl € 750,000,000 € 790,527,384 € 816,036,182 IT0004777444 UBI Covered Bonds due 18 November 2021 floating rate amortising guaranteed by UBI Finance Srl € 250,000,000 € 208,247,652 € 222,090,571 IT0004966195 UBI Covered Bonds due 14 October 2020 3,125% guaranteed by UBI Finance Srl € 1,500,000,000 € 1,604,323,666 € 1,510,721,337 IT0004992878 UBI Covered Bonds due 5 February 2024 3,125% guaranteed by UBI Finance Srl € 1,000,000,000 € 1,058,020,450

The list does not include the EMTN issues listed in Dublin, securities generated by securitisations performed for internal purposes by UBI Leasing, Banco di Brescia, Banca Popolare di Bergamo, Banca Popolare Commercio e Industria, Banca Popolare di Ancona and the former B@nca 24-7 all listed on the Dublin stock exchange, nor the issues of French certificates of deposit and of commercial paper, listed in Luxembourg.

The table, "Geographical distribution of Geographical distribution of direct funding from customers direct funding from customers by region of location of the branch", gives the geographical distribution of traditional funding in Italy (consisting of current accounts, savings deposits and certificates of deposit).

The figures continue to confirm the significant concentration of the Group in north western regions (69.9%) and in Lombardy in particular (59.8%).

No significant changes occurred during the first half. Changes in regional percentages resulted in a slight increase in percentage funding from the North at the expense of central Italy.

## by region of location of the branch

(excluding repurchase agreements and bonds)(\*)

Percentage of total	30.6.2014	31.12.2013	30.6.2013
Lombardy	59.78%	59.71%	59.95%
Piedmont	7.81%	7.93%	7.94%
Latium	7.35%	7.24%	7.01%
Apulia	4.81%	4.70%	4.63%
Calabria	4.54%	4.65%	4.51%
Marches	4.03%	4.32%	4.25%
Campania	4.02%	4.01%	4.00%
Liguria	2.27%	2.26%	2.54%
Emilia Romagna	1.51%	1.40%	1.32%
Veneto	1.14%	1.02%	1.03%
Basilicata	0.99%	1.00%	1.03%
Umbria	0.52%	0.56%	0.60%
Abruzzo	0.47%	0.47%	0.45%
Friuli Venezia Giulia	0.28%	0.25%	0.25%
Tuscany	0.26%	0.24%	0.23%
Molise	0.18%	0.21%	0.21%
Trentino Alto Adige	0.02%	0.02%	0.02%
Valle d'Aosta	0.02%	0.01%	0.03%
Total	100.00%	100.00%	100.00%
North	72.8%	72.6%	73.1%
- North West	69.9%	69.9%	70.5%
- North East	2.9%	2.7%	2.6%
Central	12.2%	12.4%	12.1%
South	15.0%	15.0%	14.8%

<sup>(\*)</sup> The aggregates relate to banks only.

## Indirect funding and assets under management

Indirect funding from ordinary customers

	30.6.2014	%	31.12.2013	%	Changes	A/B	30.6.2013	%	Changes	A/C
Figures in thousands of euro	Α	73	В	70	amount	%	С		amount	%
Assets under custody	32,904,028	44.7%	32,097,938	44.8%	806,090	2.5%	30,247,594	43.9%	2,656,434	8.8%
Assets under management	40,762,807	55.3%	39,553,848	55.2%	1,208,959	3.1%	38,696,590	56.1%	2,066,217	5.3%
Customer portfolio management	6,707,457	9.1%	6,940,568	9.7%	-233,111	-3.4%	7,556,920	11.0%	-849,463	-11.2%
of which: fund based instruments	1,639,856	2.2%	1,588,871	2.2%	50,985	3.2%	1,627,893	2.4%	11,963	0.7%
Mutual investment funds and Sicav's	21,954,955	29.8%	20,907,196	29.2%	1,047,759	5.0%	19,706,534	28.6%	2,248,421	11.4%
Insurance policies and pension funds	12,100,395	16.4%	11,706,084	16.3%	394,311	3.4%	11,433,136	16.5%	667,259	5.8%
of which: Insurance policies	11,839,553	16.1%	11,454,276	16.0%	385,277	3.4%	11,193,674	16.2%	645,879	5.8%
Total indirect funding from ordinary customers	73,666,835	100.0%	71,651,786	100.0%	2,015,049	2.8%	68,944,184	100.0%	4,722,651	6.8%

indirect funding of the UBI Banca Group came to €73.7 billion, นท on all comparative periods: +€0.3 billion in the second quarter; +€2 billion since the beginning of the year; +€4.7 billion twelve months.

### At the end of June the Indirect funding from ordinary customers

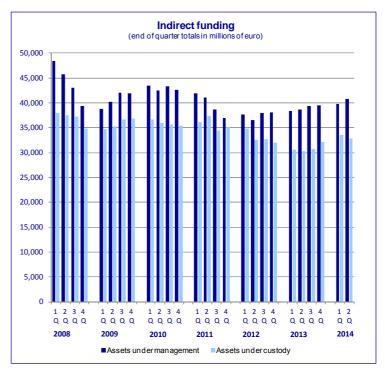
	30.6.2014	%	31.3.2014	%	Changes	A/D
Figures in thousands of euro	Α	<i>,</i> °	D	70	amount	%
Assets under custody	32,904,028	44.7%	33,596,106	45.8%	-692,078	-2.1%
Assets under management	40,762,807	55.3%	39,795,632	54.2%	967,175	2.4%
Customer portfolio management	6,707,457	9.1%	6,761,695	9.2%	-54,238	-0.8%
of which: fund based instruments	1,639,856	2.2%	1,623,902	2.2%	15,954	1.0%
Mutual investment funds and Sicav's	21,954,955	29.8%	21,173,805	28.8%	781,150	3.7%
Insurance policies and pension funds	12,100,395	16.4%	11,860,132	16.2%	240,263	2.0%
of which: Insurance policies	11,839,553	16.1%	11,603,181	15.8%	236,372	2.0%
Total indirect funding from ordinary customers	73,666,835	100.0%	73,391,738	100.0%	275,097	0.4%

The financial wealth of customers has benefited since September 2013 mainly from a marked and generalised improvement in conditions on financial markets which continued particularly strongly also into the first quarter of the new year. The reversal of the trend currently in progress since June has slowed but has not halted growth in the item.

As shown also in the graph, the trend for indirect funding in 2014 was driven mainly by **assets under management**, which have been recovering gradually since the third quarter of 2012. At the end of June they reached  $\in$ 40.8 billion ( $+\in$ 1.2 billion over six months), accounting for 55.3% of the total, the result of positive performance in the second quarter ( $+\in$ 1 billion; +2.4%).

Year-on-year, however, assets under management were up by €2.1 billion. They were driven by mutual investment funds and Sicav's, which reached almost €22 billion (+€2.2 billion since June 2013), the result of UBI Pramerica products placed over twelve months (for a total of approximately €3 billion, of which half relating to Sicav's and half to mutual funds 10).

These funds increased by €1 billion compared with December, of which



<sup>9</sup> Global Dynamic Allocation - Class B and Multiasset Europe 50 Class "A" fully placed in the second half of 2013.

<sup>10</sup> Protezione Mercato Euro, Europe Multifund, Multiasset Italia and Euro Equity Risk Control fully placed in the second half of 2014.

€0.8 billion in the second quarter.

The good performance by assets under management was also assisted by insurance policies and pension funds, up to €12.1 billion (+€0.2 billion over three months; +€0.4 billion since the beginning of the year; +€0.7 billion over twelve months), while customer portfolio managements fell to €6.7 billion (-€54 million since March; -€0.2 billion in the first half; -€0.8 billion year-on-year<sup>11</sup>) despite the stability of portfolio management in funds within the item (€1.6 billion).

After three consecutive quarters of growth, at the end of June assets under custody of €32.9 billion recorded a quarter-on-quarter decrease of €0.7 billion attributable to both changes in the composition of customer portfolios into assets under management and bonds issued by UBI Banca and also to a fall in the prices of securities which occurred in June. However, the item recorded increases over six and also over twelve months (+€0.8 billion and +€2.7 billion) mainly due to positive trends on financial markets.

Two new funds have been placed since 19th May (UBI Pramerica Global Multiasset and UBI Pramerica Multistrategy Volatility Target) for a total of  $\in 1.1$  billion, which does not appear in the figures for the end of the first half because they were settled with a value date of 7th July 2014.

At the end of the first half, Assogestioni (national association of asset management companies)12 data relating to the UBI Banca Group asset management companies for mutual funds and Sicav's, was as follows for ASSETS UNDER MANAGEMENT ORIGINATED13:

- positive net inflows over six months of €647.6 million, amounting to 3.5% of assets under management originated at the end of 2013 (net inflows for the sector nationally on the other hand were positive at €41.9 billion, amounting to 7.5% of assets managed at the end of the
- an increase in assets in the first half (+€1.2 billion; +6.7%) largely in line with performance by the sector nationally (+€63.5 billion; +11.4%). Over twelve months, on the other hand, assets under management by the UBI Banca Group increased by approximately €1.2 billion (+6.4%), compared with an increase of  $\in 103.2$  billion nationally (+20%);
- assets of €19.7 billion, which puts the Group in ninth place with a progressively decreasing market share down to 3.18% (3.22% in March; 3.32% in December; 3.59% in June 2013).

It must nevertheless be considered that Assogestioni's sample also includes non-banking operators. Consequently, market shares for the UBI Banca Group in the asset management sector are naturally smaller than those for direct funding, lending and number of branches. If the analysis is restricted to banks only, the Group's market share as at 30th June 2014 was 5.73% - down on 5.89% in December - placing UBI Banca in fifth position among Italian operators in the sector.

The summary figures given in the table below confirm the prudential approach of Group customers:

a percentage of lower risk funds (monetary funds and bonds) that is always higher than the figure for the sector, but which has progressively and more sharply decreased over twelve months (down from 73.3% to 56.9%) compared with the Assogestioni sample (down from 56.6% to 51%);

<sup>11</sup> The decrease over twelve months includes -€0.6 billion due to the sale of BDG at the end of November 2013.

<sup>12 &</sup>quot;Monthly map of assets under management", June 2014.

<sup>13</sup> As part of the periodic surveys performed by Assogestioni, since June 2012 the figure for assets under management for the UBI Banca Group also includes, in consideration of their nature, the management mandates granted to Pramerica Financial - the brand name used by Prudential Financial Inc. (USA) – a UBI Banca partner through UBI Pramerica SGR (€4.8 billion of mutual funds and Sicav's, of which €1.6 billion in equities and €3.2 billion in bonds as at 30th June 2014). This presentation provides a more consistent account of the actual assets under management of the UBI Banca Group.

Fund assets (including assets managed for the UBI Banca Group under a mandate)

UBI Banca Group	30.6.2014	%	31.12.2013	%	Change	s A/B	30.6.2013	%	Change	s A/C		
Figures in millions of euro	Α		В		amount	%	С		amount	%		
Equities	2,500	12.7%	2,433	13.1%	67	2.8%	2,338	12.6%	162	6.9%		
Balanced	5,006	25.3%	3,067	16.6%	1,939	63.2%	1,977	10.6%	3,029	153.2%		
Bond	9,681	49.0%	10,414	56.3%	-733	-7.0%	11,501	62.0%	-1,820	-15.8%		
Monetary funds	1,553	7.9%	1,885	10.2%	-332	-17.6%	2,090	11.3%	-537	-25.7%		
Flexible	1,008	5.1%	707	3.8%	301	42.6%	659	3.5%	349	53.0%		
TOTAL (a)	19,748	100.0%	18,506	100.0%	1,242	6.7%	18,565	100.0%	1,183	6.4%		
Sector nationally	30.6.2014	%	31.12.2013	%	Change	Changes A/B		s A/B 30.6.2013		%	Change	s A/C
Figures in millions of euro	Α	/0	В	70	amount	%	С	70	amount	%		
Equities	128,526	20.7%	120,276	21.6%	8,250	6.9%	103,673	20.0%	24,853	24.0%		
Balanced	37,949	6.1%	29,417	5.3%	8,532	29.0%	25,030	4.9%	12,919	51.6%		
Bond	293,642	47.3%	268,479	48.2%	25,163	9.4%	260,390	50.4%	33,252	12.8%		
Monetary funds	22,764	3.7%	29,110	5.2%	-6,346	-21.8%	32,095	6.2%	-9,331	-29.1%		
Flexible	128,877	20.8%	98,995	17.8%	29,882	30.2%	83,393	16.1%	45,484	54.5%		
Hedge funds	7,410	1.2%	6,170	1.1%	1,240	20.1%	6,392	1.2%	1,018	15.9%		
Unclassified	1,194	0.2%	4,384	0.8%	-3,190	-72.8%	6,150	1.2%	-4,956	-80.6%		
TOTAL (b)	620,362	100.0%	556,831	100.0%	63,531	11.4%	517,123	100.0%	103,239	20.0%		
MARKET SHARE OF THE UBI BANCA GROUP												
(a)/(b)	3.18%		3.32%				3.59%					
M ARKET SHARE OF THE UBI BANCA GROUP												
LIMITED TO BANKING COMPANIES ONLY	5.73%		5.89%				6.25%					

- at the same time a greater percentage of balanced funds up year-on-year from 10.6% to 25.3% (compared with an average figure for the sector nationally up from 4.9% to 6.1%) also to be seen in relation to the new products (funds and Sicav's) placed in the last twelve months:
- a percentage of equity funds down slightly in the first half of 2014 and constantly lower than the benchmark sample (12.7% compared with 20.7%);
- a modest increase in the percentage of flexible funds compared with a decidedly stronger tendency for the sector;
- no investment in hedge funds (these accounted for 1.2% of the Assogestioni sample).

In April the UBI Pramerica Euro Corporate funds, the UBI Pramerica Obbligazioni Globali Alto Rendimento funds and the UBI Pramerica Azioni Mercati Emergenti funds were included by CSF Rating among the best funds "Over 10 years". In fact these funds succeeded in beating inflation by generating performance appropriate to the risk to which they exposed their investors, thereby recording efficient remuneration of risk in the long run.

\* \* \*

Finally, as concerns ASSETS UNDER MANAGEMENT NET OF GROUP FUNDS (which includes collective instruments and customer portfolio management), at the end of the first half the UBI Banca Group was again positioned in eighth place in the sector (in seventh place among Italian banking groups), with assets amounting to €34.5 billion – including €11.4 billion relating to institutional customers – and market share of 2.51%, up compared with 2.27% in March and 2.32% in December (2.42% in June 2013).

The increase in the market share (and in the underlying volumes) compared with March is mainly due to the acquisition in May of a mandate by UBI Pramerica to manage Aviva Vita Spa's technical reserves ( $\mathfrak{C}3.3$  billion), in implementation of agreements signed in April with the Aviva Group as part of the reorganisation of the existing joint venture for the distribution of life insurance products.

If the analysis is limited to banks only, the UBI Banca Group's market share as at  $30^{\text{th}}$  June 2014 was 5.83% – an improvement compared with 5.31% in March, 5.42% in December and 5.60% in June 2013 – placing the UBI Banca Group stably in fourth position among operators in the sector.

# General banking business with customers: lending

## Performance of the loan portfolio

### Composition of loans to customers

	30.6.2014	%	of which	31.12.2013	%	of which	Changes	s A/B	30.6.2013	%	of which	Changes	s A/C
Figures in thousands of euro	Α	76	deteriorated	В	76	deteriorated	amount	%	С	76	deteriorated	amount	%
Current account overdrafts	11,073,678	12.7%	1,546,960	11,534,556	13.1%	1,569,335	-460,878	-4.0%	12,100,894	13.3%	1,421,188	-1,027,216	-8.5%
Reverse repurchase agreements	400,916	0.5%	-	18,859	0.0%	-	382,057	n.s.	51,364	0.1%	-	349,552	680.5%
Mortgage loans and other medium to long-term financing	52,153,647	59.9%	4,694,091	52,400,839	59.3%	4,614,463	-247,192	-0.5%	53,506,027	58.6%	4,393,540	-1,352,380	-2.5%
Credit cards, personal loans and salary-backed loans	3,935,424	4.5%	428,071	4,365,692	4.9%	512,620	-430,268	-9.9%	4,661,825	5.1%	489,222	-726,401	-15.6%
Finance leases	7,120,812	8.2%	1,310,103	7,350,865	8.3%	1,309,584	-230,053	-3.1%	7,671,205	8.4%	1,217,776	-550,393	-7.2%
Factoring	2,197,792	2.5%	274,727	2,480,694	2.8%	300,292	-282,902	-11.4%	2,488,709	2.7%	320,027	-290,917	-11.7%
Other transactions	10,229,153	11.7%	1,003,396	10,261,980	11.6%	1,005,979	-32,827	-0.3%	10,777,960	11.8%	882,144	-548,807	-5.1%
Debt instruments:	7,974	0.0%	-	7,982	0.0%	-	-8	-0.1%	10,511	0.0%	1,045	-2,537	-24.1%
- structured instruments	6	0.0%	-	-	-	-	6	n.s.	-	-	-	6	n.s.
- other debt instruments	7,968	0.0%	-	7,982	0.0%	-	-14	-0.2%	10,511	0.0%	1,045	-2,543	-24.2%
Total loans and advances to customers	87,119,396	100.0%	9,257,348	88,421,467	100.0%	9,312,273	-1,302,071	-1.5%	91,268,495	100.0%	8,724,942	-4,149,099	-4.5%

The downward trend recorded for the loan portfolio in progress since the summer of 2011 seems to have halted in the second quarter.

In fact at the end of June, total loans and advances to customers totalled €87.1 billion, unchanged

### Composition of loans to customers

	30.6.2014	%	of which	31.3.2014	%	of which	Changes	s A/D
Figures in thousands of euro	Α	%	deteriorated	D	%	deteriorated	amount	%
Current account overdrafts	11,073,678	12.7%	1,546,960	11,271,134	12.9%	1,545,485	-197,456	-1.8%
Reverse repurchase agreements	400,916	0.5%	-	187,088	0.2%	-	213,828	114.3%
Mortgage loans and other medium to long-term financing	52,153,647	59.9%	4,694,091	52,209,804	60.0%	4,648,109	-56,157	-0.1%
Credit cards, personal loans and salary-backed loans	3,935,424	4.5%	428,071	4,154,642	4.8%	444,399	-219,218	-5.3%
Finance leases	7,120,812	8.2%	1,310,103	7,226,553	8.3%	1,293,649	-105,741	-1.5%
Factoring	2,197,792	2.5%	274,727	2,171,010	2.5%	258,731	26,782	1.2%
Other transactions	10,229,153	11.7%	1,003,396	9,866,559	11.3%	1,017,862	362,594	3.7%
Debt instruments:	7,974	0.0%	-	7,959	0.0%	-	15	0.2%
- structured instruments	6	0.0%	-	-	-	-	6	n.s.
- other debt instruments	7,968	0.0%	-	7,959	0.0%	-	9	0.1%
Total loans and advances to customers	87,119,396	100.0%	9,257,348	87,094,749	100.0%	9,208,235	24,647	0.0%

compared with March, although down by €1.3 billion compared with December (-1.5%).

The performance of the total is benefiting from the growing positive impact of new medium to long-term grants which, however, is still not able to offset repayments and maturities, partly in relation to the progressive reduction in volumes of loans to non-captive customers, connected with the product companies<sup>1</sup>. Between April and June the network banks recorded a further gradual recovery in grants of loans, which were greater than repayments and loans maturing in the period.

In reality the slight increase in the second quarter (+€24.6 million) incorporated a recovery in short-term lending – not present in the half yearly comparison – which was nevertheless penalised by the negative trend for lending to non-captive customers outside the Group.

The loan portfolio was down by €4.1 billion (-4.5%) in the comparison with June 2013, a trend again affected by the year-on-year reduction in non-captive loans already mentioned (-€2.2

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<sup>1</sup> Total loans originated through the discontinued non-captive channel fell by €0.5 billion compared with March (-€1.5 billion compared to December).

billion) and also by the fragility of the Italian economy, which is struggling to exit from the long recession with continued low levels of consumption, production and investments which are reflected in the persistent weakness of demand from households – with a greater propensity to save – but above all from businesses.

As concerns *customer market segmentation*, 49.5% of the consolidated portfolio at the end of March consisted of loans to the retail market (50% in March and 49.8% in December; 49% in June 2013), 32% to the corporate market (32%; 31.6%; 32.3%), 0.9% to the private banking market (0.9%; 0.9%; 0.9%), while the remaining 17.6% consisted of types of lending not included in the commercial banking portfolios such as leasing, factoring and UBI Banca lending other than that of the merged product companies (17.1%; 17.7%; 17.8%).

### From the viewpoint of *type of lending*:

- mortgages and other medium to long-term lending stood at €52.2 billion more or less unchanged compared with March (-€56.2 million), but down since December (-€0.2 billion) yet again the main form of lending, accounting for close to 60%. It must nevertheless be considered that the decreases mentioned incorporate the natural fall in total loans of the former B@nca 24-7, currently managed by the Parent (-€72.6 million in the quarter; -€143 million compared with December).
  - •The decrease year-on-year was €1.4 billion, of which -€0.3 billion relating to former B@nca 24-7 loans, benefiting only partially from a recovery in new grants in progress since the second half of 2013 and which mainly involved mortgages and loans to private individuals and corporate clients and to a lesser extent to small businesses;
- reverse repurchase agreements rose to €0.4 billion, a reflection of specific UBI Banca business with the *Cassa di Compensazione e Garanzia* (CCG a central counterparty clearing house), which recovered in 2014;
- finance lease lending, relating almost entirely to UBI Leasing, fell further to  $\in$ 7.1 billion, down in the quarter by  $\in$ 0.1 billion ( $\in$ 0.2 billion in the first half), slightly less than in previous quarters.
  - •The performance over twelve months (-€0.6 billion) also continues to be affected by action taken to redefine lending processes and to refocus business onto the captive market carried forward over recent years (a decrease of €0.3 billion in outstanding non-captive business);
- factoring lending performed mainly by UBI Factor amounted to €2.2 billion, recording a slight recovery in the second quarter (+€26.8 million), but still falling year-on-year (-€0.3 billion), due entirely to performance in the first quarter of 2014;
- the different forms of consumer credit, which totalled approximately €3.9 billion, fell by €0.2 billion compared with March (-€0.4 billion in the first half) as a result of both the operations transferred to Prestitalia (salary backed lending; -€151.8 million over three months; -€252 million over six months), and the remaining loans of the former B@nca 24-7 contributed to UBI Banca (personal loans, special purpose loans, credit cards, current account overdrafts and other types of lending; -€72 million; -€200 million), compared with a positive but still modest trend for network bank business (+€4.6 million; +€21 million).
  - •On the other hand, the year-on-year change (- $\in$ 0.73 billion) partly affected by action taken to rationalise business with non-captive customers is the aggregate result of a fall in volumes of Prestitalia business (- $\in$ 0.47 billion) and the former B@nca 24-7 business (- $\in$ 0.38 billion), which was only partly offset by the increase in network bank business (+ $\in$ 0.12 billion);
- other short-term forms of lending, which totalled €21.3 billion, returned to growth in the second quarter of 2014, up by €0.2 billion, the aggregate result of a recovery of €0.4 billion by "other transactions" (loans for advances, portfolio, import/export transactions, very short term lending, etc.), compared with a further reduction of €0.2 billion for current account overdrafts.
  - •The performance over six and twelve months is one of a generalised fall, although progressively decreasing for those forms other than current account overdrafts:  $\in 0.5$  billion attributable almost entirely to current account overdrafts and  $\in 1.6$  billion of which  $\in 1$  billion relating to current account overdrafts and approximately  $\in 0.6$  billion to other transactions.

From the viewpoint of *maturities*, the stability of the item between April and June incorporates a return to growth for short-term loans (+€0.4 billion to €23.9 billion) – with the percentage rising back to 27.4% (27% in March; 27.5% in December; 27.9% in June 2013) – while medium to long-term lending fell by almost the same amount (to €63.2 billion), with the percentage down to 72.6%.

Over six and twelve months both components fell: -€0.4 billion and -€1.5 billion for short-term lending; -€0.9 billion and -€2.6 billion for medium to long-term lending.

At the end of June the *ratio of loans to deposits* was 96.6%, compared with 95.9% in March and 95.5% in December (94.7% in June 2013).

 $\begin{tabular}{ll} \textbf{Concentration of risk} & (largest customers or groups as a percentage of total loans and guarantees) \end{tabular}$ 

		ì			
Customers or Groups	30.6.2014	31.3.2014	31.12.2013	30.9.2013	30.6.2013
Largest 10	2.6%	2.8%	2.7%	2.8%	2.9%
Largest 20	4.5%	4.6%	4.6%	4.7%	4.8%
Largest 30	5.8%	5.9%	6.0%	6.1%	6.2%
Largest 40	6.8%	6.9%	7.1%	7.1%	7.3%
Largest 50	7.7%	7.8%	7.9%	7.9%	8.2%

In terms of *concentration*, the table shows a further general improvement on levels that are now low, which confirms the constant attention that the **Large exposures**Group pays to this aspect.

As concerns "large exposures", the supervisory report at the end of June 2014, prepared on the basis of the provisions of the new Basel 3 rules $^2$ , in force from  $1^{\rm st}$  January 2014, shows three positions which have exceeded

 Number of positions
 3
 3

 Exposure
 25,943,899
 23,889,494

 Positions at risk
 1,238,280
 1,153,346

the threshold of 10% of the regulatory capital, for a total of €25.9 billion (€23.9 billion in March), composed as follows:

- €21.9 billion to the Ministry of the Treasury, mainly in relation to investments in government securities by the Parent (€21.1 billion in March);
- €2.9 billion to the *Cassa di Compensazione e Garanzia* (a central counterparty clearing house), in relation to business by the Parent (€1.7 billion in March);
- €1.1 billion, in relation to business with a major banking counterparty (€1.1 billion also in March).

In consideration of the application of a zero weighting factor for transactions with the government, only two actual risk positions for the UBI Group existed after weightings for a total of  $\in 1.2$  billion, slightly down compared with March.

The percentage of the regulatory capital is well below the limit of 25% set for banking groups for each of the exposures reported.

A summary of the *geographical distribution* of lending in Italy is given in the table "geographical distribution of loans to customers by region of location of the branch".

At the end of the first half, the total share of loans to northern regions amounted to 81.5% of the total, (of which 77.2% to the North-West), slightly down both over twelve months and over six months, while that granted to central regions was 10.3%. The remaining 8.2% was to southern regions.

As concerns Lombardy in particular, a downward trend is in progress which reflects that for Parent loans, due to both the natural reduction of the remaining former B@nca 24-7

Geographical distribution of loans to customers by region of location of the branch  $\begin{subarray}{c} \end{subarray}$ 

Percentage of total	30.6.2014	31.12.2013	30.6.2013
Lombardy	67.46%	68.27%	68.59%
Piedmont	6.81%	6.31%	6.48%
Latium	5.27%	5.14%	5.17%
Marches	4.08%	4.01%	3.95%
Liguria	2.84%	2.87%	2.89%
Campania	2.58%	2.54%	2.45%
Apulia	2.31%	2.32%	2.17%
Emilia Romagna	2.30%	2.22%	2.21%
Calabria	1.97%	2.11%	1.95%
Veneto	1.70%	1.61%	1.58%
Umbria	0.71%	0.70%	0.70%
Abruzzo	0.67%	0.65%	0.64%
Basilicata	0.43%	0.44%	0.43%
Friuli Venezia Giulia	0.33%	0.27%	0.28%
Molise	0.26%	0.25%	0.24%
Tuscany	0.24%	0.25%	0.24%
Valle d'Aosta	0.03%	0.04%	0.03%
Trentino Alto Adige	0.01%	0.00%	0.00%
Total	100.00%	100.00%	100.00%
North	81.5%	81.6%	82.1%
- North West	77.2%	77.5%	78.0%
- North East	4.3%	4.1%	4.1%
Central	10.3%	10.1%	10.0%
South	8.2%	8.3%	7.9%

<sup>(\*)</sup> The aggregates relate to banks only.

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<sup>2</sup> Bank of Italy Circular No. 285 and No. 286 of 17th December 2013.

loans and former Centrobanca business and to a reduction in loans to Group companies. This tendency is being partially offset by an increase in lending business in Piedmont, Latium and some regions of the North-East.

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In a continuing context characterised by strong concerns over lending to the real economy, the UBI Banca Group is continuing to promote initiatives to support SMEs operating on its local markets.

### Business with guarantee associations and bodies

As concerns business backed by guarantee funds and bodies, as a result of new grants and loans in the first half – amounting  $\[ \in \]$ 665 million (+3.3% compared with the same period in 2013) relating to 9,251 transactions (-1%) – total loans backed by guarantee bodies and guarantee funds, such as the Guarantee Fund for SMEs (pursuant to Law No. 662/1996) and the funds managed by the SGFA (fund management company for the agricultural and food sector) for agricultural concerns, amounted to approximately  $\[ \in \]$ 3.7 billion at the end of June. Growth in loans backed by the Guarantee Fund for SMEs was particularly strong, with disbursements amounting to approximately  $\[ \in \]$ 262 million (+39% compared with the same period of 2013) relating to 2,358 transactions.

More specifically, business with the above mentioned Guarantee Fund incorporated new operating provisions which introduced important measures designed to increase its effectiveness. The changes introduced include redetermination of the percentage of backing provided, now up to 80% in the case of businesses registered and/or operating in southern Italy, female businesses, final beneficiaries of operations drawn on the reserves of the National Operative Programme, the Interregional Attractors Operative Programme and the Interregional Energy Operative Programme, businesses hit by the earthquakes in May 2012, road haulage firms, businesses located in crisis areas, innovative start-ups and certified incubators.

Other measures regard the extension of the guarantee fund to include "Professionals"; the limitation of the grant of guarantees solely to new grant and disbursement financial transactions (unless the concession is subject to the acquisition of the fund's backing); time limits for the start of recovery procedures relating to transactions with a duration equal to or less than 18 months (with no repayment schedule); specific assessment criteria for the admission of social enterprises and co-operatives; new admission criteria for the simplified assessment procedures.

In the light of the increased competition between guarantee bodies and of ownership changes that have occurred in recent years (company reorganisations and mergers between guarantee bodies and the transformation of some guarantee bodies into intermediaries supervised by the Bank of Italy), activity to revise existing convention agreements with guarantee bodies (to bring them into line with Bank of Italy prudential supervisory provisions in order to further reduce regulatory capital requirements) has continued.

### Initiatives in co-operation with the European Investment Bank (EIB)

In the first half lending drawn from the following loan pools, which involve funding by the European Investment Bank, continued:

- loan pool with specific purposes or beneficiaries:
  - "Mid Cap IV" loan pool amounting to €50 million, "Network of businesses" loan pool amounting to €25 million, "Industry 2015" loan pool amounting to €30 million and "Emilia Romagna Earthquake Victims" loan pool amounting to €25 million, all subscribed on 15th October 2012, with which projects for a total of €60 million are currently financed;
  - "Renewable Energies II" loan pool amounting to €100 million, for companies that implement projects in the energy efficiency and renewable energy sectors, subscribed on 31st July 2013 and not yet operational;
  - "Jobs for Youth" loan pool amounting to €50 million, for investments by "Mid Cap" companies and "SMEs" that provide employment for young people, subscribed on 30<sup>th</sup> January 2014, with which loans for €5 million have currently been granted.
- loan pools with "generic" aims:
  - "Mid Cap IV" loan pool amounting to €100 million, for investments by "MidCap" companies, subscribed on 15th October 2013, with which projects have been financed for €80 million;
  - "Loan for SMEs" loan pool amounting to €200 million, for investments by "SMEs", subscribed on 10<sup>th</sup> January 2014 and already entirely used.

On the basis of the positive collaboration in progress for many years, the UBI Banca Group has programmed two further loan pools with the EIB, the use of which will begin shortly. In detail:

- "Loan for SMEs" loan pool amounting to €200 million, for investments by "SMEs", signed on 26<sup>th</sup> May 2014.
- "Mid Cap II" loan pool amounting to €150 million, to finance investments by "Mid Cap" companies, subscribed on 27th June 2014.

### Risk

In a continuing context of a weak Italian economy, credit quality seems to be showing signs of stabilising.

At the end of June total gross deteriorated loans reached almost  $\[ \in \]$ 12.8 billion, up by only  $\[ \in \]$ 114.3 million compared with December (+0.9%) and slowing significantly compared with previous half years (+ $\[ \in \]$ 833.9 million and + $\[ \in \]$ 881.6 million compared with the second and first halves of 2013 respectively; + $\[ \in \]$ 1.5 billion and + $\[ \in \]$ 864.1 million compared with the second and first halves of 2012 respectively).

As shown in the table, this trend is accompanied by an equally significant fall in total new inflows from performing status (-38% and -40% compared with the first and second halves of 2013 respectively), which concerned

### Quarterly changes in gross deteriorated loans

	20	14	2013					
Figures in thousands of euro	2Q	1Q	4Q	3Q	2Q	1Q		
Non-performing loans	335,287	130,195	168,918	135,998	299,725	138,100		
Impaired Ioans	-162,579	-5,048	72,219	362,281	63,960	460,526		
Restructured Ioans	-47,509	13,504	187,424	-6,000	2,466	-85,755		
Exposures past due and/or in arrears	4,309	-153,887	-121,288	34,317	17,083	-14,490		
Gross deteriorated loans	129,508	-15,236	307,273	526,596	383,234	498,381		
transfers from performing exposures	637,065	623, 163	1,060,454	1,028,420	966,722	1,068,519		
transfers into performing exposures	-171,812	-356,074	-392,400	-201,668	-249,182	-348,341		

mainly the past due and/or in arrears exposures but also the impaired loans category.

The modest overall performance of the total compared with December is in reality the aggregate result of a reduction in impaired loans (-€167.6 million; -3.3%), exposures past due and/or in arrears (-€149.6 million; -17.9%) and restructured loans (-€34 million; -3.9%), which was more than offset by an increase in non-performing loans (+€465.5 million; +7.9%), driven mainly by transfers from other categories of deteriorated loans.

The first signs of improvement from the viewpoint of risk were also the result of numerous initiatives undertaken by the Group in recent years in terms of internal reorganisation and operating processes<sup>3</sup> designed to improve the management of credit risk. A decision was also taken in this respect to focus lending business on the captive channel by means of a gradual discontinuation of indirect channels, above all in highly critical sectors such as leasing and salary backed lending<sup>4</sup>.

On the other hand, gross deteriorated loans increased over twelve months by 0.95 billion (+8%), consisting mainly of non-performing loans (+0.77 billion), but also of impaired loans (+0.27 billion) and restructured loans (+0.15 billion), while exposures past due and/or in arrears fell (-0.24 billion).

At the end of June *net deteriorated loans* stood at approximately €9.3 billion, down slightly by €54.9 million in the first half (-0.6%), but up by €532.4 million year-on-year (+6.1%).

In terms of types of loan, the table "composition of loans to customers", shows annual growth in net deteriorated loans correlating with the item "mortgage loans and other medium to long-term loans" – backed by collateral, which results automatically in a lower level of coverage – and also with short-term lending (current account overdrafts and other transactions).

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<sup>3</sup> One action taken was to extend the automatic classification procedures for impaired positions employed by the Group IT system to also cover loans acquired by the Parent from the former B@nca 24-7.

<sup>4</sup> As already reported, since 2011 the UBI Banca Group has progressively discontinued non-captive distribution channels for the distribution of salary-backed loans covered by a "deducted for non-payment" clause, by revoking the mandate to operate not only from Ktesios, but also from all other finance companies. Therefore, the management of salary-backed lending operations was progressively insourced within the Group at the specialist company Prestitalia Spa. This company not only carries out ordinary collection activities, but also the direct recovery of credit, enforcing compulsory legal guarantees where applicable and it also classifies positions, where necessary, in the most appropriate categories of deteriorated loan.

### Loans and advances to customers as at 30th June 2014

Figures in thousands of euro	Gross e	Gross exposure		nt Carrying amount		Coverage (*)
Deteriorated loans	(14.04%)	12,788,137	3,530,789	(10.63%)	9,257,348	27.61%
- Non-performing loans	(6.97%)	6,350,531	2,579,119	(4.33%)	3,771,412	40.61%
- Impaired loans	(5.40%)	4,914,896	797,527	(4.73%)	4,117,369	16.23%
- Restructured loans	(0.92%)	838,064	121,431	(0.82%)	716,633	14.49%
- Past due loans	(0.75%)	684,646	32,712	(0.75%)	651,934	4.78%
Performing loans	(85.96%)	78,310,845	448,797	(89.37%)	77,862,048	0.57%
Total loans and advances to customers		91,098,982	3,979,586		87,119,396	4.37%

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

### Loans and advances to customers as at 31st March 2014

Figures in thousands of euro	Gross e	xposure	Impairment Iosses	Carrying amount		Coverage (*)
Deteriorated loans	(13.91%)	12,658,629	3,450,394	(10.57%)	9,208,235	27.26%
- Non-performing loans	(6.61%)	6,015,244	2,467,721	(4.07%)	3,547,523	41.02%
- Impaired loans	(5.58%)	5,077,475	823,638	(4.88%)	4,253,837	16.22%
- Restructured loans	(0.97%)	885,573	125,377	(0.87%)	760,196	14.16%
- Past due loans	(0.75%)	680,337	33,658	(0.75%)	646,679	4.95%
Performing loans	(86.09%)	78,348,083	461,569	(89.43%)	77,886,514	0.59%
Total loans and advances to customers		91,006,712	3,911,963		87,094,749	4.30%

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 e	exposure Impairment losses Carrying		Gross exposure I I Carrying amount I		Carrying amount		Coverage (*)
Deteriorated loans	(13.74%)	12,673,865	3,361,592	(10.53%)	9,312,273	26.52%		
- Non-performing loans	(6.38%)	5,885,049	2,447,924	(3.89%)	3,437,125	41.60%		
- Impaired loans	(5.51%)	5,082,523	768,542	(4.88%)	4,313,981	15.12%		
- Restructured loans	(0.95%)	872,069	121,545	(0.85%)	750,524	13.94%		
- Past due loans	(0.90%)	834,224	23,581	(0.91%)	810,643	2.83%		
Performing loans	(86.26%)	79,591,097	481,903	(89.47%)	79,109,194	0.61%		
Total loans and advances to customers		92,264,962	3,843,495		88,421,467	4.17%		

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

### Loans and advances to customers as at 30th June 2013

Figures in thousands of euro	Gross exposure Impairment Carrying amount		amount	Coverage (*)		
Deteriorated loans	(12.48%)	11,839,996	3,115,054	(9.56%)	8,724,942	26.31%
- Non-performing loans	(5.88%)	5,580,133	2,331,413	(3.56%)	3,248,720	41.78%
- Impaired loans	(4.90%)	4,648,023	654,076	(4.38%)	3,993,947	14.07%
- Restructured loans	(0.73%)	690,645	99,815	(0.65%)	590,830	14.45%
- Past due loans	(0.97%)	921,195	29,750	(0.97%)	891,445	3.23%
Performing loans	(87.52%)	83,011,572	468,019	(90.44%)	82,543,553	0.56%
Total loans and advances to customers		94,851,568	3,583,073		91,268,495	3.78%

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

Despite the high percentage of positions backed by collateral – written-down to a lesser extent as a result, amongst other things, of the precautionary loan to value ratio employed for residential mortgages granted to individuals by the Group – *total coverage* progressively improved to 27.61% compared with 26.31% in June 2013, also as a result of increased writedowns.

Coverage for *performing loans* at the end of the first half was 0.57%, at the same level as twelve months before (0.56%), but slightly down compared to March (0.59%) and December (0.61%).

<sup>(\*)</sup> Coverage is calculated as the ratio of impairment losses to gross exposure. Impairment losses and gross exposures are given net of write-offs of positions subject to bankruptcy proceedings.

#### NON-PERFORMING LOANS

*Gross non-performing loans* rose over six months from €5.9 billion to €6.4 billion, an increase of €0.5 billion (+7.9%), of which €0.34 billion in the second quarter (+5.6%). The year-on-year change was +€0.8 billion (+13.8%).

Furthermore, the trend reported above was affected by disposals of non-performing loans, almost fully written-down and attributable mainly to the UBI Banca loan portfolio acquired from the former B@nca 24-7, as follows:

- approximately €90 million in the second half of 2013;
- approximately €61 million in the first half of 2014.

Both over six and twelve months, the change in the total gross amount was determined almost totally by the network banks, by UBI Leasing and by Prestitalia, while in the case of UBI Banca the total benefited from the impact of the above mentioned disposals.

Gross non-performing loans backed by collateral rose gradually to €4.1 billion (+€0.3 billion compared with March; +€0.4 billion compared with December; +€0.7 billion year-on-year), with a percentage which rose at the same time to  $64.5\%^5$  (63% in March and December; 61.3% in June 2013) benefiting in this case too from disposals of unsecured loans.

*Net non-performing loans* rose in the six months from €3.44 billion to €3.77 billion, an increase of €0.33 billion (+9.7%), of which €0.22 billion in the second quarter (+6.3%). The increase compared with June 2013 was €0.52 billion (+16.1%).

An analysis of *migration* in the first six months of the year compared with the same period in 2013 shows the following:

- new positions arising mainly from transfers from other categories of deteriorated loan, mostly impaired loans, grew by 27% partly as a result of new classifications in the second quarter of three large positions totalling €104 million relating to the network banks, to the Parent and to UBI Leasing, which moreover had levels of coverage higher than the average for the category;
- a significant increase in write-offs (+76%) and an increase of €1.6 million in profits on disposals partly in relation to the already mentioned disposals of non-performing loans in the period.

The combined effect of the trends reported above and changes in the loan portfolio caused the *ratio of non-performing loans to loans* to rise progressively over twelve months from 5.88% to 6.97% gross and from 3.56% to 4.33% net, which nevertheless again confirmed the UBI Banca Group's outperformance in terms of quality of the average for Italian banks as a whole.

At the end of June net non-performing loans as a percentage of the total with no coverage in terms of either collateral or personal guarantee stood at 12.49%, a gradual decrease compared with all the comparative periods (13.30% in March; 13.48% in December; 14.59% in June 2013).

Despite the new classification in the second quarter of 2014 of a series of positions with high levels of provisioning, *coverage for non-performing loans* fell year-on-year from 41.78% to 40.61%, partly due to the negative impact of the disposals of unsecured non-performing loans that occurred over the last twelve months.

If positions written-off to the income statement relating to creditor actions still in progress are also considered, coverage would in reality have been 55.09% (55.80% in March, 56.05% in December and 56.17% in June 2013).

On the other hand, at the end of June coverage for non-performing loans not backed by collateral considered gross of those write-offs was 71.65% (71.88% in March; 72.49% in December and 72.74% in June 2013).

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<sup>5</sup> Net of the IDI position amounting to €153 million, classified as non-performing in the second quarter of 2013, but not written-down because full recovery of the loan is forecast, the percentage of non-performing loans backed by collateral would be 66.1%.

<sup>6</sup> Net of the disposals of non-performing loans amounting to €61 million which occurred in the second quarter of 2014, coverage would be 41.1%.

#### IMPAIRED LOANS

Gross impaired loans fell in the six months from  $\mbox{\em $\epsilon$}5.1$  billion to  $\mbox{\em $\epsilon$}4.9$  billion, down by  $\mbox{\em $\epsilon$}0.2$ billion (-3.3%), relating almost entirely to the second quarter and mainly involving Prestitalia, the network banks and UBI Banca (in relation to the portfolios of the former Centrobanca and B@nca 24-7), while the totals for UBI Leasing and UBI Banca International increased, but only marginally for the latter.

The item was up year-on-year by €0.3 billion (+5.7%), driven by the Parent, by the network banks - notwithstanding the reclassification to restructured loans of the Tassara position amounting to €126 million in the fourth quarter of 2013 – and by UBI Leasing.

An analysis of migration in the six-month period, compared with the same period in the previous year shows an overall reduction in new classifications accompanied, moreover, by a change in the composition away from migrations from performing status towards transfers from other categories of deteriorated loan. In detail:

- new classifications from performing status fell by half (-€364 million). The fall was even greater in the comparison with the second of half of 2013 (-€504 million), which was affected by the new classification of the Sorgenia position amounting to €149 million;
- transfers from other categories of deteriorated loans, consisting almost entirely of exposures past due and/or in arrears, fell by €247 million;
- transfers to other classes of deteriorated exposure, mainly non-performing loans, were up by €197 million, accelerating in the second quarter;
- transfers out of the category into performing exposures fell by €46 million.

At the end of June gross impaired loans backed by collateral amounted to €3.1 billion, relatively stable over twelve months accounting for 63.9% of the total (63.5% in March; 61.8% in December; 66.1% in June 2013)7.

Net impaired loans fell during the first half from €4.3 billion to €4.1 billion (-€0.2 billion; -4.6%), while they increased slightly year-on-year (+€0.1 billion; +3.1%).

At the end of June, coverage of 16.23% was stable compared with March, but up compared with both December (15.12%) and twelve months before (14.07%).

The change occurring between July 2013 and March 2014 included a more than proportional increase in provisioning, assisted in the fourth quarter of 2013 by some new classifications including Sorgenia - with significant levels of coverage, and by the transfer to other categories of positions with low coverage (Carlo Tassara). On the other hand, the decrease in the total in the second quarter of 2014 was accompanied by a proportional fall in the recognition of impairment.

Coverage for impaired loans not backed by collateral was 25.29%, unchanged compared with March (25.25%), but up significantly compared with December (23.50%) and June 2013 (21.99%).

#### **PESCANOVA**

As already reported, on 29th April 2014 a meeting of creditors approved an arrangement proposal with 63.3% of the votes in favour designed to ensure business continuity for both Pescanova and its Spanish subsidiaries, with the possibility of the recovery of debt for all stakeholders.

In consideration of developments in the situation and the already announced percentages of the distribution under the arrangement procedures, the overall write-down was increased by €13.7 million, recognised in the consolidated income statement in the first quarter.

At the end of June 2014, loans to the Pescanova group classified as impaired amounting to €85 million, had been written down by €48.7 million, an average of 57%, in line with current expectations of recovery.

<sup>7</sup> The figure for December was affected by the impacts in the fourth quarter of 2013 of the reclassification into the restructured category of the Tassara position, backed by guarantees, and the classification into the impaired category of the Sorgenia position, not backed by collateral. The figure for June 2013, on the other hand, had benefited from the classification into non-performing status of the IDI position, not backed by collateral, which occurred in the second quarter of 2013.

#### SORGENIA

Sorgenia, a company belonging to the Cir - De Benedetti Group, operates in the energy sector. In a market context already characterised by falling demand, excess production capacity and pressures on prices, this company presents specific industrial and financial conditions: a generation mix consisting mainly of gasfired power plants (amongst the most modern in the sector), difficulty in selling on a residential market already heavily supplied and business development financed in the past with levels of leverage no longer sustainable.

Group exposure to the company as at  $30^{th}$  June 2014, which totalled £155.6 million, of which £149.2 million consisting of loans and £6.4 million in the form of guarantees, was classified as impaired until a restructuring programme is agreed and signed in the near future.

#### Loans to customers: changes in gross deteriorated exposures in the first half of 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	5,885,049	5,082,523	872,069	834,224	12,673,865
Increases	949,090	1,120,326	124,496	823,684	3,017,596
transfers from performing exposures	65,279	375,579	9,272	810,098	1,260,228
transfers from other classes of deteriorated exposures	846,116	620,380	91,022	2,933	1,560,451
other increases	37,695	124,367	24,202	10,653	196,917
Decreases	-483,608	-1,287,953	-158,501	-973,262	-2,903,324
transfers into performing exposures	-5,795	-219,422	-1,096	-301,573	-527,886
write-offs	-302,505	-3,184	-3,338	-3	-309,030
payments received	-154,702	-210,133	-82,500	-39,266	-486,601
disposals	-6,081	-200	-529	-	-6,810
transfers to other classes of deteriorated exposure	-4,404	-852,595	-71,038	-632,414	-1,560,451
other decreases	-10,121	-2,419	-	-6	-12,546
Final gross exposure as at 30th June 2014	6,350,531	4,914,896	838,064	684,646	12,788,137

## Loans to customers: changes in gross deteriorated exposures in the first quarter of 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	5,885,049	5,082,523	872,069	834,224	12,673,865
Increases	365,587	562,395	57,205	441,746	1,426,933
transfers from performing exposures	23,199	163,678	1,557	434,729	623,163
transfers from other classes of deteriorated exposures	309,926	344,762	43,658	1,412	699,758
other increases	32,462	53,955	11,990	5,605	104,012
Decreases	-235,392	-567,443	-43,701	-595,633	-1,442,169
transfers into performing exposures	-3,959	-133,036	-1,095	-217,984	-356,074
write-offs	-136,061	-1,845	-519	-	-138,425
payments received	-80,147	-105,843	-27,429	-21,539	-234,958
disposals	-2,120	-	-	-	-2,120
transfers to other classes of deteriorated exposure	-4,179	-325,350	-14,258	-355,971	-699,758
other decreases	-8,926	-1,369	-400	-139	-10,834
Final gross exposure as at 31st March 2014	6,015,244	5,077,475	885,573	680,337	12,658,629

#### Loans to customers: changes in gross deteriorated exposures in the first half of 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	5,142,308	4,123,537	773,934	918,602	10,958,381
Increases	794,561	1,705,997	150,749	1,253,582	3,904,889
transfers from performing exposures	50,445	739,535	8,944	1,236,317	2,035,241
transfers from other classes of deteriorated exposures	664,841	867,611	106,740	2,649	1,641,841
other increases	79,275	98,851	35,065	14,616	227,807
Decreases	-356,736	-1,181,511	-234,038	-1,250,989	-3,023,274
transfers into performing exposures	-1,702	-265,627	-3,707	-326,487	-597,523
write-offs	-171,824	-550	-4,829	-32	-177,235
payments received	-148,378	-228,058	-44,631	-47,139	-468,206
disposals	-4,508	-	-	-	-4,508
transfers to other classes of deteriorated exposure	-5,265	-655,746	-180,425	-800,405	-1,641,841
other decreases	-25,059	-31,530	-446	-76,926	-133,961
Final gross exposure as at 30th June 2013	5,580,133	4,648,023	690,645	921,195	11,839,996

#### RESTRUCTURED LOANS

Gross restructured loans fell in the first half of 2014 from €0.87 billion to €0.84 billion, down by €34 million (-3.9%) – attributable entirely to the network banks, UBI Leasing and UBI Banca – the aggregate result of opposing movements within the item:

- a slight increase in the first quarter of €13.5 million. This incorporated the stipulation of three new loan restructuring agreements for over €35 million, one of which for a large amount relates to the UBI Banca portfolio acquired from the former Centrobanca;
- a reduction of €47.5 million in the second quarter, notwithstanding the signing of an additional three new agreements for a total of €30 million.

The performance in the first half also benefited from disposals for approximately €13 million relating almost entirely to positions in UBI Banca's former Centrobanca portfolio.

However, the item grew by €0.15 billion (+21.3%) compared with June 2013 – driven mainly by the network banks, but also by the Parent and by UBI Leasing – partly due to the impact of the new classification in the fourth quarter of 2013 of the Carlo Tassara position for €126 million.

An analysis of migration in the first six months of the year compared with the same period in the previous year shows the following:

- a substantial decrease (-€109 million) in transfers to other categories of deteriorated loans and to impaired loans in particular;
- a fall of €15 million in total new classifications;
- a substantial increase in payments received (+€38 million).

At the end of the first half *coverage* for restructured loans was 14.49%, similar to the level twelve months before (14.45%), but recovering progressively compared with 13.94% in December (affected by the new classification of the Tassara position), having also benefited from the disposals already mentioned, characterised by a lower level of coverage.

#### EXPOSURES PAST DUE AND/OR IN ARREARS

Gross exposures past due and/or in arrears, were unchanged in the second quarter, but fell significantly in the first three months from &0.83 billion to &0.68 billion, a decrease of &0.15 billion, driven mainly by UBI Leasing and to a much lesser extent by the network banks, by UBI Factor and by UBI Banca International, while only those exposures relating to Prestitalia increased

The performance reported nevertheless includes the new classification of a series of positions relating to the network banks and to UBI Banca (for the portfolio relating to the former Centrobanca), some of which for substantial amounts.

The item fell by 0.24 billion over twelve months (-25.7%), more than two thirds of which driven by a reduction in the total for UBI Banca.

An analysis of migration in the first six months of the year compared with the same period in the previous year shows the following:

- a fall of €0.43 billion (-34%) in new classifications of positions from performing loan status, which confirmed the progressive fall in new positions already in progress since the beginning of 2013;
- a decrease at the same time in transfers to other categories of deteriorated loan (-€0.17 billion; -21%), mainly to impaired loans;
- a slight decrease (-€25 million; -7.6%) in reclassifications into the performing category, but for amounts which nevertheless remain significant, which confirms the high degree of turnover in this category, due to the automatic nature of the classification procedures.

Notwithstanding a slight fall to 4.78% at the end of June from 4.95% in March, *coverage* increased compared with December (2.83%), as a result of greater write-downs carried out in the first quarter.

# The interbank market and the liquidity position

The net interbank position of the UBI Banca Group as at 30<sup>th</sup> June 2014 was net debt of €11.9 billion, slightly up compared with -€10.9 billion at the end of the year (+€0.5 billion compared with 31<sup>st</sup> March 2014).

The balance continues to be related to refinancing operations (LTROs) with the ECB. Net of operations with central banks, the net interbank position was one of slight debt of €355 million, after nevertheless remaining in positive territory, although progressively falling, over the last two years.

The table shows the decreases that occurred in the second quarter of 2013 (mainly due to the repayment of liquidity generated by a Group SPE, UBI Finance Srl¹), in the subsequent third quarter (due to lower volumes of lending as part of ordinary business) and in April and May 2014, attributable to an increase in funding from banks.

This trend was due mainly to an increase in short-term debt associated exclusively with movements in the compulsory reserve, against the maturity on the asset side of reverse repurchase agreements to hedge short positions on government securities which no longer existed at the end of the first half.

The Group continues to very safely maintain a positive position in terms of liquidity reserves, demonstrated, amongst other things, by specific short-term (liquidity coverage ratio) and structural (net stable funding ratio) Basel 3 indicators, both greater than 100%<sup>2</sup>.

It must also be stated that these indicators would be greater than one even in the presence of an ordinary funding structure not based on LTRO support.

#### Net interbank position

Figures in thousands of euro	30.6.2014	31.3.2014	31.12.2013	30.9.2013	30.6.2013
Loans and advances to banks	4,078,892	4,009,183	4,129,756	4,118,005	4,774,761
of which: loans to central banks	649,941	309,971	860,080	681,238	874,926
Due to banks	15,964,805	15,397,770	15,017,266	15,066,091	15,025,192
of which: due to central banks	12,180,750	12,173,833	12,166,333	12,155,083	12,139,750
Net interbank position	-11,885,913	-11,388,587	-10,887,510	-10,948,086	-10,250,431
Loans and advances excluding central banks	3,428,951	3,699,212	3,269,676	3,436,767	3,899,835
Due to banks excluding central banks	3,784,055	3,223,937	2,850,933	2,911,008	2,885,442
Net interbank position net of central banks	-355,104	475,275	418,743	525,759	1,014,393

Figures in thousands of euro	30.6.2013	31.3.2013	31.12.2012	30.9.2012	30.6.2012
Loans and advances to banks	4,774,761	5,505,388	6,072,346	5,286,733	4,843,142
of which: loans to central banks	874,926	698,396	1,191,235	698,769	722,132
Due to banks	15,025,192	15,086,195	15,211,171	14,765,300	14,708,333
of which: due to central banks	12,139,750	12,121,417	12,098,917	12,075,917	12,052,000
Net interbank position	-10,250,431	-9,580,807	-9,138,825	-9,478,567	-9,865,191
Loans net of central banks	3,899,835	4,806,992	4,881,111	4,587,964	4,121,010
Amounts due net of central banks	2,885,442	2,964,778	3,112,254	2,689,383	2,656,333
Net interbank position net of central banks	1,014,393	1,842,214	1,768,857	1,898,581	1,464,677

Transactions on the interbank market in the first half of the year are reported below.

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<sup>1</sup> A special purpose entity formed to enable the implementation of the first programme of covered bonds backed by residential mortgages.

<sup>2</sup> On the basis of the agreement reached by the Basel Committee on 6th January 2013, the LCR indicator will be introduced from 1st January 2015, but the minimum ratio required will be set initially at 60%.

Loans and advances to banks stood at €4.1 billion at the end of June, down by €51 million compared with December, due to opposing trends for the following components:

- on the one hand, reductions in liquidity held with central banks (-€210 million) regarding the centralised account for the compulsory reserve.
  - In reality, the changes in end of period figures are operational and depend on balance management strategies, with account taken of average deposit requirements to be complied with in the reporting period. The Group normally maintains average deposits in line with the requirement;
- on the other hand, loans to other banks increased by €159 million, the aggregate result of movements on current accounts (+€0.4 billion) and other financing (+€0.2 billion), as part of ordinary interbank transactions.
  - These trends were offset by the reduction (-€0.4 billion) in reverse repurchase agreements with market counterparties, down to €575 million from €959 million as at 31<sup>st</sup> December 2013, after the closure of uncovered short positions relating to European government securities in the second quarter (this is the component related to the on-balance sheet financial liabilities held for trading uncovered short positions).

#### Loans to banks: composition

	30.6.2014	%	31.3.2014	%	Change	s A/B	31.12.2013	%	Change	s A/C	30.6.2013	%
Figures in thousands of euro	Α	70	В	70	amount	%	С	70	amount	%	D	70
Loans to central banks	649,941	15.9%	309,971	7.7%	339,970	109.7%	860,080	20.8%	-210,139	-24.4%	874,926	18.3%
Term deposits	-	-	-	-	-	-	-	-	-	-	-	-
Compulsory reserve requirements	647,743	15.9%	308,750	7.7%	338,993	109.8%	858,856	20.8%	-211,113	-24.6%	842,015	17.6%
Reverse repurchase agreements	-	-	-	-	-	-	-	-	-	-	-	-
Other	2,198	0.0%	1,221	0.0%	977	80.0%	1,224	0.0%	974	79.6%	32,911	0.7%
Loans and advances to banks	3,428,951	84.1%	3,699,212	92.3%	-270,261	-7.3%	3,269,676	79.2%	159,275	4.9%	3,899,835	81.7%
Current accounts and deposits	2,005,332	49.2%	1,855,643	46.3%	149,689	8.1%	1,618,297	39.2%	387,035	23.9%	2,018,394	42.3%
Term deposits	21,747	0.5%	30,201	0.8%	-8,454	-28.0%	32,253	0.8%	-10,506	-32.6%	76,762	1.6%
Other financing:	1,401,872	34.4%	1,809,336	45.1%	-407,464	-22.5%	1,615,115	39.1%	-213,243	-13.2%	1,750,482	36.7%
- reverse repurchase agreements	574,619	14.1%	936,961	23.4%	-362,342	-38.7%	959,121	23.2%	-384,502	-40.1%	1,212,385	25.4%
- finance leases	-	-	-	-	-	-	-	-	-	-	5	0.0%
- other	827,253	20.3%	872,375	21.7%	-45,122	-5.2%	655,994	15.9%	171,259	26.1%	538,092	11.3%
Debt instruments	-	-	4,032	0.1%	-4,032	-100.0%	4,011	0.1%	-4,011	-100.0%	54,197	1.1%
Total	4,078,892	100.0%	4,009,183	100.0%	69,709	1.7%	4,129,756	100.0%	-50,864	-1.2%	4,774,761	100.0%

Interbank funding amounted to  $\leq 16$  billion at the end of the first half and consisted of a concentration of  $\leq 12.2$  billion from the ECB, due to the LTRO finance totalling  $\leq 12$  billion<sup>3</sup> since the first quarter of 2012.

Net of that funding, amounts due to banks stood at  $\in 3.8$  billion ( $+ \in 0.9$  billion in the six month period). This performance primarily reflects growth in current accounts ( $+ \in 0.7$  billion), as part of ordinary transactions on the market, term deposits ( $+ \in 0.1$  billion) and "financing – other" ( $+ \in 0.1$  billion).

Due to banks: composition

	30.6.2014	%	31.3.2014	%	Changes	s A/B	31.12.2013	%	Change	s A/C	30.6.2013	%
Figures in thousands of euro	Α	70	В	70	amount	%	С	76	amount	%	D	70
Due to central banks	12,180,750	76.3%	12,173,833	79.1%	6,917	0.1%	12,166,333	81.0%	14,417	0.1%	12,139,750	80.8%
Due to banks	3,784,055	23.7%	3,223,937	20.9%	560,118	17.4%	2,850,933	19.0%	933,122	32.7%	2,885,442	19.2%
Current accounts and deposits	1,646,935	10.3%	1,195,703	7.8%	451,232	37.7%	897,991	6.0%	748,944	83.4%	1,039,023	6.9%
Term deposits	170,902	1.1%	143,864	0.9%	27,038	18.8%	57,700	0.4%	113,202	196.2%	98,481	0.7%
Financing:	1,763,191	11.0%	1,693,973	11.0%	69,218	4.1%	1,666,187	11.1%	97,004	5.8%	1,427,312	9.5%
- repurchase agreements	376,962	2.3%	396,615	2.6%	-19,653	-5.0%	384,790	2.6%	-7,828	-2.0%	405,632	2.7%
- other	1,386,229	8.7%	1,297,358	8.4%	88,871	6.9%	1,281,397	8.5%	104,832	8.2%	1,021,680	6.8%
Other payables	203,027	1.3%	190,397	1.2%	12,630	6.6%	229,055	1.5%	-26,028	-11.4%	320,626	2.1%
Total	15,964,805	100.0%	15,397,770	100.0%	567,035	3.7%	15,017,266	100.0%	947,539	6.3%	15,025,192	100.0%

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<sup>3</sup> The carrying amount includes interest expense accruing.

The item other financing also includes medium to long-term transactions with the EIB to support SMEs, amounting to approximately €1.3 billion, which may be drawn on not only by the Parent (inclusive of the former Centrobanca), but also by the network banks.

Finally, other amounts due (€203 million at the end of period) include the relationship for the settlement of credit cards with Istituto Centrale Banche Popolari, slightly down on the end of 2013.

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#### Assets eligible for refinancing

	30.	6.2014	31.	3.2014	31.1	2.2013	30.	9.2013	30.	6.2013
	nominal	amount eligible								
Figures in billions of euro	amount	(net of haircuts)								
Securities owned (AFS, HTM and L&R) (*)	17.49	18.26	18.35	19.18	13.40	13.73	13.55	13.71	13.89	13.93
Government backed bonds	3.00	2.80	3.00	2.79	6.00	5.76	6.00	5.66	6.00	5.59
Covered bonds ("self-retained" issues)	3.84	3.17	4.02	3.33	2.87	2.32	3.05	2.74	3.05	2.73
Securitisation of residential mortgages of the former B@nca 24-7	1.14	0.92	1.17	0.92	1.21	0.94	1.21	0.95	-	-
UBI Leasing leased assets securitisation	1.04	0.88	1.15	0.97	1.27	1.04	1.26	1.16	1.52	1.17
Banco di Brescia securitisation of performing loans to SMEs	0.64	0.54	0.77	0.63	0.81	0.67	0.82	0.69	0.88	0.66
Banca Popolare di Bergamo securitisation of performing loans to SMEs	0.62	0.52	0.73	0.62	0.85	0.70	0.84	0.79	1.09	0.80
Banca Popolare Commercio e Industria securitisation of performing loans to SMEs	0.58	0.48	0.57	0.48	0.58	0.48	0.58	0.47	0.58	0.44
Banca Popolare di Ancona securitisation of performing loans to SMEs	0.71	0.59	0.71	0.59	0.71	0.59	0.71	0.58	0.71	0.54
Loans eligible resulting from participation in ABACO (**)	3.84	1.79	4.04	1.83	3.77	1.68	3.80	1.79	3.90	1.78
Total	32.90	29.95	34.51	31.34	31.47	27.91	31.82	28.54	31.62	27.64

- (\*) These include government securities not refinanced with the Cassa di Compensazione e Garanzia (central counterparty clearing house) for the following amounts:
  - $30^{th}$  June 2014: €17.7 billion (net of haircuts), of which €3 billion contributed to the pool and €14.7 billion available, non-pool;
  - 31st March 2014: €18.8 billion (net of haircuts), of which €3.3 billion contributed to the pool and €15.5 billion available, non-pool; 31st December 2013: €13.7 billion (net of haircuts), of which €3.6 billion contributed to the pool and €10.1 billion available, non-pool;
  - 31st December 2013: €13.7 billion (net of haircuts), of which €3.6 billion contributed to the pool and €10.1 billion available, non-pool; 30th September 2013: €13 billion (net of haircuts), of which €3.1 billion contributed to the pool and €9.9 billion available, non-pool;
  - 30th June 2013: €13.2 billion (net of haircuts), of which €3.1 billion contributed to the pool and €9.9 billion available, non-pool.
- (\*\*) ABACO (bank assets eligible as collateral) is the name given to procedures drawn up by the Bank of Italy for the management of loans eligible for refinancing. In order to qualify as eligible, an asset must meet specific requirements contained in Bank of Italy regulations concerning the following: type of debtor (public sector, non-financial company, international and supranational institutions), credit rating (set by external ratings, rating tools of approved providers and internal ratings [for banks authorised by the Bank of Italy to use internal rating models], minimum amount (€0.1 million for domestic loans) and type of asset.

The nominal amounts for ABACO assets relating to prior periods are different from those published previously following a refinement of a procedural nature implemented in the third quarter of 2013.

As at 30<sup>th</sup> June 2014 the liquidity reserve, consisting of the portfolio of assets eligible for refinancing with the central bank, reached almost  $\in$ 30 billion (net of haircuts), compared with  $\in$ 27.9 billion at the end of December. It was composed of  $\in$ 15.3 billion of assets deposited with the European Central Bank (the "collateral pool") and of  $\in$ 14.7 billion of Italian government securities not refinanced with the *Cassa di Compensazione e Garanzia* (CCG - a central counterparty clearing house), available non-pool.

The increase in the first half (+£2 billion) is the aggregate result of the increased availability of government securities not financed with the CCG (+£4.6 billion, including the increase in fair value), issuances of self retained covered bonds (+£0.8 billion issued under the first programme), and growth, although slight, in ABACO assets (+£100 million), which fully offset the early redemption of government backed bonds  $^4$  (-£3 billion) and the amortisation instalments on own securitisations (-£479 million).

The latter item comprises the exit from the collateral in April of €100 million from the special purpose entity UBI Finance 2, used in 2009 to securitise a portfolio of performing loans originated by Banco di Brescia, due to the closure of the operation on 29<sup>th</sup> May 2014.

Given the portion already pledged (€12.2 billion, unchanged compared with 31st December 2013), the margin of liquidity still available stood at €17.8 billion at the end of June, up by approximately €2 billion compared with €15.7 billion at the end of the year.

In consideration of both the relatively calm operating context and the institutional issuances carried out in the first months of the year (covered bonds and EMTN's) on  $30^{th}$  June 2014, UBI Banca submitted a further application to the Ministry of Economy and Finance to also proceed to the early redemption of the remaining  $\epsilon$ 3 billion of government backed bonds (the application was authorised on  $\epsilon$ 5 August 2014).

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<sup>4</sup> Performed on  $7^{th}$  March 2014, once the necessary authorisations had been obtained from the Ministry of the Economy and Finance.

## Financial activities

Total financial assets of the Group had reached €22.2 billion as at  $30^{th}$  June 2014, substantially unchanged compared with €21.8 billion at the end of 2013. Inclusive of financial liabilities, consisting of financial derivatives, net assets totalled €21.7 billion (€20.4 billion in December).

As shown in the table, the most substantial part of the total (91.6%) continues to consist of Italian government securities, which increased by a total of  $\in 0.5$  billion in the first half, composed of  $+\in 1.5$  billion attributable to net investments and increases in fair value in the AFS portfolio and  $-\in 1$  billion to net disposals carried out within the trading portfolio.

As a result of movements in government securities, the AFS portfolio as a percentage of the total had increased at the end of June (up to 75.6% from 70.9% at the end of 2013) and that of the trading portfolio had decreased (down to 9.8% from 14%). In a weak national economic environment which reduced the demand for credit significantly, AFS investments were made with a view to supporting net interest income.

#### Financial assets/liabilities

	30.6.20	)14	31.3.20	)14	Changes	(A) / (B)	31.12.2	013	Changes	(A)/(C)	30.6.20	)13	Changes	(A)/(D)
Figures in thousands of euro	Carrying amount (A)	%	Carrying amount (B)	%	amount	%	Carrying amount (C)	%	amount	%	Carrying amount (D)	%	amount	%
Financial assets held for trading	2,168,661	9.8%	3,900,044	16.8%	-1,731,383	-44.4%	3,056,264	14.0%	-887,603	-29.0%	4,686,491	21.5%	-2,517,830	-53.7%
of which: financial derivatives contracts	499,630	2.3%	456,468	2.0%	43,162	9.5%	456,884	2.1%	42,746	9.4%	484,285	2.2%	15,345	3.2%
Financial assets designated at fair value	192,408	0.9%	193,692	0.8%	-1,284	-0.7%	208,143	1.0%	-15,735	-7.6%	206,860	1.0%	-14,452	-7.0%
Available-for-sale financial assets	16,742,576	75.6%	16,030,885	69.0%	711,691	4.4%	15,489,497	70.9%	1,253,079	8.1%	13,746,914	63.2%	2,995,662	21.8%
Held-to-maturity investments	3,049,841	13.7%	3,113,263	13.4%	-63,422	-2.0%	3,086,815	14.1%	-36,974	-1.2%	3,122,272	14.3%	-72,431	-2.3%
Financial assets (a)	22,153,486	100.0%	23,237,884	100.0%	-1,084,398	-4.7%	21,840,719	100.0%	312,767	1.4%	21,762,537	100.0%	390,949	1.8%
of which:														
- debt instruments	21,205,509	95.7%	22,078,549	95.0%	-873,040	-4.0%	20,678,536	94.7%	526,973	2.5%	20,712,929	95.2%	492,580	2.4%
- of which: Italian government securities	20,283,008	91.6%	21,125,559	90.9%	-842,551	-4.0%	19,737,806	90.4%	545,202	2.8%	19,545,124	89.8%	737,884	3.8%
- equity instruments	259,215	1.2%	264,002	1.1%	-4,787	-1.8%	273,915	1.3%	-14,700	-5.4%	345,092	1.6%	-85,877	-24.9%
- Units in UCITS.	189,132	0.9%	438,865	1.9%	-249,733	-56.9%	431,384	2.0%	-242,252	-56.2%	220,231	1.0%	-31,099	-14.1%
Financial liabilities held for trading (b)	496,946	100.0%	1,409,672	100.0%	-912,726	-64.7%	1,396,350	100.0%	-899,404	-64.4%	1,548,967	100.0%	-1,052,021	-67.9%
of which: financial derivatives contracts	496,930	100.0%	443,997	31.5%	52,933	11.9%	417,388	29.9%	79,542	19.1%	444,994	28.7%	51,936	11.7%
Net financial assets (a-b)	21,656,540		21,828,212		-171,672	-0.8%	20,444,369		1,212,171	5.9%	20,213,570		1,442,970	7.1%

Management accounting figures for 30th June 2014, show the following:

- in terms of *type of financial instrument*, the Group securities portfolio was composed as follows: 94.8% (93.5% in December) of government securities; 4.3% (4.4%) of corporate securities (of which approximately 73% were issued by major Italian and international banks and financial institutions; 80% of the investments in corporate securities also carry an "investment grade" rating); 0.9% (unchanged) of funds and hedge funds and 0.1% (1.2%) of equities;
- from a *financial viewpoint*, floating rate securities accounted for approximately 44.7% (19.4%) of the portfolio<sup>2</sup> and fixed rate securities for 51.4% (75.7%), while the remainder was composed of structured instruments (held mainly in the AFS portfolio), equities, funds and convertible securities;
- as regards the *currency of denomination*, 99.7% of the securities were denominated in euro and 0.2% in dollars with currency hedges, while in terms of *geographical distribution*, 99.7% of the investments (excluding hedge funds) were issued from countries in the euro area (all the percentages are unchanged compared with the end of 2013);
- finally, an analysis by *rating* (for the bond portfolio only) shows that 99.1% of the portfolio consisted of "investment grade" securities with an average rating of Baa2 (unchanged compared with December 2013).

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<sup>1</sup> The management accounting figures relate to a smaller portfolio than that stated in the consolidated financial statements, because they exclude equity investments and some minor portfolios, but nevertheless include transactions that may be performed at the end of the period with the value date for settlement in the following month.

<sup>2</sup> The fixed rate securities purchased as part of asset swaps are also considered as floating rate (93% of the floating rate securities). The increase as at 30th June 2014 is the result of hedges performed in the second quarter on the AFS portfolio.

## 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 1, 2 and 3) are given in Section A.4 of Part A -Accounting Policies in the Notes to the Consolidated Financial Statements in the 2013 Annual Report.

#### Available-for-sale financial assets: composition

		30.6.2	2014			31.12.	2013		Changes (	A) / (B)		30.6.2	2013	
Figures in thousands of euro	L1	L 2	L 3	Carrying amount (A)	L1	L 2	L 3	Carrying amount (B)	amount	%	L 1	L 2	L 3	Carrying amount (C)
Debt instruments	15,607,823	885,802	1,223	16,494,848	14,144,436	852,136	3,513	15,000,085	1,494,763	10.0%	12,411,359	985,524	3,648	13,400,531
of which: Italian government securities	15,119,243	454,015	-	15,573,258	13,632,023	428,529	-	14,060,552	1,512,706	10.8%	11,857,399	395,216	-	12,252,615
Equity instruments	2,908	-	179,612	182,520	2,184	-	180,851	183,035	-515	-0.3%	100,958	-	152,114	253,072
Units in UCITS	11,377	53,831	-	65,208	254,639	51,738	-	306,377	-241,169	-78.7%	40,777	52,534	-	93,311
Financing	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	15,622,108	939,633	180,835	16,742,576	14,401,259	903,874	184,364	15,489,497	1,253,079	8.1%	12,553,094	1,038,058	155,762	13,746,914

At the end of the first Available-for-sale financial assets: composition half, available-for-sale financial totalled €16.7 billion and were composed mainly as follows:

## €15,996 million in the AFS portfolio of Banca (€14,753 million in December 2013);

		30.6.2	2014			31.3.2	2014		Changes (A) / (D)		
Figures in thousands of euro	L 1	L 2	L 3	Carrying amount (A)	L 1	L 2	L 3	Carrying amount (D)	amount	%	
Debt instruments	15,607,823	885,802	1,223	16,494,848	14,648,466	877,392	3,904	15,529,762	965,086	6.2%	
of which: Italian government	15,119,243	454,015	-	15,573,258	14,130,574	447,046	-	14,577,620	995,638	6.8%	
Equity instruments	2,908	-	179,612	182,520	3,559	-	183,564	187,123	-4,603	-2.5%	
Units in UCITS	11,377	53,831	-	65,208	262,202	51,798	-	314,000	-248,792	-79.2%	
Financing	-	-	-	-	-	-	-	-	-	-	
Total	15,622,108	939,633	180,835	16,742,576	14,914,227	929,190	187,468	16,030,885	711,691	4.4%	

€577 million in the IW Bank portfolio (€573 million at the end of year), consisting almost entirely of floating rate Italian government securities, designed to stabilise the bank's net interest income, given the nature of its normal operations.

The increase that occurred in the first six months of the year (+€1.3 billion) is primarily attributable to changes (+€1.5 billion) in Italian government securities in the UBI Banca portfolio, which recorded the following:

- an increase of €0.5 billion in the first three months of the year due to an increase in the fair value of the securities in the portfolio;
- a total increase of €1 billion in the second quarter, the result of sales of €0.6 billion nominal of BTPs with maturity in 2016 (a gross gain of €15 million), purchases of BTPS with maturity in 2019 for €1.5 billion nominal and a further increase in prices.

Two switching operations were carried out in the first half for a total nominal value of €3.2 billion. The first, carried out in January on €1.55 billion of BTPs, resulted in an extension of the maturities and a gross gain of €34 million, while the second, carried out in May, with the sale of BTPs amounting to €1.65 billion and purchases of BOTs and CTZs amounting to €1.6 billion generated a gross gain of approximately €29 million.

A partial hedge on the AFS securities portfolio was carried out in May, involving €3.6 billion nominal of BTPs with maturity in 2018, and led to a reduction in the sensitivity of the portfolio.

Total outstanding debt instruments<sup>3</sup>, amounting to €16.5 billion, were composed as follows: €15.6 billion (of which €15.1 billion in government securities) classified in fair value level one and €0.9 billion in level two, consisting of €0.5 billion in Italian sovereign securities and the remainder mainly in bonds issued by major Italian banking groups. The total classified within level three (€1.2 million) remained negligible. In the second quarter corporate bonds were sold or redeemed for €24.2 million (€21.7 million in fair value level one and €2.5 million in level three).

*Equity instruments*<sup>4</sup> amounted to €182.5 million, unchanged compared with €183 million at the end of 2013. The slight fluctuation that occurred between the first and second quarters of the year is attributable to changes in the fair value of some investments.

Instruments classified within fair value level one amounted to €2.9 million (€2.2 million in December), while instruments in level three amounted to €179.6 million (€180.9 million).

Units in UCITS – relating almost entirely to UBI Banca – decreased to €65.2 million, (€306.4 million in December), as a result of the sale, in the second quarter, of three ETFs classified within fair value level one (a book value of €244 million at the end of 2013). The operation generated a gross gain of €19.7 million.

Property funds contained in the UCITS portfolio totalled  $\in 16.9$  million ( $\in 16.1$  million at the end of the year) and recorded an increase as a result of a rise in the market value of units in the Polis Fund.

## 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

		30.6.2014			Carrying	ying 31.12.2013					Changes (A) / (B)			30.6.	2013		
	Carrying		Fair V	alue		amount		Fair \	/alue				amount		Fair \	/alue	
Figures in thousands of euro	amount (A)	L1	L 2	L 3	Total	(B)	L1	L 2	L 3	Total	amount	%	(C)	L1	L 2	L 3	Total
Debt instruments	3,049,841	3,085,020	-	-	3,085,020	3,086,815	3,153,553	-	-	3,153,553	-36,974	-1.2%	3,122,272	3,198,149	-	-	3,198,149
of which: Italian government securities	3,049,841	3,085,020	-	-	3,085,020	3,086,815	3,153,553	-	-	3,153,553	-36,974	-1.2%	3,122,272	3,198,149	-	-	3,198,149
Financing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	_
Total	3,049,841	3,085,020	-	-	3,085,020	3,086,815	3,153,553	-	-	3,153,553	- 36,974	-1.2%	3,122,272	3,198,149	-	-	3,198,149

Held-to-maturity investments had a book value of €3.050 billion as at 30<sup>th</sup> June 2014 (unchanged compared with the end of 2013). The item consists

Held-to-maturity investments: composition

		30.6.2014					Carrying 31.3.2014			Changes (A) / (D)		
	Carrying		Fair V	alue	•	amount	•	Fair '	Value			
Figures in thousands of euro	amount (A)	L 1	L 2	L 3	Total	(D)	L1	L 2	L 3	Total	amount	%
Debt instruments	3,049,841	3,085,020	-	_	3,085,020	3,113,263	3,167,584	_	-	3,167,584	-63,422	-2.0%
of which: Italian government securities	3,049,841	3,085,020	-	-	3,085,020	3,113,263	3,167,584	-	-	3,167,584	-63,422	-2.0%
Financing	-	-	-	-	-	-	-	-	_	_	-	-
Total	3,049,841	3,085,020	-	-	3,085,020	3,113,263	3,167,584	-	-	3,167,584	- 63,422	-2.0%

of BTPs purchased in February 2012 with a nominal value of €3 billion and maturity in November 2014.

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<sup>3</sup> Again as at 30<sup>th</sup> June 2014, as before in March and in December 2013, these did not include direct investments in ABS instruments. The only investments existing as at 30<sup>th</sup> June 2014 regarded own securitisations, eliminated when consolidating the accounts, relating to Lombarda Lease Finance 4 for €21 million, classified within UBI Leasing's loans and receivables. Own securitisations, on the other hand, amounted to €23.9 million in December 2013 and to €22.8 million in March 2014, due to the presence of ABS instruments classified within the UBI Banca AFS portfolio, redeemed on 30<sup>th</sup> April 2014.

<sup>4</sup> Shareholdings that are not classified as companies subject to control, joint control or significant influence are recognised here.

## 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 1, 2 and 3) are given in Section A.4 of Part A – Accounting Policies in the Notes to the Consolidated Financial Statements in the 2013 Annual Report.

#### Financial assets held for trading: composition

		30.6.2	014			31.12.2	2013		Changes (	A) / (B)		30.6.2	013	
Figures in thousands of euro	L1	L 2	L 3	Carrying amount (A)	L 1	L 2	L 3	Carrying amount (B)	amount	%	L 1	L 2	L 3	Carrying amount (C)
A. On-balance sheet assets														
Debt instruments	1,660,434	133	253	1,660,820	2,590,923	95	618	2,591,636	-930,816	-35.9%	4,189,463	663	-	4,190,126
of which: Italian government securities	1,659,909	-	-	1,659,909	2,590,439	-	-	2,590,439	-930,530	-35.9%	4,170,237	-	-	4,170,237
Equity instruments	6,921	-	443	7,364	6,490	-	447	6,937	427	6.2%	10,156	466	2	10,624
Units in UCITS	204	1	642	847	168	1	638	807	40	5.0%	363	1	1,092	1,456
Financing	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total (a)	1,667,559	134	1,338	1,669,031	2,597,581	96	1,703	2,599,380	-930,349	-35.8%	4,199,982	1,130	1,094	4,202,206
B. Derivative instruments														
Financial derivatives	393	499,237	-	499,630	293	456,591	-	456,884	42,746	9.4%	1,867	482,418	_	484,285
Credit derivatives	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total (b)	393	499,237	-	499,630	293	456,591	-	456,884	42,746	9.4%	1,867	482,418	-	484,285
Total (a+b)	1,667,952	499,371	1,338	2,168,661	2,597,874	456,687	1,703	3,056,264	-887,603	-29.0%	4,201,849	483,548	1,094	4,686,491

#### Financial assets held for trading: composition

		30.6.2	014			31.3.20	014		Changes (	A) / (D)
Figures in thousands of euro	L1	L 2	L 3	Carrying amount (A)	L1	L 2	L 3	Carrying amount (D)	amount	%
A. On-balance sheet assets										
Debt instruments	1,660,434	133	253	1,660,820	3,435,185	85	254	3,435,524	-1,774,704	-51.7%
of which: Italian government securities	1,659,909	-		1,659,909	3,434,676	-	-	3,434,676	-1,774,767	-51.7%
Equity instruments	6,921	-	443	7,364	6,762	-	446	7,208	156	2.2%
Units in UCITS	204	1	642	847	203	1	640	844	3	0.4%
Financing	-	-		-	-	-	-	-	-	-
Total (a)	1,667,559	134	1,338	1,669,031	3,442,150	86	1,340	3,443,576	-1,774,545	-51.5%
B. Derivative instruments										
Financial derivatives	393	499,237	-	499,630	309	456,159	-	456,468	43,162	9.5%
Credit derivatives	-	-	-	-	-	-	-	-	-	-
Total (b)	393	499,237	-	499,630	309	456,159	-	456,468	43,162	9.5%
Total (a+b)	1,667,952	499,371	1,338	2,168,661	3,442,459	456,245	1,340	3,900,044	-1,731,383	-44.4%

Financial assets held for trading had fallen to €2.2 billion at the end of June 2014 (-€0.9 billion in the first half and -€1.7 billion since March), following disposals by the Parent of the Italian government securities classified within fair value level one. After net investments for a nominal value of €0.8 billion in the first quarter, net disinvestments were made in the period April-

June amounting to €1.8 billion.

Equity instruments rose slightly to  $\[mathbb{C}7.4$  million from  $\[mathbb{C}6.9$  million last December, as a result of a slight increase recorded in fair value level one, while securities classified within level three remained stable during the period.

Investments in *units in UCITS* – 0.8 million – relating mostly to hedge funds purchased by UBI Banca before 30<sup>th</sup> June 2007, were classified within fair value level three and amounted to 0.6 million.

Finally, financial assets classified as held for trading included *derivative instruments* amounting to €499.6 million (€456.9 million in December) entirely of a financial nature, for

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<sup>5</sup> The following sub-section, "Financial assets designated at fair value", may be consulted for a full picture of the Group's investments in hedge funds.

which the performance and amount must be interpreted in strict relation to the corresponding item recognised within financial liabilities held for trading.

\* \* \*

As concerns the position regarding United States companies belonging to the Lehman Brothers Group, in the second quarter of 2014 distributions totalling USD 5,199,978.07 were received in relation to proceedings concerning Lehman Brothers Special Financing Inc. ("LBSF) and Lehman Brothers Holdings Inc. ("LBHI") against the total amount owed (USD 11,880,158) and acknowledged by them. UBI Banca then put the remaining receivables up for sale without recourse in an auction held among specialist operators in the sector, obtaining a total price of USD 1,782,991.59, already paid in full. The positions in question are therefore now considered definitively closed and the above-mentioned receipts led to a recovery in the book value of the receivables (item 130) of  $\mathfrak{C}$ 5.6 million.

As concerns the proceedings against Lehman Brothers International Europe ("LBIE") under English law, a total payment of GBP 370,317.00 was received in the first half of 2014, to settle the balance recognised on the principal of the receivables.

On 18th July 2014 the bank then sold the remaining receivables relating to the proceedings consisting of interest in return for consideration of GBP 138,683.71. This position is also therefore deemed definitively closed.

## Financial liabilities held for trading

#### Financial liabilities held for trading: composition

		30.6.	2014			31.12	.2013		Changes	(A)/(B)		30.6.2	2013	
Figures in thousands of euro	L 1	L 2	L 3	Carrying amount (A)	L 1	L 2	L 3	Carrying amount (B)	amount	%	L 1	L 2	L 3	Carrying amount (C)
A. On-balance sheet liabilities														
Due to banks	16	-	-	16	959,994	-	-	959,994	-959,978	-100.0%	1,103,973	-	-	1,103,973
Due to customers		-	-	-	18,968	-	-	18,968	-18,968	-100.0%	-	-	-	-
Debt instruments	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total (a)	16	-	-	16	978,962	-	-	978,962	-978,946	-100.0%	1,103,973	-	-	1,103,973
B. Derivative instruments														
Financial derivatives	316	496,614	-	496,930	52	417,336	-	417,388	79,542	19.1%	99	444,895	-	444,994
Credit derivatives	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total (b)	316	496,614	-	496,930	52	417,336	-	417,388	79,542	19.1%	99	444,895	-	444,994
Total (a+b)	332	496,614	-	496,946	979,014	417,336	-	1,396,350	-899,404	-64.4%	1,104,072	444,895	-	1,548,967

liabilities held for trading amounted to €497 million, down by €0.9 billion in the first half as a result of the closure of uncovered short positions relating to the Parent (principally relating French and German government securities and Italian government

## In June 2014, financial Financial liabilities held for trading: composition

· ·		30.6.2	2014			31.3.2	014		Changes	(A) / (D)
Figures in thousands of euro	L 1	L 2	L 3	Carrying amount (A)	L 1	L 2	L 3	Carrying amount (D)	amount	%
A. On-balance sheet liabilities										
Due to banks	16	-	-	16	937,522	-	-	937,522	-937,506	-100.0%
Due to customers	-	-	-	-	28,153	-	-	28,153	-28,153	-100.0%
Debt instruments	-	-	-	-	-	-	-	-	-	-
Total (a)	16	-	-	16	965,675	-	-	965,675	-965,659	-100.0%
B. Derivative instruments										
Financial derivatives	316	496,614	-	496,930	112	443,885	-	443,997	52,933	11.9%
Credit derivatives	-	-	-	-	-	-	-	-	-	-
Total (b)	316	496,614	-	496,930	112	443,885	-	443,997	52,933	11.9%
Total (a+b)	332	496,614	-	496,946	965,787	443,885	-	1,409,672	-912,726	-64.7%

securities to a minor extent), previously recognised within on balance sheet liabilities.

## 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 1, 2 and 3) are given in Section A.4 of Part A – Accounting Policies in the Notes to the Consolidated Financial Statements in the 2013 Annual Report.

#### Financial assets designated at fair value: composition

		30.6.	2014			31.12	.2013		Changes	(A)/(B)		30.6.2	2013	
Figures in thousands of euro	L 1	L 2	L 3	Carrying amount (A)	L 1	L 2	L 3	Carrying amount (B)	amount	%	L 1	L 2	L 3	Carrying amount (C)
Debt instruments	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Equity instruments	3,604	927	64,800	69,331	-	927	83,016	83,943	-14,612	-17.4%	-	3,181	78,215	81,396
Units in UCITS	116,865	-	6,212	123,077	117,129	-	7,071	124,200	-1,123	-0.9%	113,684	-	11,780	125,464
Financing	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	120,469	927	71,012	192,408	117,129	927	90,087	208,143	-15,735	-7.6%	113,684	3,181	89,995	206,860

At the end of the first half financial assets designated at fair value, relating entirely to the Parent, amounted to €192.4 million and were composed as follows:

## - €69.3 million of *equity instruments*,

#### Financial assets designated at fair value: composition

		30.6.	2014				Changes (A) / (D)			
Figures in tho usands of euro	L 1	L 2	L 3	Carrying amount (A)	L1	L 2	L 3	Carrying amount (D)	amount	%
Debt instruments	-	-	-	-	-	-	-	-	-	-
Equity instruments	3,604	927	64,800	69,331	-	927	68,744	69,671	-340	-0.5%
Units in UCITS	116,865	-	6,212	123,077	117,148	-	6,873	124,021	-944	-0.8%
Financing	-	-	-	-	-	-	-	-	-	-
Total	120,469	927	71,012	192,408	117,148	927	75,617	193,692	-1,284	-0.7%

consisting of securities held in relation to merchant banking and private equity business, almost totally classified within fair value level three (&83.9 million in December). The main transactions in the first half regarded the following: the partial disposal in March of the stake held in Humanitas Spa (3.75% of the share capital for consideration of &15 million) and the entire disposal in May of the investment – classified within fair value level three – held in Manisa Srl (28.66% of the share capital for a price of approximately &4 million as at 31st March) with the related subscription, by using the consideration received, of "Development shares" issued by Isagro Spa<sup>6</sup> for &3.6 million classified, on the other hand, in fair value level one.

- €123.1 million of *units in UCITS*, slightly down (-€1 million) in the period: the item comprises €116.9 million of listed Tages funds in level one and €6.2 million of hedge funds in level three. If the amount of €0.6 million recognised within financial assets held for trading (again within fair value level three) is also included, direct investments in hedge funds by UBI Banca other than the Tages funds (hedge funds) totalled €6.8 million.

\* \* \*

As already reported in the previous financial report, as concerns the three funds attributable to the Madoff affair, Fairfield Sigma Ltd, Kingate Euro Ltd and Kingate Global Ltd, UBI Banca is monitoring the class actions brought in the USA and the liquidation proceedings in progress in the British Virgin Islands in order to protect its creditor rights. Finally, with regard to all the UBI Banca positions in Madoff funds, UBI Banca has made an official claim for compensation to the Madoff Victim Fund, a fund created by the U.S. Attorney's Office for the Southern District of New York and the Department of Justice. Its purpose is to compensate the "victims" of the investments in funds involved in the Madoff collapse by distributing the sums so far recovered through various criminal, civil and confiscation actions initiated against the various parties involved in the fraud.

On the other hand, recovery activities are still in progress with regard to the Dynamic Decisions Growth Premium 2X fund, in liquidation. An agreement had been signed with the receivers which gives UBI Banca preference in the redemption of sums recovered in the liquidation, in return for financing paid to the receivers.

<sup>6</sup> With a view to simplifying and shortening the control structure of Isagro, the shares of Manisa Srl were acquired by the majority shareholder BasJes Holding Srl by means of a purchase offer made to the non-controlling shareholders of Manisa (including UBI Banca), against a commitment by those non-controlling shareholders to use the proceeds of the sale to subscribe new "Development" shares of Isagro Spa, listed on the MTA (electronic stock exchange).

## Exposure to sovereign debt risk

UBI Banca Group: exposures to sovereign debt risk

Country / portfolio of classification		30.6.2014			31.12.2013	
Figures in thousands of euro	Nominal amount	Carrying amount	Fair value	Nominal amount	Carrying amount	Fair value
- Italy	19,660,820	21,195,588	21,230,767	19,727,172	20,595,425	20,662,157
financial assets and liabilities held for trading (net exposure)	1,655,182	1,659,893	1,659,893	2,605,276	2,569,364	2,569,364
available-for-sale financial assets	14,099,235	15,573,258	15,573,258	13,245,565	14,060,552	14,060,546
held-to-maturity inves tments	3,000,000	3,049,841	3,085,020	3,000,000	3,086,815	3,153,553
loans and receivables	906,403	912,596	912,596	876,331	878,694	878,694
- Spain	19,989	19,989	19,989	72,047	72,047	72,047
loans and receivables	19,989	19,989	19,989	72,047	72,047	72,047
- Germany	-	-	-	-600,000	-646,519	-646,519
financial assets and liabilities held for trading (net exposure)	-	-	-	-600,000	-646,519	-646,519
- France	17	17	17	-299,807	-311,175	-311,175
financial assets and liabilities held for trading (net exposure)	-	-	-	-300,000	-311,368	-311,368
loans and receivables	17	17	17	193	193	193
- Holland	10	10	10	10	10	10
loans and receivables	10	10	10	10	10	10
- Argentina	1,236	660	660	2,411	687	687
financial assets and liabilities held for trading (net exposure)	1,236	660	660	2,411	687	687
Total on-balance sheet exposures	19,682,072	21,216,264	21,251,443	18,901,833	19,710,475	19,777,207

Details of the UBI Banca Group 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 the UBI Banca Group as at 30<sup>th</sup> June 2014 was €21.2 billion (€19.7 billion at the end of 2013).

As shown in the table, exposure continues to be concentrated almost totally on Italy consisting of government securities of  $\[ \in \] 20.3$  billion ( $\[ \in \] 19.7$  billion in December), of which  $\[ \in \] 15.6$  billion classified as available-for-sale ( $\[ \in \] 1.5$  billion),  $\[ \in \] 1.7$  billion classified as financial assets held for trading, considered net of the relative uncovered short positions ( $\[ \in \] 0.9$  billion), and  $\[ \in \] 3$  billion classified as held-to-maturity. Loans to public administrations increased slightly in the first half to  $\[ \in \] 913$  million from  $\[ \in \] 879$  million at the end of the year.

As concerns other countries, the risk relating to Spain attributable to lending business by UBI Banca International reduced considerably (down to  $\[ \in \] 2010$  million<sup>7</sup> from  $\[ \in \] 72$  million at the end of 2013 due to the elimination of an exposure to the State Railways). Uncovered short positions (part of trading activities) relating to Germany and France were closed. With regard to France, a negligible remaining amount existed at the end of the first half relating to factoring receivables connected with UBI Banca International's lending business ( $\[ \in \] 0.2$  million in December).

\* \* \*

An analysis of the distribution by maturity of Italian government securities held in portfolio, net of the relative uncovered short positions, is given below.

The average life of the AFS portfolio is 5.6 years (5.9 years in December 2013) and that of the held to maturity portfolio is 0.4 years (0.9 years), while that of government securities classified within the trading portfolio (HFT) is 1.3 years (1.6 years).

<sup>7</sup> These were factoring receivables, for which the receivables purchased relate to government counterparties, and included positions past due relating to Spanish municipalities amounting to &12.9 million.

A comparison with the end of the year shows the following:

- an increase in securities in the "up to 6 months" group, due to the forthcoming maturity (November 2014) of investments classified within the held-to-maturity portfolio and in relation to a switching operation carried out on the AFS portfolio in the second quarter which involved the purchase of BOTs and CTZs;
- a decrease in the percentage in the "six months to one year" group and in the "one year to three years" group (down to 25% from 61.9% taken together) attributable to sales as part of trading activities and also to the maturity of the HTM portfolio and disposals in the AFS portfolio;
- an increase in the "three years to five years" group (up to 34.8% from 22%), following new investments in the second quarter in the AFS portfolio.

#### Maturities of Italian government securities

			30.6.2014				3	1.12.2013		
Figures in thousands of euro	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	4,902	1,762,461	3,049,841	4,817,204	23.8%	7,912	-	-	7,912	0.0%
Six months to one year	748,708	133	-	748,841	3.7%	1,439,942	163,870	3,086,815	4,690,627	23.8%
One year to three years	906,298	3,420,701	-	4,326,999	21.3%	1,126,778	6,381,972	-	7,508,750	38.1%
Three years to five years	-	7,060,149	-	7,060,149	34.8%	-	4,330,939	-	4,330,939	22.0%
Five years to ten years	-5	1,162,778	-	1,162,773	5.7%	-21,075	1,279,939	-	1,258,864	6.4%
Over ten years	-10	2,167,036	-	2,167,026	10.7%	15,807	1,903,832	-	1,919,639	9.7%
Total	1,659,893	15,573,258	3,049,841	20,282,992	100.0%	2,569,364	14,060,552	3,086,815	19,716,731	100.0%

<sup>(\*)</sup> Net of the relative uncovered short positions.

The table on the right reports total debt instruments other than sovereign debt recognised among the assets of the UBI Banca Group as at 30<sup>th</sup> June 2014 (financial assets available-forsale, financial assets held for trading, loans and advances to banks and loans and advances to customers).

Finally, complete to the disclosures required by the ESMA, in June 2014 (as also in June and in December 2013) the Group held no credit default products, nor did the Group carry out any transactions in those instruments during the first half, either to increase its exposure acquire to protection.

Debt instruments other than government securities recognised within

figures in thousands of euro		30.6.2	2014	
Issuer	Nationality	Carrying amount	Fair value	Nominal amount
Corporate	Italy	143,623	143,623	137,618
Corporate	Holland	58,289	58,289	55,050
Corporate	United States	10,686	10,686	10,078
Corporate	Luxembourg	32,740	32,740	28,495
Corporate	United Kingdom	9,873	9,873	8,734
Corporate	Spain	21,837	21,837	19,981
Corporate	Hungary	10,531	10,531	10,000
Corporate	France	43,842	43,842	40,000
Total Corporate		331,421	331,421	309,956
Banking	France	53,390	53,390	50,000
Banking	Germany	2	2	3
Banking	Italy	430,521	430,521	423,000
Banking	Luxembourg	59,528	59,528	50,000
Banking	United Kingdom	10,324	10,324	10,000
Banking	Sweden	37,849	37,849	33,574
Banking	Republic of Cyprus	90	90	9,500
Total Banking		591,704	591,704	576,077
E.I.B.	Luxembourg	5	5	5
Total Supranational		5	5	5
Total debt instruments		923,130	923,130	886,038

## **Exposures to some types of products**

This section provides an update of the position of the UBI Banca Group with regard to some types of financial instruments, which are considered at high risk since the subprime mortgage crisis in 2007.

### Special purpose entities (SPEs)

The involvement of the UBI Group in special purpose entities (SPEs<sup>8</sup>) concerns the following types:

- 1. entities formed to allow the issue of preference shares;
- 2. conventional securitisation transactions <sup>9</sup> performed by Group member companies in accordance with Law No. 130 of 30<sup>th</sup> April 1999;
- 3. the issue of covered bonds, in accordance with Art. 7 bis of Law No,130/1999.
- 1. The UBI Banca Group has given consideration to the following: the modest contribution made by preference shares to the solid capitalisation of the UBI Banca Group; the present and future cost of maintaining those instruments; Basel 3 regulations in force from 2014 define them as not qualifiable and consequently provides for the progressive exclusion of these instruments from the tier one capital of banks. Consequently, the Group proceeded to the early redemption of the total amount of these instruments in the first quarter of 2014.
- 2. The list of SPEs used for the securitisations in which the Group is involved is as follows:

Lombarda Lease Finance 4 Srl,

UBI Lease Finance 5 Srl,

24-7 Finance Srl,

UBI Finance 3 Srl,

UBI SPV BPA 2012 Srl,

UBI SPV BPCI 2012 Srl,

UBI SPV BBS 2012 Srl.

As already reported, the securitisation relating to performing loans granted mainly to SMEs by Banco di Brescia (UBI Finance 2 Srl) was permanently closed on 29th May 2014.

The securitisations concerning 24-7 Finance Srl, UBI Lease Finance 5 Srl, UBI Finance 3 Srl, UBI SPV BPA 2012 Srl, UBI SPV BPCI 2012 Srl and UBI SPV BBS 2012 Srl were performed in order to create a portfolio of assets eligible as collateral for refinancing with the European Central Bank, consistent with Group policy for the management of liquidity risk.

They were carried out on the following: on performing residential mortgages of the former B@nca 24-7 (24-7 Finance Srl); UBI Leasing lease contracts (UBI Lease Finance 5 Srl); performing loans mainly to small to medium-sized enterprises of the Banca Popolare di Bergamo (UBI Finance 3 Srl); and performing loans to small to medium-sized enterprises of Banca Popolare di Ancona (UBI SPV BPA 2012 Srl), Banca Popolare Commercio e Industria (UBI SPV BPCI 2012 Srl) and Banco di Brescia (UBI SPV BBS 2012 Srl).

Transfers were made in the first half of 2014 (with effect for accounting and operating purposes from  $17^{th}$  March) to the special purpose entities (SPEs) UBI SPV BPA 2012 Srl, UBI SPV BPCI 2012 Srl and UBI SPV BBS 2012 Srl of assets held by the originator banks amounting to €317.4 million, €136.5 million and €193.1 million respectively. For full information, we report that in the period in question the originator banks performed voluntary repurchases (with effect for operating purposes from  $27^{th}$  January 2014) of "high risk" performing loans included in the portfolio initially transferred for a total amount of €135.6 million, in order to improve the overall quality of the portfolio.

In the securitisations in question the senior securities issued by the entities – assigned a rating – are listed.

The SPEs listed above are included in the consolidated accounts because these companies are in reality controlled, since their assets and liabilities were originated by Group companies.

<sup>8</sup> Special Purpose Entities (SPEs) are special companies formed to achieve a determined objective.

<sup>9</sup> With normal securitisations the originator sells the portfolio to a special purpose entity which then issues tranches of asset-backed securities in order to purchase it. With a synthetic securitisation, on the other hand, the originator purchases protection for a pool of assets and transfers the credit risk attaching to the portfolio – either fully or in part – by using credit derivatives such as CDSs (credit default swaps) and CLNs (credit-linked notes) or by means of personal guarantees.

3. With regard to the issue of covered bonds, the SPEs UBI Finance Srl and UBI Finance CB 2 Srl were created for the purchase of loans from banks in order to create cover pools for covered bonds issued by the Parent.

The issue of covered bonds is designed to diversify the sources of funding and also to contain its cost. Transfers were made in the first half of 2014 to the SPEs UBI Finance Srl and UBI Finance CB 2 Srl involving assets of &625 million (with effect for accounting purposes from 1st June 2014) and &6175 million (with effect for accounting purposes from 1st May 2014), respectively, held by Banca Popolare di Ancona, Banca Popolare Commercio e Industria and Banca Carime.

At the date of this report, UBI Banca had issued covered bonds totalling  $\[ \in \]$ 9.8 billion nominal under the "first programme" (residential mortgages) for a maximum issuance of  $\[ \in \]$ 15 billion and for a total of  $\[ \in \]$ 2.1 billion nominal under the "second programme" (mainly commercial mortgages) with a maximum issuance of  $\[ \in \]$ 5 billion. The originator banks issued subordinated loans to the SPE UBI Finance Srl and to the SPE UBI Finance CB2 Srl, equal to the value of the loans progressively transferred, in order to fund the purchase. At the end of June these loans amounted to  $\[ \in \]$ 16.4 billion ( $\[ \in \]$ 16.2 billion in December 2013) for UBI Finance Srl and  $\[ \in \]$ 3.5 billion for UBI Finance CB 2 ( $\[ \in \]$ 3.5 billion).

Exposures are present in the Group which relate solely to the SPEs formed for the securitisations mentioned and they all fall within the scope of the consolidation.

Ordinary lines of liquidity existed at the end of the first half granted by the Parent to the SPE 24-7 Finance Srl for a total of €97.6 million, entirely drawn on (€97.6 million entirely drawn on at the end of 2013).

Following the downgrades performed by the rating agencies Moody's and Fitch in 2011, UBI Banca disbursed a liquidity facility amount to UBI Finance 3 for €28 million, while the originator Banca Popolare di Bergamo had disbursed a subordinated loan designed to cover potential payouts connected with specific risks ("set-off risk" relating to the securitised assets). The initial sum of €50 million, also disbursed in October 2011, was increased during 2012 by a further €72.5 million to meet the same risks associated with the revolving credit portfolios transferred in 2012. These credit lines were renewed in June 2014.

Subordinated loans were disbursed for the three transactions completed in 2012 as a further form of guarantee when the securities were issued, which in June 2014, amounted to: €29.4 million for UBI SPV BBS 2012, €46.7 million for UBI SPV BPA 2012 and €31.2 million for UBI SPV BPCI 2012.

The securitisations (except for the three structured in 2012) were backed by swap contracts where the main objective is to normalise the flow of interest generated by the transferred or securitised portfolio, providing *de facto* immunisation to the SPE against interest rate risk. As a consequence of the downgrading of UBI Banca's rating, it became necessary to provide margin deposits for the swap contracts entered into between the Parent or other Group companies and the SPEs for the securitisations.

Margin accounts were opened with an eligible institution which was the London Branch of Bank of New York Mellon (ratings as at 31<sup>st</sup> December 2013: Moody's Aa2 stab/S&P AAneg/Fitch AA stab). The margin deposits were paid starting on 26<sup>th</sup> October 2011 for an initial total amount of a little more than €1,015 million, of which €717 million for the covered bond programme and €298 million for the securitisations.

The total balance in June 2014 was €622 million, of which €488 million for the covered bond programme and €134 million for the internal securitisation transactions.

No exposures exist to SPEs or other conduit operations with underlying securities or investments linked to United States subprime and Alt-A loans.

The total assets of SPEs relating to securitisations and to covered bonds amounted to €26.3 billion (€27.3 billion at the end of 2013). Details by asset class are reported in the table below:

#### SPE underlying assets

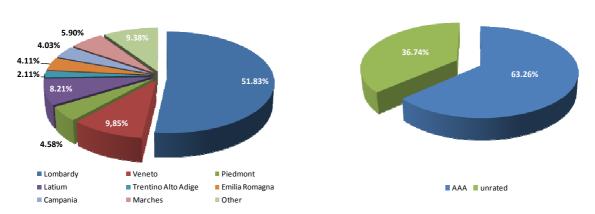
Figures in millions of euro		Classification of underlying	assets of the sec	uritisation	30.6	2014	31.12	.2013
Entity	Total assets	Class of underlying asset	Accounting classification	Measurement Criteria Adopted	Gross of impairment losses	Net of impairment losses	Gross of impairment losses	Net of impairment losses
24-7 Finance	1,523.5	Mortgages	L&R	CA	1,356.0	1,348.3	1,385.1	1,375.9
Lease Finance 4	48.5	Leasing	L&R	CA	36.6	36.3	45.4	45.0
UBI Lease Finance 5	2,785.1	Leasing	L&R	CA	2,390.5	2,390.5	2,591.3	2,591.3
UBI Finance	15,010.1	Mortgages	L&R	CA	14,738.7	14,708.9	14,765.6	14,735.7
<b>UBI Finance CB2</b>	3,197.3	Mortgages	L&R	CA	3,071.6	3,059.3	3,112.0	3,100.5
UBI Finance 2	-	Loans to SMEs	L&R	CA	-	-	628.3	624.7
UBI Finance 3	1,602.1	Loans to businesses	L&R	CA	1,448.0	1,441.3	1,655.5	1,647.2
UBI SPV BBS 2012	668.9	Loans to SMEs	L&R	CA	640.1	636.8	602.4	597.5
UBI SPV BPA 2012	903.4	Loans to SMEs	L&R	CA	855.8	850.9	685.7	680.1
UBI SPV BPCI 2012	604.6	Loans to SMEs	L&R	CA	584.8	582.4	569.1	566.5
		Total impaired assets, mortgages Total impaired assets, leasing	and loans		1,043.4 485.3	881.9 406.8	1,057.8 465.9	921.4 402.6
TOTAL	26,343.5				26,650.8	26,343.4	27,564.1	27,288.4

The distribution by geographical location and credit rating of the securities issued relating to the securitisations by the SPEs Lombarda Lease Finance 4 and UBI Lease Finance 5 are given below:

## Securitisations of UBI Leasing: distribution of the underlying assets and of the securities issued $(30^{\rm th}\,\rm June~2014)$

#### DISTRIBUTION BY GEOGRAPHICAL AREA

#### DISTRIBUTION OF ASSETS BY CREDIT RATING



## Exposures in ABS, CDO, CMBS and other structured credit products

As at 30th June 2014 the Group held no direct investments in ABS instruments.

Own securitisations, eliminated when consolidating the accounts, totalled  $\[ \in \]$ 7.2 billion in notional terms:  $\[ \in \]$ 4.7 billion of senior notes used as collateral for advances from the ECB and  $\[ \in \]$ 2.5 billion of junior notes. Further details are provided in the previous section, "The interbank market and the liquidity situation", which may be consulted.

In addition to the direct exposures, hedge funds or funds of hedge funds were identified among the assets present in Group portfolios with exposures to CDO and CMBS structured credit products. Investment in these funds as at  $30^{th}$  June 2014 amounted to £123.7 million (net of impairment losses/reversals) and it presented low percentages of exposure. Total indirect exposure to CDOs and CMBSs amounted to approximately £0.8 million (£1.4 million in December 2013).

## Other subprime, Alt-A and monoline insurer exposures

Again in June 2014 indirect exposures to subprime and Alt-A mortgages and to monoline insurers existed that were contained in hedge funds or funds of hedge funds held by the Parent. The percentages of exposure to subprime and Alt-A mortgages were again low (no fund had a percentage exposure of greater than 0.9%), with total exposure to subprime, Alt-A mortgages and monoline insurers of approximately  $\[ \in \]$ 1.3 million ( $\[ \in \]$ 0.4 million as at  $\[ \]$ 31st December 2013).

## Leveraged Finance

The term leveraged finance is used in the Group to refer to finance provided for a company or an initiative which has debt that is considered higher than normal on the market and is therefore considered a higher risk. Usually this finance is used for specific acquisition purposes (for example the acquisition of a company by other companies – either directly or through vehicles/funds – owned by internal [buy-in] or external [buy-out] management teams). They are characterised by "non investment grade" credit ratings (less than BBB-) and/or by remuneration that is higher than normal market levels.

Leveraged finance business, performed in the past by Centrobanca, has been centralised at UBI Banca following the merger of that company into the Parent on 6<sup>th</sup> May 2013. It is regulated by the Group Credit Risk Policy designed to combine the achievement of budget targets in terms of business volumes and profits with appropriate management of the attached risks.

Briefly, operations are based on a maximum investment ceiling, reviewed annually and allocated on the basis of rating classes for operations according to predefined maximum percentages. The system of limits is calculated to seek appropriate diversification both in terms of sector and the concentration of risk on single companies or Group counterparties.

The table (right) summarises onand off-balance sheet exposure for leveraged finance by the Group. These loans (on-balance sheet) accounted for approximately 0.5%. of total UBI Banca Group loans.

UBI Banca leveraged finance business

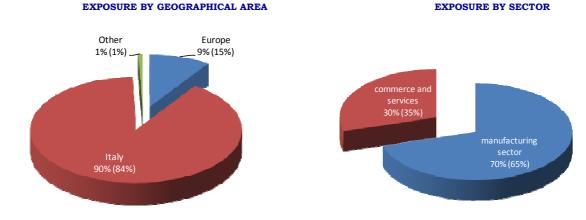
figures in millions of euro	On-balance s gross exposure	to customers	Unsecured gross exposure	d guarantees e to customers
	used	impairment	used	impairment
30th June 2014	494.3	-27.1	24.2	-1.7
31st Dec 2013	561.7	-23.7	28.3	-1.7

The amounts shown at the end of the first half (on- and off-balance sheet) relate to 84 positions (counterparties) for a total average net exposure per position of  $\in$ 5.8 million. Three positions existed with exposures of greater than  $\in$ 20 million, all relating to loans and receivables, and they account for around 18% of the total.

The graphs below show the distribution of leveraged exposures by geographical area and sector.

### Distribution of UBI Banca leveraged exposures

(the figures as at 31st December 2013 are given in brackets)



Residual exposures also exist within the Group – approximately  $\in$ 170 million ( $\in$ 171 million as at 31<sup>st</sup> December 2013) – relating to leveraged finance transactions performed by the network banks as a whole relating to a total of 21 positions with average exposure per transaction of  $\in$ 8.1 million.

The distribution of the outstanding loans was as follows: Banco di Brescia €80 million, Banca Popolare di Bergamo €61 million, Banca Popolare Commercio e Industria €3 million, Banca Regionale Europea €12 million and Banca di Valle Camonica €14 million.

## Financial derivative instruments for trading with customers

The periodic analysis performed for internal monitoring purposes confirms that the risks assumed by customers continue to remain generally low and they outlined a conservative profile for UBI Group business in OTC derivatives with customers.

A quantitative update as at 30th June 2014 showed the following:

- the total negative mark-to-market for customers stood at 6.70% of the notional amount of the contracts, compared with 5.13% at the end of 2013;
- the notional amount for existing contracts, totalling €5.669 billion, was attributable to interest rate derivatives amounting to €5.033 billion and currency derivatives amounting to €0.617 billion. The notional amount for commodities contracts was marginal (€19 million);
- transactions in hedging derivatives accounted for 99.5% of the notional amount traded, in the case of interest rate derivatives and 97% of the notional in the case of currency derivatives;
- the net total mark-to-market value (interest rate, currency and commodities derivatives) amounted to approximately -€376 million. Those contracts with a negative mark-to-market for customers were valued at approximately -€380 million.

The rules governing trading in OTC derivatives with customers are contained in the "Policy for the trading, sale and subscription of financial products" and in the relative regulations to implement it, updated in 2013, as follows:

- customer segmentation and classes of customers associated with specific classes of products, stating that the purpose of the derivatives transactions must be hedging and that transactions containing speculative elements must be of a residual nature;
- rules for assessing the appropriateness of transactions, defined on the basis of the products sold to each class of customer;
- principles of integrity and transparency on which the range of OTC derivatives offered to customers must be based, in compliance with the guidelines laid down by the Italian Banking Association (and approved by the Consob) for illiquid financial products;
- rules for assessing credit exposure, which grant credit lines with maximum limits for trading with "qualified", "professional" and "non-individual retail" counterparties and provide credit lines for single transactions for trading with individual retail counterparties, while counterparty risk is assessed on the basis of Bank of Italy circular No. 263/2006;
- rules for managing restructuring operations, while underlining their exceptional nature;
- the rules for the settlement of transactions in OTC derivative instruments with customers that are subject to verbal or official dispute;
- the catalogue of products offered to customers and the relative credit equivalents.

## OTC interest rate derivatives: details of instrument types and classes of customer

Data as at 30th June 2014

						Data as at 30th June 2014
Product class	Type of instrument	Customer classification	Number of transactions	Notional	MtM	of which negative MtM
'	Purchase of caps	Qualified	29	21,339,619.58	59,099.43	-
	•	3: Professional	43	49,422,039.75	59,634.22	
		2: Non private individual retail	1,041	316,436,925.04	582,289.48	
		1: Private individual retail	1,148	126,654,955.40	242,559.79	
	Purchase of caps Total		2,261	513,853,539.77	943,582.92	-
	Capped swaps	Qualified	36	132,363,981.39	-2,593,335.47	-2,593,335.47
		3: Professional	56	199,287,130.12	-6,673,991.41	-6,673,991.41
		2: Non private individual retail	1,145	677,119,233.18	-16,214,056.07	-16,214,056.07
		1: Private individual retail	2,193	235,735,648.25	-3,842,002.40	-3,842,002.40
	Capped swaps Total	1. I mate marvada retail	3,430	1,244,505,992.94	-29,323,385.35	-29,323,385.35
	IRS Plain Vanilla	Qualified	37	128,519,955.63	-11,783,078.18	-11,783,078.18
	IRS Flain Vanilla					
		3: Professional	247	1,180,884,360.54	-102,087,507.88	-102,087,507.88
		2: Non private individual retail	1,035	1,480,710,151.31	-148,002,216.66	-148,002,216.66
		Private individual retail	222	39,416,469.52	-2,452,454.32	-2,452,454.32
	Plain Vanilla IRS Total		1,541	2,829,530,937.00	-264,325,257.04	-264,325,257.04
	IRS Step Up	Qualified	2	2,962,200.38	-243,685.42	-243,685.42
		3: Professional	29	258,614,013.82	-49,954,533.85	-49,954,533.85
		2: Non private individual retail	42	96,479,370.81	-25,523,666.59	-25,523,666.59
		1: Private individual retail	2	1,121,004.45	-165,459.56	-165,459.56
	IRS Step up Total		75	359, 176, 589.46	-75,887,345.42	-75,887,345.42
	Purchase of collars	Qualified	1	5,608,069.87	-453,104.46	-453,104.46
		3: Professional	1	7,500,000.00	-214,120.50	-214,120.50
		Non private individual retail	6	4,403,045.27	-291,809.28	-291,809.28
	Purchase of collars Total	2. Non private markada retain	8	17,511,115.14	-959,034.24	-959,034.24
Total Clas	ss 1: hedging derivatives		- 045		000 554 400 40	
	of Group total		7,315	4,964,578,174.31	-369,551,439.13	-370,495,022.05
2	or croup total		99.62%	98.65%	99.00%	98.99%
-	Purchase of caps with KI/KO	3: Professional	2	17,048,329.06	-250,476.24	-250,476.24
		2: Non private individual retail	4	3,978,606.97	-27,133.39	-27,133.39
	Purchase of caps with KI/KO	Total	6	21,026,936.03	-277,609.63	-277,609.63
	Purchase of collers with KI/KC	2: Non privato individual rotail	1	3 308 000 00	060 706 15	-868,786.15
	Purchase of collars with KI/F	2: Non private individual retail	1	3,208,000.00 <b>3,208,000.00</b>	-868,786.15 <b>-868,786.15</b>	-868,786.15
	. aronaco er comare mar rar		•	5,205,000.00	550,750.75	000,700.70
	IRS Convertible	Qualified	1	9,292,637.91	-439,423.43	-439,423.43
		3: Professional	1	222,222.22	-4,564.36	-4,564.36
		2: Non private individual retail	6	8,119,202.95	-888,555.88	-888,555.88
	IRS Convertible Total		8	17,634,063.08	-1,332,543.67	-1,332,543.67
Total Clas	ss 2: hedging derivatives with	n possible exposure	15	41,868,999.11	-2,478,939.45	-2,478,939.45
	to contained financial risks					
	of Group total		0.20%	0.83%	0.66%	0.66%
3 a	IRS Range	2: Non private individual retail	11	19,800,000.00	-1,024,452.68	-1,024,452.68
	IRS Range Total	p	11	19,800,000.00	-1,024,452.68	-1,024,452.68
Tota	I Class 3a: partial hedging de	erivatives and maximum pre-established loss	11	19,800,000.00	-1,024,452.68	-1,024,452.68
3 b						
	Gap floater swaps	2: Non private individual retail	1	1,951,710.00	-279,186.62	-279,186.62
	Gap floater swaps Total		1	1,951,710.00	-279, 186. 62	-279,186.62
	IRS Range stability	3: Professional	1	4,500,000.00	32,133.93	-
	IRS Range stability Total		1	4,500,000.00	32,133.93	•
Tota	I Class 3b: speculative deriva	atives and maximum loss	2	6,451,710.00	-247,052.69	-279,186.62
		unquantifiable			,	
Total Cir	ee 3: dariyatiyaa net for be dei	ina	43	26 254 740 00	1 274 505 27	4 202 626 00
	ss 3: derivatives not for hedgi of Group total	ing	13	26,251,710.00	-1,271,505.37	-1,303,639.30
Jiu 33 3. 7	. Oroup total		0.18%	0.52%	0.34%	0.35%
Total UB	I Banca Group		7,343	5,032,698,883.42	-373,301,883.95	-374,277,600.80

## OTC currency derivatives: details of instrument types and classes of customer

Data as at 30th June 2014

					Dutu	as at 30th June 2014
Product class	Type of instrument	Customer classification	Number of transactions	Notional	MtM	of which negative MtM
1						
	Forward synthetic	Qualified	20	10,706,238.89	63,702.19	-7,292.11
		3: Professional	181	216,111,108.66	-1,243,580.25	-1,708,684.72
		2: Non private individual retail	17	6,179,052.11	2,397.41	-15,979.53
	Forward synthetic Total	z. rron private manuada rotan	218	232,996,399.66	-1,177,480.65	-1,731,956.36
	Plafond	Qualified	10	4,874,799.80	-90,672.87	-97,254.35
		<ol><li>Professional</li></ol>	173	145,219,497.65	-888,286.51	-1,509,814.10
		<ol><li>Non private individual retail</li></ol>	317	117,159,414.72	-544,717.48	-1,099,821.90
	Plafond Total		500	267,253,712.17	-1,523,676.86	-2,706,890.35
	Currency collars	3: Professional	2	1,488,714.04	598.47	-638.23
	Ouriency collais		6			
		2: Non private individual retail		2,287,836.27	-4,315.01	-6,822.50
	Currency collars Total		8	3,776,550.31	-3,716.54	-7,460.73
	Vanilla currency options purchased	3: Professional	1	2,894,736.84	80,445.41	-
		2: Non private individual retail	1	724,637.68	19,166.64	-
	Vanilla currency options purchased	•	2	3,619,374.52	99,612.05	-
Total Class	s 1: hedging derivatives		728	507,646,036.66	-2,605,262.00	-4,446,307.44
				• •	_,000,_000	
	of Group total		77.61%	82.30%	-	89.50%
2	Kanala la nallana	O. Burfaceland	00	F 700 700 40	4.074.00	40 400 40
	Knock in collars	3: Professional	28	5,762,730.48	-1,971.32	-10,428.12
	Knock in collars Total		28	5,762,730.48	-1,971.32	-10,428.12
	Knock in forward	Qualified	6	543,478.26	4,485.23	-
		3: Professional	101	72,479,652.30	-147,116.84	-394,625.26
		2: Non private individual retail	19	5,334,837.23	25,856.91	-4,700.08
	Knock in forwards Total		126	78,357,967.79	-116,774.70	-399, 325. 34
	New collars	3: Professional	2	E 022 4E2 E0	20.454.00	
		3. Professional		5,932,452.50	20,454.98	-
	New collars Total		2	5,932,452.50	20,454.98	-
Total Class	s 2: hedging derivatives with possible expos	ure	156	90,053,150.77	-98,291.04	-409,753.46
	to contained financial risks					
	of Group total		16.63%	14.60%	-	8.25%
3b	Was also and formula	O. Deefeesiens	2	F70 024 00	207.70	4 400 00
	Knock out forwards	3: Professional	2	578,034.98	287.76	-1,423.26
	Knock out forwards Total		2	578,034.98	287.76	-1,423.26
	Knock out knock in forwards	Qualified	6	433,213.02	4,893.89	-
		3: Professional	30	10,580,243.40	11,560.31	-33,077.61
	Knock out knock in forwards Total		36	11,013,456.42	16,454.20	-33,077.61
	Vanilla currency options sold by the customer	3. Professional	16	7,561,760.79	-77,335.85	-77,335.85
	Vanilla currency options sold by the customer		16	<b>7,561,760.79</b>	-77,335.85	-77,335.85
Total Class	s 3: derivatives not for hedging		54	19,153,252.19	-60,593.89	-111,836.72
					-00,593.89	
Class 3: %	of Group total		5.76%	3.10%	-	2.25%
T-4-1115	I Damas Onsum		000	040 050 400 00	0.704.440.00	4 007 007 00
ı otal UB	l Banca Group		938	616,852,439.62	-2,764,146.93	-4,967,897.62

## OTC commodities derivatives: details of instrument types and classes of customer

Data as at 30th June 2014

egative MtM
-101,586.00
-317,589.65
-
-419,175.65
-45,146.00
-13,164.00
-58,310.00
-
-
-477,485.65
100.00%
77,485.65
22,984.07
-47 77,

## OTC derivatives: first 5 counterparties by bank (figures in euro)

Data as at 30th June 2014

Bank	Classification	MtM	of which negative MtM
UBI Banca	3: Professional	-42,513,632	-42,513,632
	3: Professional	-27,952,297	-27,952,297
	3: Professional	-5,860,747	-5,860,747
	3: Professional	-4,790,920	-4,790,920
	3: Professional	-4,653,063	-4,653,063
Banca Popolare Commercio & Industria	2: Non private individual retail	-6,944,778	-6,944,778
	Qualified	-4,017,913	-4,017,913
	3: Professional	-2,777,112	-2,777,112
	2: Non private individual retail	-2,210,841	-2,210,841
	Qualified	-1,618,096	-1,618,096
Banca Popolare di Ancona	2: Non private individual retail	-6,664,146	-6,664,146
	2: Non private individual retail	-1,735,634	-1,735,634
	3: Professional	-1,725,087	-1,725,087
	3: Professional	-1,385,036	-1,385,036
	3: Professional	-1,191,624	-1,191,624
Banco di Brescia	3: Professional	-3,695,773	-3,695,773
	Qualified	-2,328,425	-2,328,425
	2: Non private individual retail	-2,051,434	-2,051,434
	3: Professional	-1,673,656	-1,673,656
	3: Professional	-1,543,964	-1,543,964
Banca Regionale Europea	3: Professional	-3,315,487	-3,315,487
	2: Non private individual retail	-1,892,155	-1,892,155
	3: Professional	-853,109	-855,684
	3: Professional	-845,996	-845,996
	3: Professional	-826,489	-826,489
Banca Popolare di Bergamo	3: Professional	-3,208,870	-3,208,870
· -	2: Non private individual retail	-2,544,869	-2,544,869
	2: Non private individual retail	-1,260,944	-1,260,944
	2: Non private individual retail	-1,052,215	-1,052,215
	2: Non private individual retail	-1,004,098	-1,004,098
Banca Carime	3: Professional	-591,803	-591,803
	2: Non private individual retail	-475,796	-475,796
	2: Non private individual retail	-304,270	-304,270
	3: Professional	-215,468	-222,227
	2: Non private individual retail	-119,186	-119,186
Banca di Valle Camonica	2: Non private individual retail	-300,733	-300,733
	2: Non private individual retail	-279,730	-279,730
	3: Professional	-273,616	-273,616
	3: Professional	-269,411	-269,411
	2: Non private individual retail	-152,867	-152,867

# Equity and capital adequacy

## Changes in consolidated shareholders' equity

Reconciliation between equity and profit for the period of the Parent with consolidated equity as at 30th June 2014 and profit for the period then ended

Figures in thousands of euro	Equity	of which: Profit for the period
Equity and profit for the period in the accounts of the Parent	9,741,644	244,650
Effect of the consolidation of subsidiaries including joint ventures	1,177,613	142,636
Effect of measuring other significant equity investments using the equity method	46,493	20,245
Dividends received during the period	-	-268,301
Other consolidation adjustments (including the effects of the PPA)	-256,317	-33,038
Equity and profit for the period in the consolidated accounts	10,709,433	106,192

#### Changes in consolidated equity of the Group in the first half of 2014

		Allocation o	Allocation of prior year		Changes January-June 2014				
	Balances as at		profit		Equity transactions		Consolidated	Equity attributable to	
Figures in thousands of euro	31.12.2013	Reserves	Dividends and other uses	Changes in reserves	New share issues	Stock options	comprehensive income	the shareholders of the Parent	
Share capital:	2,254,371	-	-	-	-	-	-	2,254,371	
a) ordinary shares	2,254,371	-	-	-		-	-	2,254,371	
b) other shares	_	-	-	-	_	_	-	-	
Share premiums	4,716,866	-	-	-	-	-	-	4,716,866	
Reserves	3,294,414	250,830	-58,591	-2,131	-	-	-	3,484,522	
Valuation reserves	-170,968		-	2	-	-	324,569	153,603	
Treasury shares	-6,121	-	-	-	-	-	-	-6,121	
Profit for the period	250,830	-250,830	-	-	-	-	106,192	106,192	
Equity attributable to the shareholders of the Parent	10,339,392	-	-58,591	-2,129	-	-	430,761	10,709,433	

The equity attributable to the shareholders of the Parent, UBI Banca, as at  $30^{th}$  June 2014 inclusive of profit for the period, was €10,709.4 million, an increase compared with €10,339.4 million at the end of 2013.

#### Valuation reserves attributable to the Group: composition

Figures in thousands of euro	30.6.2014	31.12.2013
Available-for-sale financial assets	179,721	-155,515
Cash flow hedges	-1,754	-2,037
Currency translation differences	-243	-243
Actuarial gains/losses for defined benefit pension plans	-82,863	-71,914
Special revaluation laws	58,742	58,741
Total	153,603	-170,968

As shown in the table "Changes in the consolidated equity of the Group in the first half of 2014", the increase of €370 million is the result of the following;

- the allocation of €58.6 million of 2013 consolidated profit to dividends and other uses¹;
- an improvement of €324.5 million in the balance for valuation reserves which became positive generated almost entirely by the impact of comprehensive income as follows: +€335.2 million for available-for-sale financial assets; +€0.3 million for cash flow hedges; -€11 million for gains/losses relating to defined benefit pension plans;

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<sup>1</sup> The profit was then fully drawn on with an allocation to reserves of €192.2 million.

- an aggregate negative impact of €2.1 million for other reserves of profits;
- the recognition of profit for the period of €106.2 million.

#### Fair value reserves of available-for-sale financial assets attributable to the Group: composition

		30.6.2014		31.12.2013			
Figures in thousands of euro	Positive reserve	Negative reserve	Total	Positive reserve	Negative reserve	Total	
1. Debt instruments	302,738	-201,928	100,810	96,032	-336,633	-240,601	
2. Equity instruments	72,877	-2,964	69,913	72,847	-2,481	70,366	
3. Units in UCITS	11,942	-2,944	8,998	17,698	-2,978	14,720	
4. Financing	-	-	-	-	-	-	
Total	387,557	-207,836	179,721	186,577	-342,092	-155,515	

#### Fair value reserves of available-for-sale financial assets attributable to the Group: annual changes

Figures in thousands of euro	Debt instruments	Equity instruments	UCITS units	Financing	Total
1. Opening balances al 1st January 2014	-240,601	70,366	14,720	-	-155,515
2. Positive changes	429,600	3,320	6,343	-	439,263
2.1 Increases in fair value	428,737	3,271	5,761	-	437,769
2.2 Transfer to income statement of negative reserves	782	43	582	-	1,407
- following impairment losses	-	-	430	-	430
- from disposal	782	43	152	-	977
2.3 Other changes	81	6	-	-	87
3. Negative changes	-88,189	-3,773	-12,065	-	-104,027
3.1 Reductions in fair value	-63,211	-3,149	-1,342	-	-67,702
3.2 Impairment losses	-	-	-	-	-
3.3 Transfer to income statement of positive reserves: from disposal	-24,977	-621	-10,719	-	-36,317
3.4 Other changes	-1	-3	-4	-	-8
4. Closing balances as at 30th June 2014	100,810	69,913	8,998	-	179,721

As shown in the table, the increase mentioned above of €335.2 million in the "fair value reserve for available-for-sale financial assets" is fully attributable to debt instruments held in portfolio (for which the balance improved by €341.4 million to +€100.8 million net of tax and non-controlling interests) and to Italian government securities in particular. The positive trend for this reserve continued, becoming positive at €93.7 million, with a recovery of €331.1 million since the beginning of the year, of which €310.4 million relating to the Parent.

The reserve relating to debt securities recorded an increase in fair value of &428.7 million in the first half of the year, of which &352.6 million relating to the Parent (95% on Italian government securities), &63.4 million to Lombarda Vita, &6.2 million to IW Bank (from the Italian government securities portfolio) and &65.2 million to UBI Assicurazioni.

The table also shows decreases: falls in fair value of €63.2 million, relating mainly to Lombarda Vita, and transfers to the income statement of positive reserves from disposals of €25 million in relation to the disposal of government securities in the UBI Banca portfolio.

As concerns equity instruments, increases in fair value came to &3.3 million, mainly in relation to the Parent (&2.3 million, relating entirely to the interest held in S.A.C.B.O.) and to the Lombarda Vita (&0.9 million).

Decreases, however, include reductions in fair value of €3.1 million, of which €2.4 million relating to UBI Banca (almost entirely attributable to SIA) and €0.5 million to Lombarda Vita.

Units in UCITS also benefited from increases in fair value of €5.8 million, of which €4.6 million relating to UBI Banca and €1.2 million to Lombarda Vita.

Reductions in fair value amounted to  $\[ \in \]$ 1.3 million, of which  $\[ \in \]$ 1.2 million relating to Lombarda Vita, while transfers to the income statement of positive reserves from disposals amounting to  $\[ \in \]$ 10.7 million, consisted of  $\[ \in \]$ 10.4 million relating to UBI Banca – following the disposal of three ETF funds – and of  $\[ \in \]$ 0.3 million relating to Lombarda Vita.

## Capital adequacy

The new prudential rules for banks and investment companies contained in EU Regulation 575/2013 (the Capital Requirements Regulation, known as the CRR) and in the EU Directive 2013/36/EU (the Capital Requirements Directive, known as CRD IV), came into force on 1st January 2014. These transpose standards defined by the Basel Committee on Banking Supervision (known as the Basel 3 framework) into European Union regulations.

The CRR comes directly into force in member states, while the regulations contained in CRD IV require implementation through national legislation.

On conclusion of a public consultation process started in November, on  $17^{th}$  December 2013 the Bank of Italy published Circular No. 285 "Rules for prudential supervision of banks", which implements the new EU regulations.

#### Capital ratios (Basel 3)

Figures in thousands of euro	30.6.2014	31.3.2014
Common Equity Tier 1 capital before filters and transitional provisions	7,974,150	7,841,670
Effects of transitional provisions provided for by the regulations (minority interests)	375,601	383,303
Effects of transitional provisions provided for by the regulations (AFS reserves)	-103,596	-130,593
Adjustments to Common Equity Tier 1 capital due to prudential filters provided for by the regulations	-2,811	-5,191
Government securities sterilisation effect	-59,810	5,547
Common Equity Tier 1 capital net of prudential filters	8,183,533	8,094,736
Deductions from Common Equity Tier 1 capital	-519,438	-572,229
of which: negative items due to shortfall of provisions to expected losses, inclusive of the application of transitional provisions	-519,438	-535,172
Common Equity Tier 1 capital after filters and deductions	7,664,095	7,522,507
Tier 1 capital after filters and deductions	7,664,095	7,522,507
Tier 2 capital before transitional provisions	3,527,869	3,688,037
Effects of grandfathering provisions on Tier 2 instruments	19,376	31,835
Tier 2 capital after transitional provisions	3,547,245	3,719,872
Deductions from Tier 2 capital	-357,932	-345,977
of which: negative items due to shortfall of provisions to expected losses, inclusive of the application of transitional provisions	-372,586	-356,782
Tier 2 capital after specific deductions	3,189,313	3,373,895
Total own funds	10,853,408	10,896,402
Credit risk	4,414,926	4,449,140
Credit valuation adjustment risk	10,808	8,525
Marketrisk	55,728	103,535
Operational risk	333,773	359,124
Total prudential requirements	4,815,235	4,920,324
Risk weighted assets	60,190,438	61,504,050
Common Equity Tier 1 ratio (Common Equity Tier 1 capital after filters and deductions/risk-w eighted assets)	12.73%	12.23%
Tier 1 ratio (Tier 1 capital after filters and deductions/risk-w eighted assets)	12.73%	12.23%
Total capital ratio (total own funds/risk-w eighted assets)	18.03%	17.72%

In compliance with transitory measures concerning funds contained in Part II, Chapter 14 of Bank of Italy Circular No. 285 of 17<sup>th</sup> December 2013 ("Supervisory provisions for banks"), advantage was taken in the calculation of regulatory capital as at 30th June and 31st March 2014 of the option to not include unrealised profits or losses relating to exposures to central governments classified within "available-for-sale financial assets" in any element of own funds. That option was exercised within the time limit set of 31st January 2014 and was applied at individual company and at consolidated level.

Following the authorisations received from the Bank of Italy, the UBI Banca Group uses internal models to calculate capital requirements to meet credit risk relating to the corporate segment (exposures to companies) and to operational risks from the consolidated supervisory report as at 30th June 2012 and relating to the retail regulatory segment (exposures to small and medium-size enterprises and exposures backed by residential properties) from the consolidated supervisory report as at 30th June 2013.

As shown in the table, at the end of June the UBI Banca Group's common equity tier one capital (CET1) stood at approximately €7.7 billion and its total own funds at €10.9 billion.

Compared with March 2014, the CET1 recorded an increase largely attributable to the inclusion, net of the pro rata provision made for the potential distribution of a dividend, of the result for the period (excluded, however, in the calculation of capital ratios as at 31st March 2014 in accordance with supervisory regulations).

The tier two capital, on the other hand, fell from €3.4 billion as at 31<sup>st</sup> March 2014 to €3.2 billion primarily due to the amortisation of subordinated securities. As opposed the previous regulations, under the framework established by the CRR, amortisation occurs on the basis of the days remaining in the life of the instrument.

As a result of the performance reported above, total own funds fell slightly.

Risk weighted assets (RWA) decreased from &61.5 billion in March to &60.2 billion in June. The difference was determined by a reduction by half in the market risk requirements connected with lower volumes in the UBI Banca trading portfolio, a reduction in credit risk due to the sale of ETFs classified within the Parent's AFS portfolio and a fall in volumes of former B@nca 24-7 mortgages (business merged into UBI Banca and gradually running down). The requirement for operational risk also decreased².

At the end of the period the capital ratios of the UBI Banca Group consisted of a common equity tier one ratio and a tier one ratio of 12.73% and a total capital ratio of 18.03%.

The fully loaded common equity tier one is estimated operationally at approximately 10.9%. The calculation takes account of operations expected to be completed by the end of the year (Aviva and UBI Assicurazioni) and of the periodic update of the historical data series relating to lending and market parameters for the calculation of risk weighted assets. However, no optimisation and/or self financing operations were included.

Finally, as at 30<sup>th</sup> June 2014 the leverage ratio according to Basel 3 rules<sup>3</sup> stood at 5.8%, while in terms of management accounting figures it is estimated when fully loaded at 5.4%.

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<sup>2</sup> The section "Information on risks and hedging policies" may be consulted for further information in this respect.

<sup>3</sup> Under Basel 3, financial leverage is calculated as the ratio of tier one capital to total on- and off-balance sheet assets, with a minimum requirement of 3%.

### Subordinated securities

		Т	YPE OF ISSUE		MATURITY	EARLY REDEMPTION	NOMINAL	AMOUNT	IAS AMOUNT
	ISSUER			COUPON	DATE	CLAUSE	30.6.2014	31.12.2013	30.6.2014
	BPB CAPITAL TRUST		1 2001/perpetual - mixed rate - Currency euro ISIN XS0123998394 (*)	Until 14-2-2011 fixed rate at 8.364%; from 15-2-2011 floating rate Euribor 3M + 5.94%.	perpetual	15/02/2014	-	182,095	-
TIER ONE CAPITAL	BANCA LOMBARDA PREFERRED SECURITIES TRUST	Innovative equity instruments	2 2000/perpetual - mixed rate - Currency euro ISIN XS0108805564 (*)	Until 9-3-2010 fixed rate of 8.17%; from 10-3-2010 to 9-3-2011 floating rate Euribor 3M + 3.375%; from 10-3-2011 floating rate Euribor 3M + 5.94%.	perpetual	10/03/2014	-	90,314	-
	BPCI CAPITAL TRUST		3 2001/perpetual - mixed rate - Currency euro ISIN XS0131512450 (*)	Until 26-6-2011 fixed rate of 9%; from 27-6-2011 floating rate Euribor 3M + 5.94%.	perpetual	27/03/2014	-	31.12.2013 182,095 90,314 65,338 110,868 137,911 239,760 127,195 370,000 94,102 365,000 240,000 122,070 320,000 400,000 400,000 222,339 970,457 200,000	-
			2004/2014 - floating rate ISIN IT0003754949 - Currency euro	Half year Euribor 6M + 0.125% for years 1-5; Euribor 6M + 0.725% for years 6-10.	23-12-2014		107,535	110,868	107,308
			5 2004/2014 - floating rate ISIN NUMBER IT0003723357 - Currency euro	Half year Euribor 6M + 0.125% for years 1-5; Euribor 6M + 0.725% for years 6-10.	22-10-2014		128,956	137,911	128,999
			2008/2015 - floating rate ISIN IT0004424435 - 6 Currency euro Listed on MOT (electronic bon market)	d Quarterly Euribor 3M + 0.85%.	28-11-2015	Redemption by fixed rate annual amortisation schedule from 28-11- 2011	239,760	239,760	238,891
			2009/2016 - floating rate ISIN IT0004457187 - 7 Currency euro Listed on MOT (electronic bon market)		13-3-2016	Redemption by fixed rate annual amortisation schedule from 13-3-2012	84,797	127,195	84,345
	UNIONE DI BANCHE ITALIANE SCPA		2009/2019 - mixed rate ISIN IT0004457070 - 8 Currency euro Listed on MOT (electronic bon market)	d Half year fixed rate 4.15% until 2014; subsequently floating rate Euribor 6M + 1.85%.	13-3-2019	13-3-2014	370,000	370,000	367,826
			2009/2016 - floating rate ISIN IT0004497068 - 9 Currency euro Listed on MOT (electronic bon market)	d Quarterly Euribor 3M + 1.25%.	30-6-2016	Redemption by fixed rate annual amortisation schedule from 30-6-2012	62,735	94,102	62,262
			2009/2019 - mixed rate ISIN IT0004497050 - 10 Currency euro Listed on MOT (electronic bon market)	d Half year fixed rate 4% until 2014; subsequently floating Euribor 6M + 1.85%.	30-6-2019	30-6-2014	365,000	365,000	360,155
TIER TWO CAPITAL			2010/2017 - fixed rate ISIN IT0004572878 - 11 Currency euro Listed on MOT (electronic bon market)	d Half year fixed rate 3.10%.	23-2-2017	Redemption by fixed rate annual amortisation schedule from 23-2-2013	180,000	240,000	187,005
			2010/2017 - floating rate ISIN IT0004572860 - 12 Currency euro Listed on MOT (electronic bon market)		23-2-2017	Redemption by fixed rate annual amortisation schedule from 23-2-2013	91,552	122,070	91,081
			2010/2017 - fixed rate ISIN IT0004645963 - 13 Currency euro Listed on MOT (electronic bon market)	d Half year fixed rate 4.30%.	5-11-2017	Redemption by repayment schedule at constant annual rates from 5-11- 2013	320,000	320,000	326,368
			2011/2018 - fixed rate WE ISIN IT0004718489 14 - Currency euro Listed on MOT (electronic bond market)	9 Half year fixed rate 5.50%.	16.6.2018	Redemption by fixed rate annual amortisation schedule from 16-6-2014	320,000	400,000	333,848
			2011/2018 - fixed rate ISIN IT0004723489 - 15 Currency euro Listed on MOT (electronic bon market)	d Half year fixed rate 5.40%.	30-6-2018	Redemption by fixed rate annual amortisation schedule from 30-6-2014	320,000	400,000	333,851
			2011/2018 - mixed rate WE ISIN 16 IT0004767742 - Currency euro Listed on MO (electronic bond market)	Quarterly fixed rate 6.25% until 2014; subsequently floating rate Euribor 3M + 1%	18-11-2018		222,339	222,339	221,095
			17 Currency euro Listed on MOT (electronic bond Half year fixed rate 6%. 8-10-2019 annual amortisation	Redemption by fixed rate annual amortisation schedule from 8-10-2015	970,457	970,457	984,524		
			2012/2019 - mixed rate WE ISIN 18 IT0004841778 - Currency euro Listed on MO (electronic bond market)	Quarterly fixed rate 7.25% until 2014; subsequently variable Euribor 3M + 5%	8-10-2019		200,000	200,000	201,684
TOTAL							3,983,131	4,657,449	4,029,242

<sup>(\*)</sup> The innovative equity instruments were subject to early redemption in the first quarter of 2014.



## Information on share capital, the shares, dividends paid and earnings per share

## Information on share capital and shareholder structure

The share capital of UBI Banca consists of 901,748,572 ordinary shares for a total paid up amount of  $\[ \in \] 2,254,371,430$ . All the outstanding shares have normal dividend entitlement from  $1^{st}$  January 2014.

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% in the share capital of UBI Banca were as follows:

- Silchester International Investors LLP, which had communicated on 18<sup>th</sup> March 2014 that it held 4.903% of the share capital of UBI Banca for asset management purposes (it had previously reported that it held 5.001% in November 2011);
- BlackRock Inc., which declared on 26<sup>th</sup> March 2013 that it held 4.951% of the share capital through its asset management companies;
- Fondazione Cassa di Risparmio di Cuneo, with 2.230%;

As already reported, 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 under management 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.

On the basis of an updating of the shareholders register, registered shareholders numbered 78,689 as at 30<sup>th</sup> June 2014 (94,544 at the end of 2013)<sup>1</sup>. If shareholders who are not listed in the shareholders' register are also considered, then the total of registered and unregistered shareholders was over 132 thousand.

As already reported in the previous financial report and in the section "Significant events in the first half of 2014", on 24th April, on conclusion of the transition period allowed to increase shareholdings up to the minimum set by article 8 of the Articles of Association (250 shares), the Management Board of UBI Banca took note that 20,553 shareholders had lost their registered status.

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<sup>1</sup> At the date of this report the number of registered shareholders had risen to 79,379,

## 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	30.6.2014 A	31.3.2014 B	30.12.2013 C	% change A/C	30.9.2013 D	28.6.2013 E	% change A/E	2.4.2007 F	% change A/F
Unione di Banche Italiane shares									
- official price	6.332	6.774	4.924	28.6%	3.748	2.814	125.0%	21.486	-70.5%
- reference price	6.320	6.840	4.936	28.0%	3.738	2.782	127.2%	21.427	-70.5%
FTSE Italia All-Share index	22,585	23,143	20,204	11.8%	18,480	16,250	39.0%	42,731	-47.1%
FTSE Italia Banks index	15,058	16,611	12,553	20.0%	10,747	8,539	76.3%	54,495	-72.4%

Source Datastream

The first half of the year saw a general increase in share prices with the Milan stock market recording the best performance since the beginning of year among European markets. The last sessions in June, however, experienced increased volatility due to profit-taking by investors after a period of strong appreciation in prices as well as fears connected with geopolitical questions (tensions in Iraq and Ukraine), growth in the global economy and price trends in Europe.

The table confirms the basic upwards trend: as at 30<sup>th</sup> June 2014 all the main indices were up compared with December, with the FTSE Italia All-Share up by 11.8% and the FTSE Italia Banks up by 20%.

In this context the UBI Banca share ended the first half with an improvement of 28% to €6.3 , while it had passed the €7 mark on several occasions in the period April-June.

Subsequently the share price fluctuated moderately due to periods of uncertainty on markets, above all with regard to the banking sector, shaken again by the difficulties of a Portuguese bank.

Between January and June 2014 approximately 1.1 billion UBI Banca shares were traded on the electronic stock market for a value of  $\[mathbb{e}\]$ 7 billion, the same as the amount traded over the whole of 2013 with over 1.8 billion shares traded (in the first half of the previous year, volumes traded involved approximately 933 million shares for a value of  $\[mathbb{e}\]$ 3.2 billion).

Affected by the performance described above, at the end of June the stock market capitalisation (calculated on the official price) had risen to €5.7 billion from €4.4 billion at the end of 2013, which positioned UBI Banca in third place among listed Italian commercial banking groups<sup>2</sup> 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<sup>3</sup>.

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<sup>2</sup> The Group is positioned in the fourth place if all listed banking groups are considered.

<sup>3</sup> EBR International Flash, June 2014.



<sup>\*</sup> 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.



<sup>\*</sup> 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

	First half 2014	FY 2013
Number of shares outstanding at the end of period/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	6.312	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	0.06	0.06
Dividend yield (dividend per share/average price)	0.95%	1.61%
Total dividends - in euro (*)	54,002,914	54,002,914
Book Value - in euro (Consolidated equity, excluding profit for the period/No. shares) - in euro	11.76	11.19
Book value calculated by deducting goodwill attributable to the shareholders of the Parent from consolidated equity - in euro	9.07	8.50
Book value calculated by deducting intangible assets attributable to the shareholders of the Parent from consolidated equity - in euro	8.68	8.09
Stock market capitalisation at the end of period (official prices) - in millions of euro	5,710	4,441
Price / book value [Stock market capitalisation at the end of period / (consolidated equity attributable to shareholders of the Parent excluding profit for the period/year)]	0.54	0.44
Price/book value calculated by deducting goodwill attributable to the shareholders of the Parent from consolidated equity	0.70	0.58
Price / book value calculated by deducting intangible assets attributable to the shareholders of the Parent from consolidated equity	0.73	0.61
EPS - Earning per share (consolidated profit per share pursuant to IAS 33) - in euro annualised	0.2539	0.2689

<sup>(\*)</sup> The total dividend payout for 2013 was calculated on the 900,048,572 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 1,700,000 treasury shares held in portfolio on that same date.

## Dividends paid

The dividend for the year 2013, drawn on the profit of the Parent and totalling €54,002,914.32 corresponding to €0.06 on each of the 900,048,572 UBI Banca shares in issue (excluding treasury shares repurchased) was paid with value date 22<sup>nd</sup> May 2014 (ex dividend date 19<sup>th</sup> May and record date 21<sup>st</sup> May) against coupon No. 15.

## Earnings per share

JANUARY-JUNE 2014	Earnings attributable (in thousands of euro)	Weighted average ordinary shares	Earnings per share (in euro)	
Basic EPS	122,349	900,048,572	0.1359	
"Annualised" Basic EPS	228,541	900,048,572	0.2539	
Diluted EPS 122,349		900,048,572	0.1359	
"Annualised" diluted EPS	228,541	900,048,572	0.2539	
FY 2013	Earnings attributable	Weighted average	Earnings per share	

FY 2013	Earnings attributable (in thousands of euro)	Weighted average ordinary shares	Earnings per share (in euro)
Basic EPS	242,025	900,134,245	0.2689
Diluted EPS	242,025	900,134,245	0.2689

JANUARY-JUNE 2013	Earnings attributable (in thousands of euro)	Weighted average ordinary shares	Earnings per share (in euro)
Basic EPS	49,296	900,391,459	0.0547
"Annualised" Basic EPS	98,592	900,391,459	0.1095
Diluted EPS	49,296	900,391,459	0.0547
"Annualised" diluted EPS	98,592	900,391,459	0.1095

# Information on risks and on hedging policies

## **Banking Group risks**

The measurement of risks in the strategic and competitive scenarios in which the Group has set its annual and medium-term planning takes the form of defining limits and rules for the assumption of risk, which are able to guarantee capital strength and value creation oriented towards sustainable growth.

The key principles on which Group risk analysis and management are based 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.

The assessments performed by the Parent, UBI Banca, were carried out with account taken of the operating specifics and the relative profiles of each company in the Group in order to formulate integrated and consistent policies and guidelines. In order to achieve that objective, the governing bodies of the Parent perform their functions with reference not only to their own corporate reality but also by assessing the operations of the Group as a whole. The policies set by the Supervisory Board are then translated into operational regulations by the Management Board.

#### 1 - Credit risk

#### Qualitative information

The strategies, policies and instruments for the assumption and management of credit risk are defined at the Parent by the Chief 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 Banca Group.

The Notes to the Consolidated Financial Statements in the 2013 Annual Report (cf. Part E Information on risks and on the relative hedging policies) may be consulted for a detailed description of organisational aspects and systems for credit risk management, measurement and control and techniques to mitigate it employed by the UBI Banca Group.

With regard to the Basel 2 project, in 2012 and 2013 the Bank of Italy authorised the Group to use the advanced internal rating based (AIRB) approach to calculate capital requirements to meet credit risk for the regulatory segments: "retail: exposures backed by residential properties", "retail: other exposures (SME-retail)" and "corporate". For these portfolios the authorisation involved the use of internal estimates of the probability of default (PD) and loss given default (LGD) parameters.

For all the other portfolios, the standardised approach is used, to be applied in accordance with the roll-out plan submitted to the Supervisory Authority, which involves specific deadlines for regulatory segments and risk parameters.

At the date of this report, the scope of application of the approaches authorised in terms of companies is as follows:

- AIRB: Banca Popolare di Bergamo, Banco di Brescia, Banca Popolare Commercio e Industria, Banca Popolare di Ancona, Banca Regionale Europea, Banca Carime, Banca di Valle Camonica (the "Network Banks"), UBI Banca Private Investment and UBI Banca<sup>1</sup>;
- the remaining legal entities in the Group are continuing to use the standardised approach.

The output of the models consists of nine that rating classes correspond to the relative PDs, updated as at December 2012. These PDs are mapped on the Master Scale to 14 classes (comparable with the ratings of the main external rating agencies) exclusively for reporting purposes.

With regard to LGD models, the UBI Banca Group has developed LGD models differentiated by regulatory class.

	PD THRE	SHOLDS	UBI INTERNAL RATING MODELS				EXTERNAL RATINGS		
Master Scale	Min PD	Max PD	Corporate and Large Corporate	Small Business	Retail Businesses	Private individuals	Moody's (1)		
			class	class	class	class	class	PD	
MS1	0.030%	0.049%	1		1	1	Aaa-Aa2	0.00%	
MS2	0.049%	0.084%		1		2	Aa3-A1-A3	0.050% - 0.082%	
MS3	0.084%	0.174%	2	2	2		Baa1-Baa2	0.142% - 0.173%	
MS4	0.174%	0.298%	3	3		3	Baa3	0.268%	
MS5	0.298%	0.469%			3		Baa3/Ba1	0.268% - 0.628%	
MS6	0.469%	0.732%	4	4			Ba1-Ba2	0.628% - 0.724%	
MS7	0.732%	1.102%	5		4	4	Ba2/Ba3	0.724% - 1.652%	
MS8	1.102%	1.867%		5		5	Ba3	1.652%	
MS9	1.867%	2.968%	6		5		B1	2.239%	
MS10	2.968%	5.370%	7	6	6	6	B2	3.468%	
MS11	5.370%	9.103%					B3 - Caa1	6.126% - 7.942%	
MS12	9.103%	13.536%	8	7	7	7	Caa1/Caa2	7.942% - 17.051%	
MS13	13.536%	19.142%		8			Caa2	17.051%	
MS14	19.142%	99.999%	9	9	8-9	8-9	Caa3 - C	26.038% - 37.974%	

(1) cf. "Moody's "Corporate Default and Recovery Rates, 1920-2012", Exhibit 29, Average One-Year Alphanumeric Rating Migration Rates, 1983-2012

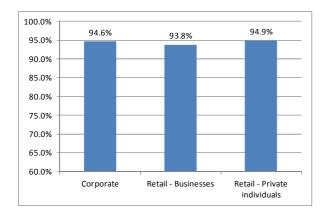
#### Quantitative information

### Classification of exposures on the basis of external and internal ratings

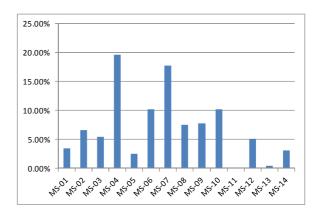
Details are given below of:

- a) the degree to which exposures to ordinary customers are covered<sup>2</sup> by the different internal rating models in use in the network banks, by market and commercial portfolio;
- b) the distribution by classes of the "Master Scale" of the commercial portfolio of the network banks.

Network banks: degree to which exposures are covered by internal rating with the UBI internal rating system by market/commercial portfolio



Network banks: distribution of lending on the Master Scale



<sup>&</sup>lt;sup>1</sup> The legal entity, UBI Banca, includes the exposures of the former B@nca 24-7 and the former Centrobanca to which the internal models validated apply for the calculation of capital requirements.

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<sup>2</sup> The cover relates to exposure to which PD and LGD parameters are applied in order to calculate collective impairment losses. However corporate exposures exist which use set coefficients for the calculation of impairment and these positions have been excluded from the calculation of the cover.

#### 2 - Market risk

### 1.2.1 Interest rate risk and price risk - Supervisory trading book

### Qualitative information

### General aspects

Information on organisational and methodological aspects, which are unchanged, is given in Part E, section 1, sub-section 2 – the Banking Group – Market risk of the Notes to the Consolidated Financial Statements in the 2013 Annual Report, which may be consulted.

The *Document setting operational limits* sets the operational limits for UBI Banca Group trading book in 2014, both at a general level and by counterparty and single portfolio.

The main operational limits for 2014 (including reallocations and any new limits set during the year) are as follows:

Maximum acceptable loss for the UBI Group trading book€141.7 millionEarly warning threshold on maximum acceptable loss (MAL)70% MALOne day VaR limit for the UBI Group trading book€28.3 millionEarly warning threshold on VaR80% VaR

### Quantitative information

## Supervisory trading book: internal models and other methods of sensitivity analysis

The graph below shows the changes in daily VaR that occurred in the first half of 2014, for the trading portfolios.



Change in market risk: Daily market VaR for the Group trading portfolios in the first half of 2014

VaR by risk factor calculated on the entire trading book of the UBI Group as at 30<sup>th</sup> June 2014 is given below.

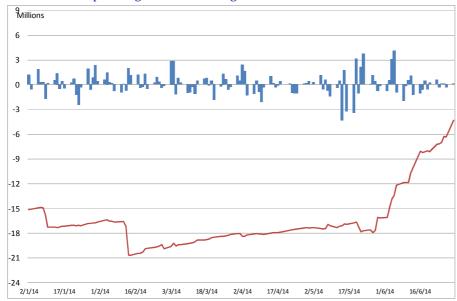
					1	
Trading book of the UBI Banca Group	30.6.2014	Average	Minimum	Maximum	31.12.2013	30.6.2013
Currency risk	6,851	841,512	2,179	1,239,529	1,096,417	201,105
Interest rate risk	901,399	1,501,007	901,399	1,945,182	1,790,539	889,164
Equity ris k	311,201	192,614	147,313	379,128	161,084	295,232
Credit risk	4,069,720	15,022,573	4,069,720	18,901,460	14,012,264	15,732,011
Volatility risk	44,459	208,532	42,059	320,266	309,114	246,508
Diversification effect (1)	(992,238)	•	•		(2,023,928)	(1,155,155)
Total (2)	4,341,392	16,520,089	4,341,392	20,628,449	15,345,490	16,208,865

<sup>(1)</sup> The diversification effect is due to the imperfect correlation between the different risk factors present in the Group's portfolio.

<sup>(2)</sup> The maximum VaR was recorded on 13th February 2014, the minimum VaR on 30th June 2014.

## **Backtesting analyses**

UBI Banca Group trading book: backtesting for the first half of 2014



Actual backtesting analysis of the supervisory portfolios of the Group identified days when the profit and loss was worse than the VaR calculated by the risk management system.

### Theoretical stress tests

Data as at 30th June 2014	UBI BANCA GROUP Supervisory Trading Book 30th June 2014		UBI BANCA G Banking Bo 30th June 2	ook	TOTAL UBI BANCA GROUP 30th June 2014	
	Change in l	NAV	Change in 1	NAV	Change in NAV	
Risk Factors IR						
Shock Shock +1bp	-143,847	-0.01%	-4,105,141	-0.02%	-4,248,988	-0.02%
Risk Factors IR						
Shock Shock -1bp	144,626	0.01%	4,105,958	0.02%	4,250,584	0.02%
Risk Factors IR						
Shock Shock +100bp	-12,989,569	-1.14%	-406,531,934	-2.32%	-419,521,502	-2.25%
Risk Factors IR						
Shock Shock -100bp	19,030,170	1.67%	194,580,075	1.11%	213,610,244	1.15%
Risk Factors IR						
Shock Bear Steepening	-466,708	-0.04%	499,250	0.00%	32,542	0.00%
Risk Factors IR						
Shock Bull steepening	2,414,390	0.21%	58,547,644	0.33%	60,962,034	0.33%
Risk Factors IR						
Shock Bear Flattening	-1,902,872	-0.17%	-58,136,866	-0.33%	-60,039,737	-0.32%
Risk Factors IR						
Shock Bull Flattening	3,441,282	0.30%	-2,582,847	-0.01%	858,435	0.00%
Risk Factors Equity						
Shock +10%	471,988	0.04%	2,158,749	0.01%	2,630,737	0.01%
Risk Factors Equity						
Shock -10%	-471,988	-0.04%	-2,158,749	-0.01%	-2,630,737	-0.01%
Risk Factors Volatility						
Shock +20%	78,300	0.01%	1,785,101	0.01%	1,863,401	0.01%
Risk Factors Volatility						
Shock -20%	-57,215	-0.01%	-1,864,025	-0.01%	-1,921,240	-0.01%
Risk Factors Forex						
Shock +15%	-72,037	-0.01%	-749,938	0.00%	-821,975	0.00%
Risk Factors Forex						
Shock -15%	72,037	0.01%	749,938	0.00%	821,975	0.00%
Risk Factors Credit Spread						
Shock	-14,262,617	-1.25%	-778,504,963	-4.45%	-792,767,580	-4.26%
Flight to quality scenario	-14,649,904	-1.29%	-778,941,999	-4.45%	-793,591,902	-4.26%

The analysis shows a heightened sensitivity of the portfolios to credit shocks spread (consistent with the presence of Italian government securities corporate and securities, which are present in the availablefor-sale portfolios) and to interest rate shocks (consistent with the presence of bonds and interest rate derivatives in Group portfolios).

## 1.2.2 Interest rate risk and price risk - Banking book

#### Qualitative information

Information on organisational and methodological aspects, which are unchanged, is given in Part E, section 1, sub-section 2 – the Banking Group – Market risk of the Notes to the Consolidated Financial Statements in the 2013 Annual Report, which may be consulted.

## Quantitative information

Group exposure to interest rate risk in terms of core sensitivity measured in a scenario of a change in interest rates of -100 bp amounted to - $\xi$ 33.75 million as at 30<sup>th</sup> June, accounting for approximately 0.31% of total consolidated own funds, compared with an early warning threshold of - $\xi$ 450 million.

In compliance with the Financial Risks Policy, the total level of exposure includes an estimate of the impact of early repayments and modelling of on-demand items on the basis of the internal model.

The sensitivity originated by the network banks amounted to -€103.84 million.

The sensitivity generated by the product companies amounted to +€79.36 million, while the Parent contributed a total of -€9.27 million.

The sensitivity for an increase in interest rates (+100 bp) was +€228.02 million.

The table reports the exposure, measured in terms of economic value sensitivity in a scenario of an increase in reference interest rates of +200 bp, recorded in the second quarter of 2014, given as a percentage of the tier one capital and total own funds.

Risk indicators - annual average	June 2014 / June 2013	March 2014 / March 2013	FY 2013
parallel shift of +200 bp			
sensitivity/tier one capital	2.12%	2.75%	3.14%
sensitivity/total own funds*	1.50%	1.90%	2.20%
Risk indicators - end of period values	30.6.2014	31.3.2014	31.12.2013
parallel shift of +200 bp			
parallel shift of +200 bp sensitivity/tier one capital	2.57%	0.05%	0.21%

Sensitivity analysis of net interest income focuses on

changes in profits resulting from a parallel shock on the yield curve measured over a time horizon of twelve months. The effect resulting from the behaviour profile of on-demand items (the replicating portfolio) contributes to the overall determination of exposure. The Group exposure to interest rate risk, estimated in terms of an impact on net interest income of an increase in reference interest rates of 100 bp was +€84.59 million for the period ended 30<sup>th</sup> June 2014. This measurement was estimated in a scenario of an instant change in market interest rates over a time horizon for the analysis of twelve months, assuming constant volumes over time. It cannot therefore be considered a forecasting indicator for future levels of net interest income.

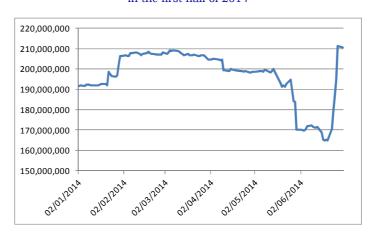
The limits set for the trading book are also used for the portfolios in the banking book, which contain assets classified for IFRS purposes as available-for-sale (the UBI available-for-sale portfolio, the Centrobanca corporate portfolio and the IW Bank available-for-sale portfolio) and under the fair value option (UBI hedge funds portfolio). The main operational limits for the UBI Group banking book set for 2014 are given below:

maximum loss for UBI Banking Book portfolios one day VaR limit for UBI banking book portfolios

€2,046 million €262.1 million

<sup>\*</sup>The 2013 figures were calculated on the basis of the regulatory capital (Basel 2 AIRB)

The graph below shows the changes in VaR that occurred in the first half of 2014 for the banking book portfolios of the Group.



Change in market risk: daily market VaR for the portfolios in the Group banking book in the first half of 2014

VaR by risk factor calculated on the banking book of the Group as at 30<sup>th</sup> June 2014 is given below.

Banking book of the UBI Banca Group	30.6.2014	Average	Minimum	Maximum	31.12.2013	30.6.2013
Currencyrisk	52,683	55,652	45,461	62,115	58,633	90,371
Interest rate risk	9,925,094	20,312,290	8,461,536	27,140,347	25,788,208	22,264,410
Equityrisk	464,455	3,890,034	463,382	7,640,752	7,517,896	3,565,158
Credit risk	208,920,034	193,434,859	166,116,593	209,224,196	185,236,883	249,339,589
Volatility risk	348,098	443,974	347,047	475,714	460,909	720,394
Diversification effect (1)	(9,043,104)				(28,009,406)	(25,023,363)
Total (2)	210,667,260	196,629,586	164,756,101	211,147,418	191,053,123	250,956,559

<sup>(1)</sup> The diversification effect is due to the imperfect correlation between the different risk factors present in the Group's portfolio.

#### 1.2.3 Currency risk

Further information on currency risk is given in Part E, section 1, sub-section 2 – Banking Group – Market risk of the Notes to the Consolidated Financial Statements in the 2013 Annual Report, which may be consulted.

## 3 Liquidity risk

#### Qualitative information

The section on the interbank market in this interim report may be consulted for information on net interbank debt and details of the Group's liquidity reserve.

Short term liquidity analysis is monitored using a net liquidity balance model of analysis at consolidated level over a time horizon of 30 days, supplemented with stress tests designed to assess the Group's ability to withstand crisis scenarios characterised by an increasing level of severity. The position at the end of the first half was one of ample funds.

The structural balance between assets and liabilities, measured on the basis of their degree of liquidity is also one of an ample positive balance.

Further information on liquidity risk is given in Part E, section 1, sub-section 3 – Banking Group – Liquidity risk – of the Notes to the Consolidated Financial Statements in the 2013 Annual Report, which may be consulted.

<sup>(2)</sup> The maximum VaR was recorded on 27th June 2014, the minimum VaR on 20th June 2014.

## 4 - Operational risks

Part E, Section 1, Sub Section 4 - Banking Group - Operational risks, of the Notes to the Consolidated Financial Statements in the 2013 Annual Report may be consulted for qualitative information (general aspects, management processes, measurement methods and the reporting system).

## Legal risk

The companies in the UBI Banca Group are party to a number of court proceedings originating from the ordinary performance of their business. In order to meet the claims received, the companies have made appropriate provisions on the basis of a reconstruction of the amounts potentially at risk, an assessment of the risk in terms of the degree of "probability" and/or "possibility", as defined in the accounting standard IAS 37, and established legal opinion. 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 Group.

Specific sections of this consolidated condensed interim financial report may be consulted for information on corporate litigation, including tax litigation, which may be consulted.

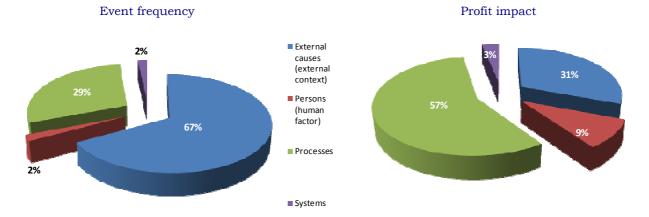
## Quantitative information

### **Descriptive data**

From 1st January 2009 until 30th June 2014, 25,395 events were detected for a cost of €281 million (of which €29 million recovered) concentrated in the risk drivers "processes" (29% of the number of events detected and 57% of the total losses, principally attributable to litigation for compounding of interest) and "external causes" (67% of the number of events detected and 31% of the total losses, primarily due to financial and payment card fraud).

#### Percentage of operational losses by risk driver

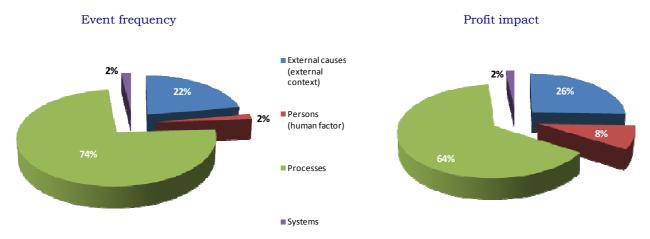
(detection 1st January 2009 – 30th June 2014)



In the first six months of 2014, 1,152 events were detected for a cost of €6 million, concentrated in the risk drivers "processes" (74% of the number of events detected and 64% of the total losses, again attributable mainly to litigation for compounding of interest) and "external causes" (22% of the number of events detected and 26% of the total losses, largely robberies and thefts).

## Percentage of operational losses by risk driver

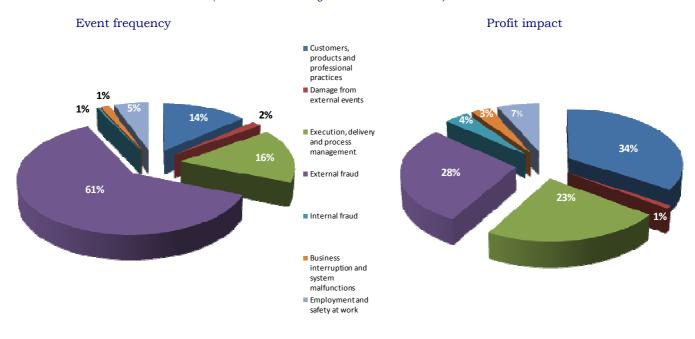
(detection 1st January 2014- - 30th June 2014)



The 25,395 events detected for a cost of €281 million (of which €29 million recovered) in the period from  $1^{\text{st}}$  April 2009 until  $30^{\text{th}}$  June 2014 were concentrated principally in the event types "customers, products and professional practices" (14% of the number of events detected and 34% of the total losses, due mostly to litigation for compounding of interest), "external fraud" (61% of the number and 28% of the total losses, attributable mainly to financial and payment card fraud and thefts and robberies) and "execution, delivery and process management" (16% of the number and 23% of the total losses, due predominantly to tax litigation and late processing of suspense items).

#### Percentage of operational losses by type of event

(detection 1st January 2009 – 30th June 2014)



#### Percentage of operational losses by type of event

(detection 1st January 2014- - 30th June 2014)

Event frequency

## Profit impact

## Capital requirements

No changes have occurred in the method and the perimeter of application employed for the different components of the model compared with the information reported in the Notes to the Consolidated Financial Statements in the 2013 Annual Report.

The capital requirement net of expected losses for which provisions for risks and charges had been made was €334 million (-7% compared with €359 million as at 31st December 2013). The reduction recorded compared with the previous first half was determined mainly by the following factors:

 a reduction of €51 million in the VaR estimated for the risk class "internal fraud" due to the exclusion from the dataset for the calculations of some events no longer significant with respect to the current



operating context and the existing system of internal

controls, having reached a historical depth of ten years on the validation perimeter (for events with a detection date prior to the reference period, according to the model, only that part of losses which continue to have an impact on the income statement of the company are included in the dataset for the calculations);

a reduction of €9 million in the VaR estimated for the risk class "external fraud" due to recoveries recorded in the period on two important events ("Madoff": €4 million realised on the Thema hedge fund; "strongroom robbery of the Modugno Security Institute (Bari)": €2.9 million of recoveries from the outsourcer).

These reductions were partly offset by an increase of €15 million for both the risk class "customers, products and professional practices" and for the risk class "execution, delivery and process management", due mainly to a change in the shape of the distribution's tail, which increased the weighting of extreme events in the calculation of the capital requirement.

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 as follows: 60% of the historical and future risk measured (50% from historical measurement of operational losses incurred over the last five years and 10% from potential risk perceived and estimated taken from the last available risk assessment carried out) and 40% on the basis of the capital requirement figures calculated using the standardised methodology, which is in turn affected by the gross income of each entity and it reflects the implicit dimension inherent in each area of activity in which it operates. Those banks which contribute most to the determination of the capital requirement are Banca Popolare di Bergamo (with an estimated value of €48.2 million, accounting for 17% of the AMA advanced component), UBI Banca (estimated at €41.6 million, accounting for 15%), Banco di Brescia (estimated at £38.7 million, accounting for 14%).

The figures for the risk capital allocated to Banca Popolare di Bergamo and Banco di Brescia are affected by the higher levels of gross income that they generate compared with the other network banks. The figures for UBI Banca on the other hand are affected by events acquired from the former B@nca 24-7, the former Centrobanca and the former Silf following the relative mergers.

# The principal risks and uncertainties for the second half of the year

#### **Risks**

The UBI Banca Group attributes primary importance to the measurement, management and monitoring of risk, as activities necessary to the sustainable creation of value over time and to the consolidation of its reputation on its markets.

In compliance with the regulations in force for the supervision of banks (Bank of Italy Circular No. 285/2013), the Group has put a process in place to calculate its capital adequacy requirement – for the present and the future – to meet all significant risks to which the Group is or might be exposed (ICAAP - Internal Capital Adequacy Assessment Process).

Details are given below of risks which have significant impacts for the UBI Group and the action taken to mitigate them. Risks other than those just reported, which are of marginal importance within the UBI Banca Group, are not expected to change during the course of the next six months.

#### Credit risk

Credit risk constitutes the most important characteristic risk of the Group: historically this risk accounts for approximately 90% of the regulatory risk capital. Credit risk manifests as the risk of incurring substantial losses resulting from the default of counterparties with whom a position of credit exposure exists. The performance of the economy and the continuing economic crisis have an impact on this risk. In this respect we report that the performance of GDP in the first quarter of 2014 (down by 0.1% quarter-on-quarter and up 0.5% year-on-year) is confirmation that a stable and long-lasting recovery has not yet commenced. In fact the period of stagnation continued for the third consecutive quarter after eight quarters of recession, which began in the middle of 2011.

Nevertheless in this context the Group recorded a slowdown in new defaults in the first six months of the year and basic stability for total outstanding deteriorated loans, partly due to action taken to optimise processes and tools to support credit monitoring and recovery activity, which was completely overhauled in 2012 and 2013.

Levels of risk are expected to remain relatively stable in the next six months of the year.

Also, with regard to the risk of incurring losses resulting from the depreciation of the value of assets lodged as collateral to guarantee loans which, in the current economic context, could reduce in value thereby diminishing the intrinsic level of protection, as a consequence of its lending policies the UBI Banca Group has lower loan to value ratios than the average for the sector nationally.

#### Business risk

The current scenario of stagnation, internal competition on the banking market, regulatory developments and changes in customer behaviour mean that the Group must constantly adapt its strategies in order to best face the challenges presented by the competition. A particular focus is placed on a series of actions designed to mitigate that risk. They regard the following areas:

- support to increase customer retention and fidelity;
- support for customer acquisition;
- development of the service and distribution model, also with a view to cost efficiencies;
- integrated multi-channel banking.

#### Uncertainties

An uncertainty is defined as a possible event for which the potential impact, attributable to one of the risk categories just mentioned, cannot be determined and therefore quantified at present. The Group is currently operating in a scenario that is still uncertain and fragile with regard to the prospects of an economic recovery. These prospects could have impacts on the ability of customers to meet their obligations. The outlook for the future still contains many uncertainties which could manifest with impacts basically attributable to credit, interest rate

and compliance risk, without, however, compromising the capital strength of the UBI Banca Group.

The main uncertainties identified for the second half of 2014, with regard to the market scenario and the regulatory context, regard the following:

- developments in the macroeconomic situation. The consolidation of the world economic recovery is continuing, with advanced economies progressing and emerging economies moderating partially after excellent performances in recent years.
  - The recovery remains fragile and uneven, proceeding at moderate paces in the eurozone. In this context, Italy returned to growth in the second half of 2014, but the rate of expansion is expected to remain low for the whole of the forecast period.
  - Indicators published in recent months confirm the following: the start of a recovery in economic activity at a moderate pace in the wake of the consolidation of foreign demand; the effectiveness of the positive impacts of a particularly accommodatory monetary policy; and the normalisation of financial markets, with particular reference to sovereign debt. The restriction on conditions for access to credit by companies are relaxing slightly, but without reversing the trend for lending to businesses. Progress on financial markets has led to an improvement, still in the process of consolidation, in conditions for bank funding on wholesale markets.

Default rates are also expected to stabilise at the high levels reached during the crisis, although the large number of outstanding non-performing positions which arose in prior years will continue to have impacts in terms of provisioning also in the near future. Finally, measures adopted by the ECB and possible additional extraordinary measures could lead to a compression of rates for interest receivable, causing a contraction in net interest income;

- developments in the regulatory context. The regulatory context is subject to various processes of change following both the issue of a number of regulatory provisions at European and national level, with the introduction of the relative regulations to implement them, relating to the provision of banking services and also the related legal recommendations. This scenario requires particular effort both in terms of interpretation and implementation and has at times directly affected the profits of banks, and/or costs for customers. More specifically, aspects of immediate and future importance include the *Legge di stabilità* (stability law) and new regulations on compounding interest, the risk of usury arising on loans following rulings by the Financial Banking Arbitrator and the new "banking transparency" regulations.
  - The Group continuously studies action to soften the impacts of measures, which includes constant and attentive monitoring of operating costs and a constant search for greater efficiency in internal processes;
- comprehensive assessment in view of the entry into force of the "single supervisory mechanism". The comprehensive assessment mechanism exercise (divided into risk analysis, asset quality review and stress testing stages) of major banks in the eurozone is now in progress by the European Central Bank, in view of the entry into force of the single supervisory mechanism. The process to create that mechanism, conducted at European and individual nation level, could make adjustments necessary requiring banks to implement specific and onerous organisational changes.

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The risks and uncertainties described above were subject to a process of assessment designed, amongst other things, to examine the impacts of changes in market parameters and conditions on corporate performance. The Group does in fact possess instruments to measure the possible impacts of risks and uncertainties on its operations (sensitivity analysis and stress tests in particular), which allow it to rapidly and continuously adapt its strategies – in terms of its distribution, organisation and cost management systems – to changes in the operating context. Risks and uncertainties are also under constant observation through the implementation of the policies and regulations to manage risk adopted by the Group: policies are updated in relation to changes in strategy, context and market expectations. Periodic monitoring of policies is designed to verify their state of implementation and their adequacy. The findings of the analyses performed show that the Group is able to meet the risks and uncertainties to which it is exposed, which therefore confirms the assumption that it is a going concern.

# Consolidated companies: the principal figures

## **Profit**

Figures in thousands of euro	First half 2014 A	First half 2013 B	Change A-B	% change A/B	FY 2013 C
Unione di Banche Italiane Scpa	244,650	144,020	100,630	69.9%	71,340
Banca Popolare di Bergamo Spa	91,045	86,036	5,009	5.8%	138,720
Banco di Brescia Spa	30,830	19,944	10,886	54.6%	3,386
Banca Popolare Commercio e Industria Spa	30,289	24,655	5,634	22.9%	36,539
Banca Regionale Europea Spa	11,633	8,863	2,770	31.3%	26,530
Banca Popolare di Ancona Spa	615	507	108	21.3%	4,645
Banca Carime Spa	(1,432)	10,901	(12,333)	n.s.	24,010
Banca di Valle Camonica Spa	2,889	1,193	1,696	142.2%	1,860
UBI Banca Private Investment Spa	2,605	3,415	(810)	(23.7%)	4,039
Centrobanca Sviluppo Impresa SGR Spa	(121)	(233)	(112)	(48.1%)	(407)
Banque de Dépôts et de Gestion Sa (*) (1)	-	(5,034)	(5,034)	(100.0%)	(8,532)
IW Bank Spa	5,037	2,321	2,716	117.0%	2,295
UBI Banca International Sa (*)	(12,413)	(1,430)	10,983	768.0%	(10,328)
UBI Pramerica SGR Spa	16,312	13,890	2,422	17.4%	30,866
UBI Leasing Spa	(20,220)	(31,822)	(11,602)	(36.5%)	(67,001)
UBI Factor Spa	5,316	6,441	(1,125)	(17.5%)	7,342
Prestitalia Spa (*)	(5,009)	(9,626)	(4,617)	(48.0%)	(20,243)
BPB Immobiliare Srl	387	582	(195)	(33.5%)	1,036
Società Bresciana Immobiliare Mobiliare - S.B.I.M. Spa	1,048	1,092	(44)	(4.0%)	1,527
UBI Sistemi e Servizi SCpA(2)	3,316	-	3,316	n.s.	-
UBI Fiduciaria Spa	(296)	(125)	171	136.8%	(307)
UBI Assicurazioni Spa (49,99%)	5,448	3,810	1,638	43.0%	7,513
Aviva Assicurazioni Vita Spa (49,99%)	2,150	5,450	(3,300)	(60.6%)	9,100
Aviva Vita Spa (50%)	8,000	12,200	(4,200)	(34.4%)	16,150
Lombarda Vita Spa (40%)	4,232	8,830	(4,598)	(52.1%)	13,346
UBI Management Co. Sa	278	1	277	n.s.	420
UBI Trustee Sa	132	(118)	250	n.s.	18
CONSOLIDATED	106,192	52,933	53,259	100.6%	250,830

<sup>(\*)</sup> The result shown is from the financial statements prepared for the consolidation according to the accounting policies followed by

<sup>(1)</sup> On 29th November 2013 this bank was sold to Banque Cramer & Cie Sa (Norinvest Group). The 2013 result reported relates to the first ten months of the year.

<sup>(2)</sup> Since this is a consortium company with mutual, not-for-profit objects, UBI Sistemi e Servizi ends the year with a break-even result.

## Net loans and advances to customers

Figures in thousands of euro	30.6.2014 A	31.12.2013 B	30.6.2013 C	Change A-C	%change A/C
Unione di Banche Italiane Scpa	23,352,148	25,168,913	26,527,303	-3,175,155	-12.0%
Banca Popolare di Bergamo Spa	18,828,908	18,841,272	19,097,187	-268,279	-1.4%
Banco di Brescia Spa	12,920,570	12,644,164	13,322,557	-401,987	-3.0%
Banca Popolare Commercio e Industria Spa	8,487,611	8,378,292	8,409,795	77,816	0.9%
Banca Regionale Europea Spa	8,854,311	8,811,291	9,274,199	-419,888	-4.5%
Banca Popolare di Ancona Spa	7,752,058	7,622,923	7,702,390	49,668	0.6%
Banca Carime Spa	4,458,008	4,719,756	4,565,561	-107,553	-2.4%
Banca di Valle Camonica Spa	1,838,927	1,836,012	1,827,571	11,356	0.6%
UBI Banca Private Investment Spa	486,302	475,611	475,272	11,030	2.3%
Prestitalia Spa	2,188,238	2,439,690	2,661,725	-473,487	-17.8%
Banque de Dépôts et de Gestion Sa (1)	-	-	172,495	-172,495	-100.0%
UBI Banca International Sa	592,398	774,489	854,507	-262,109	-30.7%
IW Bank Spa	363,189	314,484	300,578	62,611	20.8%
UBI Factor Spa	2,044,599	2,286,120	2,250,376	-205,777	-9.1%
UBI Leasing Spa	7,215,565	7,440,930	7,763,007	-547,442	-7.1%
CONSOLIDATED	87,119,396	88,421,467	91,268,495	-4,149,099	-4.5%

Risk indicators	Net non-	performing 1 loans	oans/ Net	Net imp	aired loans/	Net loans		erforming lo	
Percentages	30.6.2014	31.12.2013	30.6.2013	30.6.2014	31.12.2013	30.6.2013	30.6.2014	31.12.2013	30.6.2013
Unione di Banche Italiane Scpa	1.24%	1.18%	1.35%	3.33%	3.39%	2.41%	4.57%	4.57%	3.76%
Banca Popolare di Bergamo Spa	3.97%	3.37%	3.00%	2.66%	3.11%	3.74%	6.63%	6.48%	6.74%
Banco di Brescia Spa	2.79%	2.34%	2.15%	6.04%	5.58%	4.17%	8.83%	7.92%	6.32%
Banca Popolare Commercio e Industria Spa	4.12%	4.03%	3.83%	2.43%	2.45%	1.81%	6.55%	6.48%	5.64%
Banca Regionale Europea Spa	4.46%	4.17%	3.31%	3.71%	4.00%	3.75%	8.17%	8.17%	7.06%
Banca Popolare di Ancona Spa	5.91%	5.77%	5.15%	5.10%	5.52%	5.85%	11.01%	11.29%	11.00%
Banca Carime Spa	4.19%	3.39%	3.18%	5.91%	5.42%	4.75%	10.10%	8.81%	7.93%
Banca di Valle Camonica Spa	4.76%	4.63%	4.20%	3.60%	3.86%	3.31%	8.36%	8.49%	7.51%
UBI Banca Private Investment Spa	2.88%	2.91%	2.59%	1.94%	1.79%	1.58%	4.82%	4.70%	4.17%
Prestitalia Spa	0.78%	0.45%	0.22%	11.28%	14.18%	11.66%	12.06%	14.63%	11.88%
Banque de Dépôts et de Gestion Sa (1)		-	0.11%		-	1.47%	-	-	1.58%
UBI Banca International Sa	2.41%	2.28%	1.37%	9.33%	7.79%	8.77%	11.74%	10.07%	10.14%
IW Bank Spa	-	-	-	0.15%	0.17%	0.94%	0.15%	0.17%	0.94%
UBI Factor Spa	11.23%	9.90%	10.13%	0.09%	0.16%	0.55%	11.32%	10.06%	10.68%
UBI Leasing Spa	8.64%	7.41%	6.75%	6.70%	5.98%	5.78%	15.34%	13.39%	12.53%
CONSOLIDATED	4.33%	3.89%	3.56%	4.73%	4.88%	4.38%	9.06%	8.77%	7.94%

<sup>(1)</sup> This bank was sold on 29th November 2013.

## Direct funding from customers

Figures in thousands of euro	30.6.2014 A	31.12.2013 B	30.6.2013 C	Change A-C	% change A/C
Unione di Banche Italiane Scpa	36,306,783	35,559,531	33,493,754	2,813,029	8.4%
Banca Popolare di Bergamo Spa	16,146,081	16,771,292	17,809,075	-1,662,994	-9.3%
Banco di Brescia Spa	9,009,813	10,214,529	11,012,800	-2,002,987	-18.2%
Banca Popolare Commercio e Industria Spa	6,214,438	6,454,020	6,784,001	-569,563	-8.4%
Banca Regionale Europea Spa	5,461,333	5,989,089	6,797,695	-1,336,362	-19.7%
Banca Popolare di Ancona Spa	5,475,305	5,909,274	6,523,481	-1,048,176	-16.1%
Banca Carime Spa	5,908,833	6,383,495	6,718,236	-809,403	-12.0%
Banca di Valle Camonica Spa	1,242,468	1,289,306	1,392,128	-149,660	-10.8%
UBI Banca Private Investment Spa	603,317	544,281	579,681	23,636	4.1%
Banque de Dépôts et de Gestion Sa (1)	-	-	300,702	-300,702	-100.0%
UBI Banca International Sa (2)	987,069	1,292,882	2,039,854	-1,052,785	-51.6%
IW Bank Spa	2,466,343	2,757,511	3,141,640	-675,297	-21.5%
CONSOLIDATED	90,175,601	92,603,936	96,343,798	-6,168,197	-6.4%

Direct funding from customers includes amounts due to customers and debt securities issued, with the exclusion of bonds subscribed directly by companies in the Group.

Direct funding for the following banks was therefore adjusted as follows:

Figures in millions of euro	30.6.2014	31.12.2013	30.6.2013
Unione di Banche Italiane Scpa	1,778.8	1,875.5	665.1
Banca Popolare di Bergamo Spa	847.8	386.1	-
Banco di Brescia Spa	1,369.9	1,154.8	650.5
Banca Regionale Europea Spa	1,241.3	690.5	610.4
Banca Popolare di Ancona Spa	699.0	612.5	135.2
Banca di Valle Camonica Spa	394.2	253.1	253.1
IW Bank Spa	10.0	-	-

<sup>(1)</sup> This bank was sold on 29th November 2013.

<sup>(2)</sup> The figure as at 30<sup>th</sup> June 2014 is net of issues of French certificates of deposit and euro commercial paper for a total of €3,426.5 million (€3,075 million as at 31<sup>st</sup> December 2013; €2,792.2 million as at 30<sup>th</sup> June 2013).

## Indirect funding from customers (at market prices)

Figures in thousands of euro	30.6.2014 A	31.12.2013 B	30.6.2013 C	Change A-C	% change A/C
Unione di Banche Italiane Scpa	5	5	5	-	0.0%
Banca Popolare di Bergamo Spa	29,075,932	27,641,234	25,342,687	3,733,245	14.7%
Banco di Brescia Spa	14,830,203	13,612,421	12,424,064	2,406,139	19.4%
Banca Popolare Commercio e Industria Spa	10,630,867	10,252,248	9,899,227	731,640	7.4%
Banca Regionale Europea Spa	9,878,666	9,018,269	8,352,939	1,525,727	18.3%
Banca Popolare di Ancona Spa	4,585,925	4,033,300	3,429,362	1,156,563	33.7%
Banca Carime Spa	6,702,081	6,259,293	5,805,620	896,461	15.4%
Banca di Valle Camonica Spa	1,311,821	1,205,143	1,100,318	211,503	19.2%
UBI Banca Private Investment Spa	5,962,761	5,465,073	5,297,189	665,572	12.6%
Banque de Dépôts et de Gestion Sa (1)	-	-	618,529	-618,529	-100.0%
Lombarda Vita Spa	5,057,107	4,853,289	4,672,243	384,864	8.2%
UBI Pramerica SGR Spa	23,051,562	22,718,642	21,950,948	1,100,614	5.0%
UBI Banca International Sa	2,985,284	2,781,767	2,400,506	584,778	24.4%
IW Bank Spa	3,188,944	3,131,886	2,939,781	249,163	8.5%
Aviva Assicurazioni Vita Spa	2,171,395	2,188,441	2,113,728	57,667	2.7%
Aviva Vita Spa	4,756,627	4,512,424	4,446,297	310,330	7.0%
CONSOLIDATED	73,666,835	71,651,786	68,944,184	4,722,651	6.8%

The totals for the network banks also include indirect funding consisting of bonds issued by UBI Banca.

## Assets under management (at market prices)

Figures in thousands of euro	30.6.2014 A	31.12.2013 B	30.6.2013 C	Change A-C	%change A/C
Unione di Banche Italiane Scpa	-	-	-	-	-
Banca Popolare di Bergamo Spa	13,381,683	12,922,812	12,483,607	898,076	7.2%
Banco di Brescia Spa	6,830,596	6,740,007	6,491,124	339,472	5.2%
Banca Popolare Commercio e Industria Spa	4,724,528	4,597,080	4,494,019	230,509	5.1%
Banca Regionale Europea Spa	4,417,543	4,296,394	4,192,432	225,111	5.4%
Banca Popolare di Ancona Spa	1,832,658	1,730,853	1,615,799	216,859	13.4%
Banca Carime Spa	3,098,395	3,060,765	2,962,532	135,863	4.6%
Banca di Valle Camonica Spa	508,392	464,283	451,199	57,193	12.7%
UBI Banca Private Investment Spa	4,668,084	4,379,076	4,209,490	458,594	10.9%
Banque de Dépôts et de Gestion Sa (1)	-	-	618,529	-618,529	-100.0%
Lombarda Vita Spa	5,057,107	4,853,289	4,672,243	384,864	8.2%
UBI Pramerica SGR Spa	23,051,562	22,718,642	21,950,948	1,100,614	5.0%
UBI Banca International Sa	129,237	150,592	133,751	-4,514	-3.4%
IW Bank Spa	588,033	588,409	567,472	20,561	3.6%
Aviva Assicurazioni Vita Spa	2,171,395	2,188,441	2,113,728	57,667	2.7%
Aviva Vita Spa	4,756,627	4,512,424	4,446,297	310,330	7.0%
CONSOLIDATED	40,762,807	39,553,848	38,696,590	2,066,217	5.3%

(1) This bank was sold on 29th November 2013.

# Transactions with related and with connected parties

## Related parties

With Resolution No. 17221 of 12<sup>th</sup> March 2010 – amended by the subsequent Resolution No. 17389 of 23<sup>rd</sup> 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 and the issuers of shares with a broad shareholder base 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 regulations currently apply within the UBI Banca Group to the Parent UBI Banca Scpa only, as a listed company. In November 2010 the Supervisory Board appointed a Related Parties Committee from among its members to which transactions falling within the scope of the regulations must be submitted in advance.

In this respect the UBI Banca regulations have excluded the following transactions from their scope of application and these are consequently not subject to the disclosure obligations required under the Consob regulation, but without prejudice to the provisions of Art. 5, paragraph 8, where applicable, of the said Consob Regulation:

- (a) shareholders' resolutions concerning the remuneration of the Members of the Supervisory Board passed in accordance with Art. 2364-bis of the Italian Civil Code, including those concerning the determination of a total sum for the remuneration of the Members of the Supervisory Board assigned particular offices, powers and functions:
- (b) remuneration schemes based on financial instruments approved by shareholders in accordance with Art. 22, letter b) of the Articles of Association and in compliance with Art. 114-bis of the Consolidated Finance Act and the relative operations to implement them;
- (c) resolutions, other than those referred to under the preceding letter a) of this article, concerning the fees of Members of the Management Board appointed to special positions and other key management personnel and also the resolutions with which the Supervisory Board determines the fees of the Members of the Management Board on condition that:
  - (i) UBI Banca has adopted a remuneration policy;
  - (ii) the Remuneration Committee formed by the Supervisory Board in accordance with Art. 49 of the Articles of Association has been involved in the definition of that remuneration policy;
  - (iii) a report setting out the remuneration policy has been submitted for approval or a consultative vote to a Shareholders' Meeting;
  - (iv) the remuneration awarded is consistent with that policy;
- (d) "transactions of negligible amount" are those related-party transactions for which the amount is less than €250 thousand. If a related-party transaction is concluded with a member of the key management personnel, a close family member of that person or with companies controlled by or subject to significant influence of those persons, it will be considered a transaction of negligible amount if the amount of the transaction is not greater than €100 thousand:
- (e) transactions which fall within the ordinary performance of operating activities and the related financial activities concluded under equivalent market or standard conditions;
- (f) transactions to be performed on the basis of instructions for the purposes of stability issued by the supervisory authority, or on the basis of instructions issued by the Parent of the Group to carry out instructions issued by the supervisory authority in the interests of the stability of the Group;
- (g) transactions with or between subsidiaries and also venturers in joint ventures, as well as transactions with associates, if no significant interests of other related parties exist in the subsidiaries or associates that are counterparties to the transaction.

Also, in compliance with Consob recommendations, transactions with related-parties of UBI Banca performed by subsidiaries are subject to the regulations in question if, under the provisions of the Articles of Association or internal regulations adopted by the Bank, the Supervisory Board, in response to a proposal of the Management Board, or even an officer of the Bank on the basis of powers conferred on that officer, must preliminarily examine or approve a transaction to be performed by subsidiaries.

## Transactions of greater importance

In accordance with Art. 5, paragraph 8 of Consob Resolution No. 17221/12 March 2010, "Public disclosures on related-party transactions", the following related-party transactions concluded in the first half of 2014 were excluded from the scope of application of the regulations for related-party transactions with UBI Banca, because they were concluded with subsidiaries:

- one "repurchase agreement" transaction by UBI Banca, with Banca Popolare di Bergamo as the counterparty for €700,789,472 on 23<sup>rd</sup> January 2014;
- six "repurchase agreement" transactions by UBI Banca, with UBI Leasing Spa as the counterparty for: €1,044,043,141 on 29<sup>th</sup> January 2014; €961,881,142 on 26<sup>th</sup> February 2014; €965,893,965 on 27<sup>th</sup> March 2014; €968,154,996 on 28<sup>th</sup> April 2014; €875,611,288 on 27<sup>th</sup> May 2014; €879,852,948 on 26<sup>th</sup> June 2014.
- on 20<sup>th</sup> May 2014 UBI Banca granted UBI Banca International a guarantee for a total of €2.8 billion as part of the programme to issue covered bonds backed by commercial mortgages. The guarantee was designed to make UBI Banca International eligible to manage the cash flows connected with covered bond operation.

## Finally, we also report that:

- no transactions were performed in the reporting period with other related parties which influenced the capital position or the results of the Parent, UBI Banca, to a significant extent:
- there have been no modifications and/or developments of transactions with related parties, which may have been reported in previous financial reports, that could have a significant effect on the capital position or the results of the Parent, UBI Banca.

Information is reported in the notes to the condensed consolidated interim financial statements in compliance with IAS 24 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 each item in the condensed consolidated interim 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 29<sup>th</sup> July 2008, on 12<sup>th</sup> December 2011 the Bank of Italy issued the ninth update of the "New prudential supervisory provisions for banks" (published in the Official Journal of 16<sup>th</sup> 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-weighted assets and conflicts of interest with regard to connected parties", which governs procedures designed to preserve the integrity of decision-making processes concerning transactions with connected parties carried out by UBI Banca and by the banking and non-banking members of the Group that it controls

including foreign subsidiaries, compatibly with the regulations of the country in which these are registered.

Each company in the Group has formed a committee composed of independent board members internal to the body responsible for strategic supervision which is involved in the pre-decision making phase for transactions with connected parties subject to the provisions of the aforementioned regulations. It is called upon to give a reasoned opinion to support the competent body in approving transactions.

At UBI Banca, on 15<sup>th</sup> May 2012 the Supervisory Board resolved that that committee should be the already existing "Related Parties Committee" (created in accordance with Consob recommendations and with the regulations governing related party transactions by a resolution of that same Supervisory Board on 24<sup>th</sup> of November 2010), which therefore changed its name to "Related and Connected Parties Committee".

In those Group member companies in which an insufficient number of independent directors exist, the functions of the committee are carried out singly by the sole independent director or jointly in cases where there are two. In any event, banking and non-banking members of the Group not required in accordance provisions on governance issued by the Bank of Italy to create internal committees of the body with strategic supervision may assign the functions attributed to the committee to one or more independent directors. As concerns non-banking members of the UBI Banca Group, in the absence of independent directors, the functions of the committee may be carried out by the Board of Statutory Auditors.

The regulations also require the bodies of Group companies with strategic supervisory responsibility to oversee, with support from the competent functions, the proper application of the provisions of the regulations governing transactions carried out by the respective companies

In order to achieve this, each of those bodies shall update, on at least a quarterly basis, a list of all the transactions concluded in the previous quarter, inclusive of those not subject to a prior opinion from the committee in accordance with the regulations. It shall specify the connected party, the type of transaction and its value and, if the transaction has not been subjected to prior examination by the committee, the reasons given for the exemption, the maximum limit set for the "General Approvals" and a detailed report on its periodic use.

In order to provide evidence and records of the business in question, the Group has adopted organisational and IT systems, throughout all parts of the Group and areas of its activity, which provide for the following:

- registration of connected parties in a directory as soon as they are classified as such;
- furnishing each company with a complete update relating to Group connected parties;
- recording of movements relating to connected parties;
- *ex ante* and *ex post* monitoring of transactions and the total amount of the connected risk assets.

Also in order to allow the Parent to constantly comply with the consolidated limit on risk assets, the Supervisory Board oversees compliance of the Regulations with the principles recommended in the Supervisory Provisions and also observance, at consolidated level, of the procedural and substantive rules contained in them and it reports to shareholders in accordance with Art. 153 of the Consolidated Finance Act. To achieve this bodies of other Group companies with responsibility for strategic supervision submit lists quarterly to the Supervisory Board, through the Management Board, of all transactions with connected parties concluded in the previous quarter.

We report that in the first half the UBI Banca Group remained within the limits set by the supervisory regulations in question, with a quarterly report submitted to the supervisory authority as required under reporting obligations.

## Other information

## **Inspections**

As already reported in the 2013 Annual Report, in relation to the inspections conducted in the period between 29th July and 22nd November 2013 to assess the Group's policies and its governance and control systems, on 13th February 2014 the **Bank of Italy** presented an inspection report containing remarks and observations regarding the strategic profiles of the business model adopted by the Group, together with its governance and internal control system processes.

On the basis of the studies carried out subsequently on the individual issues highlighted, the resulting considerations, evaluated by the competent bodies of UBI Banca, were presented to the supervisory authority in a communication of 26<sup>th</sup> March 2014.

We also report the inspections conducted by the Bank of Italy concerning transparency and integrity in customer relationships (Title VI of the Consolidated Banking Act), which led to the initiation of penalty procedures as follows:

• with notifications of August 2013, regarding the General Manager of Banca Regionale Europea and that bank itself, as potentially jointly responsible. On 23<sup>rd</sup> October 2013 precise answers and defences were provided against those notifications, illustrating the action taken and programmed to remedy the criticisms made.
On 21<sup>st</sup> July 2014 the supervisory authority notified the senior manager of a provision imposing a fine of €10 thousand in accordance with article 144 of the consolidated banking act: as stated by the Bank of Italy, that amount was determined, amongst other things, by

taking into consideration corrective action put in place to remedy the shortcomings found;

with notifications of September 2013, regarding the General Manager of Banca Popolare Commercio e Industria (and the bank as potentially jointly responsible) and the Chief of Compliance at UBI Banca (and again UBI Banca itself as potentially jointly responsible). The appropriate defences were submitted to the Bank of Italy on 18<sup>th</sup> November. On 1<sup>st</sup> August 2014 the supervisory authority notified the two senior managers of a provision imposing a fine of €10 thousand in accordance with article 144 of the consolidated banking act. In this case too, the Bank of Italy stated that the amount was determined, amongst other things, by taking into consideration corrective action put in place to remedy the shortcomings found.

In relation to inspections conducted at Prestitalia between November and December 2013 – again within the context of supervisory activities concerning the transparency and integrity of relationships with customers (Title VI of the Consolidated Banking Act) – on 20<sup>th</sup> March 2014 the Bank of Italy delivered a document to Prestitalia containing "remarks and observations". This also communicated the start of penalty proceedings against senior managers and former senior managers of the company.

In addition to observations concerning organisation and control structures, the supervisory authority underlined the need to strengthen specific oversight regarding the transparency and integrity of relationships with customers (e.g. complaint processing management and times, the implementation of transparent documentation in use, organisation and activities in control functions).

Prestitalia has therefore taken action to implement the initiatives which is already in progress, with the commencement of all appropriate action designed to eliminate the problems reported, with particular attention paid to reputational aspects resulting from the management of relationships with customers such as for example the times taken for processing complaints and the payment of reimbursements.

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With a letter of 30<sup>th</sup> April 2014, the **Consob** (Italian securities market authority) has launched proceedings in accordance with article 195 of the Consolidated Finance Act relating to Members of the Supervisory Board – in office from 2009 until 30<sup>th</sup> April 2014 – concerning a report of a possible violation of article 149 of the Consolidated Finance Act in relation to reporting on corporate governance.

The relative defence documents, to which all the Supervisory Board members in receipt of the notification adhered, were submitted to the Consob within the time limits set.

Searches were carried out in the UBI Banca Group by order of the **Public Prosecutors's Office** of Bergamo on 14<sup>th</sup> May 2014, following reports dating back to 2012 (made by Jannone and Lannutti, relating mainly to affairs already reported concerning UBI Leasing and UBI Factor) and to July 2013 (made by the Supervisory Board Members Agliardi, Cividini, Gallarati, Resti and Zucchi) concerning the presumed existence of shareholder agreements not notified to the competent authorities. The Group provided maximum co-operation with the *Guardia di Finanza* (finance police).

The Group has already provided answers and clarifications at the time to the competent supervisory authorities on the matters contained in the reports and no new events have occurred to report, nor is there any additional news.

In consideration of their nature, it is considered that the procedures initiated by the Consob and the Public Prosecutors's Office of Bergamo can have no repercussions on Group assets.

## Tax aspects

Provisions were issued in the second quarter of 2014, both in terms of legislation and interpretation, which had impacts on Group companies.

## Revision of tax rates on financial income

The revision of the tax rate on financial income – income on capital and other income – came into force on 1st July, in accordance with the provisions contained in Decree Law No. 66 of 24th April 2014 converted with amendments into Law No 89 of 23rd June 2014. Generally the tax rate was raised from 20% to 26%, while the rate of 12.50% for government securities and similar investments remained unchanged. It is possible, by going through intermediaries, to exempt income (gains or losses) accruing up to 30th June by exercising an option by 30th September 2014. While these innovations followed the same lines as a previous amendment which came into effect from the 1st January 2012, they involved significant action on IT systems and organisational units towards the end of the period when interpretations were furnished by the tax authorities (Circular No. 19/E of 27th June 2014). The regulations in question were closely related to the AIFM Directive on investment fund managers.

#### Directive on investment fund managers (the "AIFM Directive)

Legislative Decree No 44 of 4<sup>th</sup> March 2014 implemented Directive 2011/61/EU in Italian law, which on the question of tax regarded mainly the following:

the tax regime for foreign property funds; the general rationalisation of the system for quantifying financial income from holding UCITS. Under this regime the cost of purchase and the sales price is employed to calculate capital income and no longer the net asset value of the fund (NAV) resulting from the relative fund statements. This involved the reorganisation of the tax information possessed by intermediaries with regard to transactions already carried out by customers and obviously it will affect the application of the tax reform on capital income mentioned in the previous paragraph. Furthermore, the date of entry into force of the decree itself seems to be conditioned by the issue of specific statutory accounting provisions, which is why, with circular No. 19/E/2014 and circular No. 21/E/2014, the tax authorities have allowed different practices relating to the update of procedures followed by individual intermediaries. The deadline of 22nd July 2014 for asset management companies to update their procedures remains unchanged.

#### **FATCA law**

Towards the end of June, the government drew up a Parliamentary Bill to ratify the agreement between the Italian government and the United States government designed to improve tax compliance between the two countries and to apply the FATCA legislation.

As already reported, regardless of that agreement, the legislation mentioned came into force on 1<sup>st</sup> July 2014 and affects the main companies in the Group (classified as financial institutions required to make FATCA reports), with the exception of UBI Leasing, UBI Factor, Prestitalia, BPB Immobiliare, S.B.I.M., UBI Sistemi e Servizi and UBI Academy.

In this context, the Italian government, along with other countries, signed an intergovernment agreement (an "IGA model 1") according to which, under the FATCA procedures and on the basis of reciprocity between countries, in return for information transmitted by Italy to the United States, similar information will be transmitted by the United States to Italy.

The purpose of the parliamentary bill, together with the draft of the ministerial decree to implement and integrate the intergovernment agreement, is to provide intermediaries with the information needed to commence the exchange of information by implementing its procedures. The onerous nature of procedures of this kind is very clear and it accompanies similar obligations, not entirely replicable, ordinarily provided for by domestic tax regulations.

## The Competition Decree (Decree Law No. 91 of 24th June 2014)

This decree contains measures that include particularly significant measures that provide concessions for investments in new assets, with the introduction of a tax credit or an ACE (Aiuto alla crescita economica – "aid to economic growth") deduction in the presence of companies listed on stock exchanges, together with further simplifications in governance and company obligations as well as the tax regime applicable to company bonds and to foreign investments in resident companies.

Again with a view to favouring the sources of finance for companies, the activities of securitisation companies (SPEs) have been broadened to allow them, together with insurance companies, to grant loans, although on the basis of specific subjective and objective conditions.

The concessions relating to the substitute tax on loans – Art. 15 and following of Presidential Decree No. 601/1973 – have been extended to include syndication operations carried out through the sale of the loan contracts or of the relative loans and the transfer of the guarantees that back the aforementioned loan transactions (Art. 22 of Decree Law No. 91/2014).

\* \* \*

Recent interpretations provided by the tax authorities concerning changes introduced by Law No. 147/2013 (*Legge di stabilità* – stability law – 2014) are of great importance as follows:

- Circular No. 12/E/2014: with regard to ACE (Aiuto alla Crescita Economica), the tax authorities provided further assistance with interpretation and application in relation to capital items to be considered for the purposes of tax avoidance provisions and in particular where intragroup financing operations exist. In this circumstance, the submission of a special application is required;
- Circular No. 14/E/2014: the tax authorities identified specific items on the balance sheets of banks prepared on the basis of templates introduced by the Bank of Italy to which the new regulations on write-downs and losses on loans to customers apply (Art. 106 p.3 of the Consolidated Income Tax Act, as codified by law No. 147/2013). As already reported, from 2013 these are fully deductible except that they are divided into constant rates over five tax periods in place of the previous eighteen.

Similar deductions are provided for IRAP (regional production tax) purposes, while previously they were substantially non-deductible. This new tax regime allows clearer recognition of deferred tax assets both for IRES (corporate income tax) and IRAP purposes. This circular is a natural complement to the previous Circular No. 26/E/2013, which had

provided clarifications on the criteria for certainty and determination relating to the deductibility of loan losses provided for by article 101 of the Consolidated Income Tax Act.

Taken together the interpretations provided by the tax authorities confirmed the correctness of the tax treatment practised in the various tax periods by Group companies.

- Circular No. 15/E/2014: this document addresses the issue of the 8.5% surtax on IRES introduced for 2013 only and payable by financial intermediaries pursuant to article 2 of Decree Law No. 133 of 30<sup>th</sup> November 2013, converted with amendments by Law No. 5 of 29<sup>th</sup> January 2014. The obligation to pay the surtax by individual companies was confirmed, because no offsetting under the tax consolidation is allowed. For the purposes of calculating the income on which the surtax is charged, increases in excess write-downs and losses on loans for 2013 are excluded. The Group paid a total of €32.1 million of surtax on IRES to the tax authorities in 2013.
- Circular No. 17/E/2014: this circular illustrates the changes introduced by article 1, paragraphs 167 to 171 of Law No. 147 of 27th December 2013 (Legge di stabilità 2014), which allows deferred tax assets recognised in the financial statements against IRAP payments to be transformed into tax credits. As occurs with IRES, the transformation occurs in the presence of statutory accounting losses or negative results for the "value of production". This constitutes an important factor for the purposes of the "probability test". One aspect which is still controversial, partly due to the opinions provided by the relative trade associations, regards the calculation of deferred tax assets that can be offset in the tax consolidation. According to those opinions, they can be offset without limits on the amount, while the tax authorities claim that they can be offset within the limit of €700 thousand, although deferred tax asset credits may be transferred within a tax consolidation for higher amounts, provided they are within the limits of the IRES corresponding to the taxable income of the company that is transferring the deferred tax asset tax credit and in any case up to the amount of the IRES payable by the Group in the tax consolidation.

## Outlook for consolidated operations

With regard to the **outlook for consolidated operations**, we report the forecasts given below on the basis of information currently available.

Under current market conditions net interest income should benefit in terms of expense from a progressive decrease in the cost of the marginal, more onerous components and from repricing action already taken, which will become fully effective in the second half, and in terms of income from steady returns on medium to long-term loans.

The positive performance by fee and commission income is expected to continue, assisted by positive seasonal factors that normally affect the second half of the year.

The reduction in administrative expenses compared with 2013 will continue, while the performance of staff costs will depend on the final outcome of the renewal of the national trade union contract.

The slowdown in the pace of new defaults on loans recorded in the first quarter of the current year continued again in the second quarter and allows expectations of an overall year-on-year improvement compared with 2013 in loan losses to be reaffirmed.

Bergamo, 8th August 2014

THE MANAGEMENT BOARD



AS AT AND FOR THE PERIOD ENDED 30<sup>TH</sup> JUNE 2014



## MANDATORY INTERIM CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE PERIOD ENDED 30<sup>TH</sup> JUNE 2014



## **Consolidated Balance Sheet**

Figures in t	thousands of euro	30.6.2014	31.12.2013	30.6.2013
ASSETS	3			
10.	Cash and cash equivalents	486,807	589,705	490,754
20.	Financial assets held for trading	2,168,661	3,056,264	4,686,491
30.	Financial assets designated at fair value	192,408	208,143	206,860
40.	Available-for-sale financial assets	16,742,576	15,489,497	13,746,914
50.	Held-to-maturity investments	3,049,841	3,086,815	3,122,272
60.	Loans and advances to banks	4,078,892	4,129,756	4,774,761
70.	Loans and advances to customers	87,119,396	88,421,467	91,268,495
80.	Hedging derivatives	458,998	253,609	335,198
90.	Fair value change in hedged financial assets (+/-)	47,680	33,380	57,657
100.	Equity investments	295,970	411,886	412,881
120.	Property, plant and equipment	1,764,564	1,798,353	1,921,669
130.	Intangible assets of which:	2,896,274	2,918,509	2,946,268
	- goodwill	2,511,679	2,511,679	2,536,574
140.	Tax assets	2,566,975	2,833,188	2,393,041
	a) current	320,841	552,039	403,125
	b) deferred	2,246,134	2,281,149	1,989,916
	- of which pursuant to Law No. 214/2011	1,888,404	1,864,579	1,469,881
150.	Non-current assets and disposal groups held for sale	188,358	79,877	23,792
160.	Other assets	1,168,828	931,388	1,543,208
TOTAL A	ASSETS	123,226,228	124,241,837	127,930,261

Figures in	thousands of euro	30.6.2014	31.12.2013	30.6.2013
	TIES AND EQUITY			
LIABILI	HES AND EQUITY			
10.	Due to banks	15,964,805	15,017,266	15,025,192
20.	Due to customers	47,126,528	50,702,157	52,843,251
30.	Debt securities issued	43,049,073	41,901,779	43,500,547
40.	Financial liabilities held for trading	496,946	1,396,350	1,548,967
60.	Hedging derivatives	623,610	483,545	1,016,669
80.	Taxliabilities	620,062	756,359	536,670
	a) current	204,395	404,246	195,191
	b) deferred	415,667	352,113	341,479
100.	Other liabilities	3,130,877	2,111,533	2,064,030
110.	Post-employment benefits	378,320	382,262	372,182
120.	Provisions for risks and charges:	303,897	309,219	328,812
	a) pension and similar obligations	81,134	77,387	78,751
	b) other provisions	222,763	231,832	250,061
140.	Valuation reserves	153,603	-170,968	-448,311
170.	Reserves	3,484,522	3,294,414	3,292,089
180.	Share premiums	4,716,866	4,716,866	4,716,864
190.	Share capital	2,254,371	2,254,371	2,254,371
200.	Treasury shares (-)	-6,121	-6,121	-6,121
210.	Non-controlling interests (+/-)	822,677	841,975	832,116
220.	Profit for the period/year (+/-)	106,192	250,830	52,933
TOTAL	LIABILITIES AND EQUITY	123,226,228	124,241,837	127,930,261

## **Consolidated Income Statement**

The stand similar income   1,563,853   1,645,262   3,254,962   20.   Interest and similar expense   (655,325)   (799,884)   (1,504,247)   30.   Net interest income   908,528   845,378   1,750,715   40.   Fee and commission income   701,019   700,468   1,382,528   50.   Fee and commission expense   (91,326)   (98,223)   (195,462)   60.   Net fee and commission income   609,693   602,245   1,187,066   70.   Dividends and similar income   8,868   8,218   10,409   80.   Net trading income   8,868   8,218   10,409   80.   Net hedging loss   (7,395)   (4,634)   (3,318)   30.   Net hedging loss   (7,395)   (4,634)   (3,318)   30.   Net hedging loss   (7,395)   (4,634)   (3,318)   30.   Net hedging loss   (3,244)   (2,852)   (3,318)   30.   Net position for mode in the standard series   (3,264)   (2,852)   (3,264)   (2,852)   (3,264)   (2,852)   (3,264)   (2,852)   (3,264)   (2,852)   (3,264)   (2,852)   (3,264)   (2,852)   (3,264)   (2,852)   (3,264)   (2,852)   (3,264)   (2,852)   (3,264)   (2,852)   (3,264)   (2,852)   (3,264)   (2,852)   (3,264)   (2,852)   (3,264)   (2,852)   (3,264)   (2,852)   (3,264)   (2,852)   (3,264)   (2,852)   (3,264)   (2,852)   (3,264)   (2,852)   (3,264)   (2,852)   (3,264)   (2,852)   (3,264)   (2,852)   (3,264)   (2,852)   (3,264)   (2,852)   (3,264)   (2,852)   (3,264)   (2,852)   (3,264)   (2,852)   (3,264)   (2,852)   (3,264)   (2,852)   (3,264)   (2,852)   (3,264)   (2,852)   (3,264)   (2,852)   (3,264)   (2,852)   (3,264)   (2,852)   (3,264)   (2,852)   (3,264)   (2,852)   (3,264)   (2,852)   (3,264)   (2,852)   (3,264)   (2,852)   (3,264)   (2,852)   (3,264)   (2,852)   (3,264)   (2,852)   (3,264)   (2,852)   (3,264)   (3,264)   (3,264)   (3,264)   (3,264)   (3,264)   (3,264)   (3,264)   (3,264)   (3,264)   (3,264)   (3,264)   (3,264)   (3,264)   (3,264)   (3,264)   (3,264)   (3,264)   (3,264)   (3,264)   (3,264)   (3,264)   (3,264)   (3,264)   (3,264)   (3,264)   (3,264)   (3,264)   (3,264)   (3,264)   (3,264)   (3,264)   (3,264)   (3,264)   (3,264)   (3,264)   (3,264)   (3,2
20.       Interest and similar expense       (655,325)       (799,884)       (1,504,247)         30.       Net interest income       908,528       845,378       1,750,715         40.       Fee and commission income       701,019       700,468       1,382,528         50.       Fee and commission expense       (91,326)       (98,223)       (195,462)         60.       Net fee and commission income       609,693       602,245       1,187,066         70.       Dividends and similar income       8,868       8,218       10,409         80.       Net trading income       50,594       52,504       107,234         90.       Net hedging loss       (7,395)       (4,634)       (3,318)         100.       Income from disposal or repurchase of:       93,715       59,915       217,475         a) loans and receivables       (888)       (324)       (3,149)         b) available-for-sale financial assets       97,867       63,091       220,025         d) financial liabilities       (3,264)       (2,852)       599         110.       Net profit (loss) on financial assets and liabilities designated at fair value       (272)       1,582       3,163         120.       Gross income       1,663,731       1,565,208
30.         Net interest income         988,528         845,378         1,750,715           40.         Fee and commission income         701,019         700,468         1,382,528           50.         Fee and commission expense         (91,326)         (98,223)         (195,462)           60.         Net fee and commission income         609,693         602,245         1,187,066           70.         Dividends and similar income         8,868         8,218         10,409           80.         Net trading income         50,594         52,504         107,234           90.         Net hedging loss         (7,395)         (4,634)         (3,318)           100.         Income from disposal or repurchase of:         93,715         59,915         217,475           a) loans and receivables         (888)         (324)         (3,149)           b) available-for-sale financial assets         97,867         63,091         220,025           d) financial liabilities         (3,264)         (2,852)         599           110.         Net profit (loss) on financial assets and liabilities designated at fair value         (272)         1,582         3,163           120.         Gross income         1,663,731         1,565,208         3,272,744
40.       Fee and commission income       701,019       700,468       1,382,528         50.       Fee and commission expense       (91,326)       (98,223)       (195,462)         60.       Net fee and commission income       609,693       602,245       1,187,066         70.       Dividends and similar income       8,868       8,218       10,409         80.       Net trading income       50,594       52,504       107,234         90.       Net hedging loss       (7,395)       (4,634)       (3,318)         100.       Income from disposal or repurchase of:       93,715       59,915       217,475         a) loans and receivables       (888)       (324)       (3,149)         b) available-for-sale financial assets       97,867       63,091       220,025         d) financial liabilities       (3,264)       (2,852)       599         110.       Net profit (loss) on financial assets and liabilities designated at fair value       (272)       1,582       3,163         120.       Gross income       1,663,731       1,565,208       3,272,744         130.       Net impairment losses on:       (431,102)       (401,165)       (990,489)         a) loans and receivables       (429,101)       (383,892)       (94
50.         Fee and commission expense         (91,326)         (98,223)         (195,462)           60.         Net fee and commission income         609,693         602,245         1,187,066           70.         Dividends and similar income         8,868         8,218         10,409           80.         Net trading income         50,594         52,504         107,234           90.         Net hedging loss         (7,395)         (4,634)         (3,318)           100.         Income from disposal or repurchase of:         93,715         59,915         217,475           a) loans and receivables         (888)         (324)         (3,149)           b) available-for-sale financial assets         97,867         63,091         220,025           d) financial liabilities         (3,264)         (2,852)         599           110.         Net profit (loss) on financial assets and liabilities designated at fair value         (272)         1,582         3,163           120.         Gross income         1,663,731         1,565,208         3,272,744           130.         Net impairment losses on:         (431,102)         (401,165)         (990,489)           a) loans and receivables         (429,101)         (383,892)         (942,978)
60.         Net fee and commission income         609,693         602,245         1,187,066           70.         Dividends and similar income         8,868         8,218         10,409           80.         Net trading income         50,594         52,504         107,234           90.         Net hedging loss         (7,395)         (4,634)         (3,318)           100.         Income from disposal or repurchase of:         93,715         59,915         217,475           a) loans and receivables         (888)         (324)         (3,149)           b) available-for-sale financial assets         97,867         63,091         220,025           d) financial liabilities         (3,264)         (2,852)         599           110.         Net profit (loss) on financial assets and liabilities designated at fair value         (272)         1,582         3,163           120.         Gross income         1,663,731         1,565,208         3,272,744           130.         Net impairment losses on:         (431,102)         (401,165)         (990,489)           a) loans and receivables         (429,101)         (383,892)         (942,978)           b) available-for-sale financial assets         (742)         (18,002)         (26,898)           d) other
70.         Dividends and similar income         8,868         8,218         10,409           80.         Net trading income         50,594         52,504         107,234           90.         Net hedging loss         (7,395)         (4,634)         (3,318)           100.         Income from disposal or repurchase of:         93,715         59,915         217,475           a) loans and receivables         (888)         (324)         (3,149)           b) available-for-sale financial assets         97,867         63,091         220,025           d) financial liabilities         (3,264)         (2,852)         599           110.         Net profit (loss) on financial assets and liabilities designated at fair value         (272)         1,582         3,163           120.         Gross income         1,663,731         1,565,208         3,272,744           130.         Net impairment losses on:         (431,102)         (401,165)         (990,489)           a) loans and receivables         (429,101)         (383,892)         (942,978)           b) available-for-sale financial assets         (742)         (18,002)         (26,898)           d) other financial transactions         (1,259)         729         (20,613)           140.         Net financ
80.       Net trading income       50,594       52,504       107,234         90.       Net hedging loss       (7,395)       (4,634)       (3,318)         100.       Income from disposal or repurchase of:       93,715       59,915       217,475         a) loans and receivables       (888)       (324)       (3,149)         b) available-for-sale financial assets       97,867       63,091       220,025         d) financial liabilities       (3,264)       (2,852)       599         110.       Net profit (loss) on financial assets and liabilities designated at fair value       (272)       1,582       3,163         120.       Gross income       1,663,731       1,565,208       3,272,744         130.       Net impairment losses on:       (431,102)       (401,165)       (990,489)         a) loans and receivables       (429,101)       (383,892)       (942,978)         b) available-for-sale financial assets       (742)       (18,002)       (26,898)         d) other financial transactions       (1,259)       729       (20,613)         140.       Net financial income       1,232,629       1,164,043       2,282,255         170.       Net income from banking and insurance operations       1,232,629       1,164,043       2,28
90.         Net hedging loss         (7,395)         (4,634)         (3,318)           100.         Income from disposal or repurchase of:         93,715         59,915         217,475           a) loans and receivables         (888)         (324)         (3,149)           b) available-for-sale financial assets         97,867         63,091         220,025           d) financial liabilities         (3,264)         (2,852)         599           110.         Net profit (loss) on financial assets and liabilities designated at fair value         (272)         1,582         3,163           120.         Gross income         1,663,731         1,565,208         3,272,744           130.         Net impairment losses on:         (431,102)         (401,165)         (990,489)           a) loans and receivables         (429,101)         (383,892)         (942,978)           b) available-for-sale financial assets         (742)         (18,002)         (26,898)           d) other financial transactions         (1,259)         729         (20,613)           140.         Net financial income         1,232,629         1,164,043         2,282,255           170.         Net income from banking and insurance operations         1,232,629         1,164,043         2,282,255
100.         Income from disposal or repurchase of:         93,715         59,915         217,475           a) loans and receivables         (888)         (324)         (3,149)           b) available-for-sale financial assets         97,867         63,091         220,025           d) financial liabilities         (3,264)         (2,852)         599           110.         Net profit (loss) on financial assets and liabilities designated at fair value         (272)         1,582         3,163           120.         Gross income         1,663,731         1,565,208         3,272,744           130.         Net impairment losses on:         (431,102)         (401,165)         (990,489)           a) loans and receivables         (429,101)         (383,892)         (942,978)           b) available-for-sale financial assets         (742)         (18,002)         (26,898)           d) other financial transactions         (1,259)         729         (20,613)           140.         Net financial income         1,232,629         1,164,043         2,282,255           170.         Net income from banking and insurance operations         1,232,629         1,164,043         2,282,255
a) loans and receivables       (888)       (324)       (3,149)         b) available-for-sale financial assets       97,867       63,091       220,025         d) financial liabilities       (3,264)       (2,852)       599         110. Net profit (loss) on financial assets and liabilities designated at fair value       (272)       1,582       3,163         120. Gross income       1,663,731       1,565,208       3,272,744         130. Net impairment losses on:       (431,102)       (401,165)       (990,489)         a) loans and receivables       (429,101)       (383,892)       (942,978)         b) available-for-sale financial assets       (742)       (18,002)       (26,898)         d) other financial transactions       (1,259)       729       (20,613)         140. Net financial income       1,232,629       1,164,043       2,282,255         170. Net income from banking and insurance operations       1,232,629       1,164,043       2,282,255
b) available-for-sale financial assets       97,867       63,091       220,025         d) financial liabilities       (3,264)       (2,852)       599         110. Net profit (loss) on financial assets and liabilities designated at fair value       (272)       1,582       3,163         120. Gross income       1,663,731       1,565,208       3,272,744         130. Net impairment losses on:       (431,102)       (401,165)       (990,489)         a) loans and receivables       (429,101)       (383,892)       (942,978)         b) available-for-sale financial assets       (742)       (18,002)       (26,898)         d) other financial transactions       (1,259)       729       (20,613)         140. Net financial income       1,232,629       1,164,043       2,282,255         170. Net income from banking and insurance operations       1,232,629       1,164,043       2,282,255
d) financial liabilities         (3,264)         (2,852)         599           110. Net profit (loss) on financial assets and liabilities designated at fair value         (272)         1,582         3,163           120. Gross income         1,663,731         1,565,208         3,272,744           130. Net impairment losses on:         (431,102)         (401,165)         (990,489)           a) loans and receivables         (429,101)         (383,892)         (942,978)           b) available-for-sale financial assets         (742)         (18,002)         (26,898)           d) other financial transactions         (1,259)         729         (20,613)           140. Net financial income         1,232,629         1,164,043         2,282,255           170. Net income from banking and insurance operations         1,232,629         1,164,043         2,282,255
110.         Net profit (loss) on financial assets and liabilities designated at fair value         (272)         1,582         3,163           120.         Gross income         1,663,731         1,565,208         3,272,744           130.         Net impairment losses on:         (431,102)         (401,165)         (990,489)           a) loans and receivables         (429,101)         (383,892)         (942,978)           b) available-for-sale financial assets         (742)         (18,002)         (26,898)           d) other financial transactions         (1,259)         729         (20,613)           140.         Net financial income         1,232,629         1,164,043         2,282,255           170.         Net income from banking and insurance operations         1,232,629         1,164,043         2,282,255
120.         Gross income         1,663,731         1,565,208         3,272,744           130.         Net impairment losses on:         (431,102)         (401,165)         (990,489)           a) loans and receivables         (429,101)         (383,892)         (942,978)           b) available-for-sale financial assets         (742)         (18,002)         (26,898)           d) other financial transactions         (1,259)         729         (20,613)           140.         Net financial income         1,232,629         1,164,043         2,282,255           170.         Net income from banking and insurance operations         1,232,629         1,164,043         2,282,255
130.         Net impairment losses on:         (431,102)         (401,165)         (990,489)           a) loans and receivables         (429,101)         (383,892)         (942,978)           b) available-for-sale financial assets         (742)         (18,002)         (26,898)           d) other financial transactions         (1,259)         729         (20,613)           140.         Net financial income         1,232,629         1,164,043         2,282,255           170.         Net income from banking and insurance operations         1,232,629         1,164,043         2,282,255
a) loans and receivables       (429,101)       (383,892)       (942,978)         b) available-for-sale financial assets       (742)       (18,002)       (26,898)         d) other financial transactions       (1,259)       729       (20,613)         140.       Net financial income       1,232,629       1,164,043       2,282,255         170.       Net income from banking and insurance operations       1,232,629       1,164,043       2,282,255
b) available-for-sale financial assets         (742)         (18,002)         (26,898)           d) other financial transactions         (1,259)         729         (20,613)           140.         Net financial income         1,232,629         1,164,043         2,282,255           170.         Net income from banking and insurance operations         1,232,629         1,164,043         2,282,255
d) other financial transactions         (1,259)         729         (20,613)           140.         Net financial income         1,232,629         1,164,043         2,282,255           170.         Net income from banking and insurance operations         1,232,629         1,164,043         2,282,255
140.         Net financial income         1,232,629         1,164,043         2,282,255           170.         Net income from banking and insurance operations         1,232,629         1,164,043         2,282,255
170. Net income from banking and insurance operations         1,232,629         1,164,043         2,282,255
180. Administrative expenses (1,053,625) (1.057,496) (2.194,758)
a) staff costs (647,943) (646,234) (1,337,687)
b) other administrative expenses (405,682) (411,262) (857,071)
190. Net provisions for risks and charges (2,702) (11,604) (12,372)
200. Depreciation and net impairment losses on property, plant and equipment (43,969) (49,141) (119,956)
210. Amortisation and net impairment losses on intangible assets (38,464) (39,022) (78,535)
220. Other net operating income/expense         143,201         130,077         310,511
220. Other net operating income/expense       143,201       130,077       310,511         230. Operating expenses       (995,559)       (1,027,186)       (2,095,110)
230. Operating expenses (995,559) (1,027,186) (2,095,110)
230.         Operating expenses         (995,559)         (1,027,186)         (2,095,110)           240.         Profits of equity investments         19,776         31,470         46,506
230.         Operating expenses         (995,559)         (1,027,186)         (2,095,110)           240.         Profits of equity investments         19,776         31,470         46,506           260.         Net impairment losses on goodwill         -         -         (24,895)
230.         Operating expenses         (995,559)         (1,027,186)         (2,095,110)           240.         Profits of equity investments         19,776         31,470         46,506           260.         Net impairment losses on goodwill         -         -         (24,895)           270.         Profits (losses) on disposal of investments         456         334         (7,251)
230.         Operating expenses         (995,559)         (1,027,186)         (2,095,110)           240.         Profits of equity investments         19,776         31,470         46,506           260.         Net impairment losses on goodwill         -         -         (24,895)           270.         Profits (losses) on disposal of investments         456         334         (7,251)           280.         Pre-tax profit from continuing operations         257,302         168,661         201,505
230.         Operating expenses         (995,559)         (1,027,186)         (2,095,110)           240.         Profits of equity investments         19,776         31,470         46,506           260.         Net impairment losses on goodwill         -         -         (24,895)           270.         Profits (losses) on disposal of investments         456         334         (7,251)           280.         Pre-tax profit from continuing operations         257,302         168,661         201,505           290.         Taxes on income for the period/year from continuing operations         (135,368)         (103,086)         72,632
230.         Operating expenses         (995,559)         (1,027,186)         (2,095,110)           240.         Profits of equity investments         19,776         31,470         46,506           260.         Net impairment losses on goodwill         -         (24,895)           270.         Profits (losses) on disposal of investments         456         334         (7,251)           280.         Pre-tax profit from continuing operations         257,302         168,661         201,505           290.         Taxes on income for the period/year from continuing operations         (135,368)         (103,086)         72,632           300.         Post-tax profit from continuing operations         121,934         65,575         274,137
230.         Operating expenses         (995,559)         (1,027,186)         (2,095,110)           240.         Profits of equity investments         19,776         31,470         46,506           260.         Net impairment losses on goodwill         -         (24,895)           270.         Profits (losses) on disposal of investments         456         334         (7,251)           280.         Pre-tax profit from continuing operations         257,302         168,661         201,505           290.         Taxes on income for the period/year from continuing operations         (135,368)         (103,086)         72,632           300.         Post-tax profit from continuing operations         121,934         65,575         274,137           310.         Post-tax profit (loss) from discontinued operations         -         -         -         -
230.         Operating expenses         (995,559)         (1,027,186)         (2,095,110)           240.         Profits of equity investments         19,776         31,470         46,506           260.         Net impairment losses on goodwill         -         -         (24,895)           270.         Profits (losses) on disposal of investments         456         334         (7,251)           280.         Pre-tax profit from continuing operations         257,302         168,661         201,505           290.         Taxes on income for the period/year from continuing operations         (135,368)         (103,086)         72,632           300.         Post-tax profit from continuing operations         121,934         65,575         274,137           310.         Post-tax profit (loss) from discontinued operations         -         -         -           320.         Profit for the period/year         121,934         65,575         274,137           330.         Profit for the period/year attributable to non-controlling interests         (15,742)         (12,642)         (23,307)
230.         Operating expenses         (995,559)         (1,027,186)         (2,095,110)           240.         Profits of equity investments         19,776         31,470         46,506           260.         Net impairment losses on goodwill         -         (24,895)           270.         Profits (losses) on disposal of investments         456         334         (7,251)           280.         Pre-tax profit from continuing operations         257,302         168,661         201,505           290.         Taxes on income for the period/year from continuing operations         (135,368)         (103,086)         72,632           300.         Post-tax profit from continuing operations         121,934         65,575         274,137           310.         Post-tax profit (loss) from discontinued operations         -         -         -           320.         Profit for the period/year         121,934         65,575         274,137
230.         Operating expenses         (995,559)         (1,027,186)         (2,095,110)           240.         Profits of equity investments         19,776         31,470         46,506           260.         Net impairment losses on goodwill         -         -         (24,895)           270.         Profits (losses) on disposal of investments         456         334         (7,251)           280.         Pre-tax profit from continuing operations         257,302         168,661         201,505           290.         Taxes on income for the period/year from continuing operations         (135,368)         (103,086)         72,632           300.         Post-tax profit from continuing operations         121,934         65,575         274,137           310.         Post-tax profit (loss) from discontinued operations         -         -         -           320.         Profit for the period/year         121,934         65,575         274,137           330.         Profit for the period/year attributable to non-controlling interests         (15,742)         (12,642)         (23,307)           340.         Profit for the year/period attributable to the shareholders of the Parent         106,192         52,933         250,830
230.         Operating expenses         (995,559)         (1,027,186)         (2,095,110)           240.         Profits of equity investments         19,776         31,470         46,506           260.         Net impairment losses on goodwill         -         -         (24,895)           270.         Profits (losses) on disposal of investments         456         334         (7,251)           280.         Pre-tax profit from continuing operations         257,302         168,661         201,505           290.         Taxes on income for the period/year from continuing operations         (135,368)         (103,086)         72,632           300.         Post-tax profit from continuing operations         121,934         65,575         274,137           310.         Post-tax profit (loss) from discontinued operations         -         -         -           320.         Profit for the period/year         121,934         65,575         274,137           330.         Profit for the period/year attributable to non-controlling interests         (15,742)         (12,642)         (23,307)

# Consolidated statement of comprehensive income

Figures	in thousands of euro	1H 2014	1H 2013	FY 2013
10.	PROFIT FOR THE PERIOD/YEAR	121,934	65,575	274,137
	Other comprehensive income net of taxes without transfer to the income statement			
40.	Defined benefit plans	-12,229	4,471	-7,399
	Other comprehensive income net of taxes with transfer to the income statement			
90.	Cash flow hedges	302	660	3,081
100.	Available-for-sale financial assets	328,282	123,283	412,156
120.	Share of valuation reserves of equity-accounted investees	6,991	-5,798	-6,118
130.	Total other comprehensive income net of taxes	323,346	122,616	401,720
140.	COMPREHENSIVE INCOME (item 10 + 130)	445,280	188,191	675,857
	CONSOLIDATED COMPREHENSIVE INCOME ATTRIBUTABLE TO NON-CONTROLLING			
150.	INTERESTS	14,519	13,163	23,259
160.	CONSOLIDATED COMPREHENSIVE INCOME ATTRIBUTABLE TO THE SHAREHOLDERS OF THE PARENT	430,761	175,028	652,598

# Statement of changes in consolidated equity for the period ended 30<sup>th</sup> June 2014

## Statement of changes in consolidated equity for the period ended 30th June 2014

				Allocation of	prior year	ar Changes January - June 2014							30th June 2014				
		Restate-		profit			Equity transactions								30th 3th e 2014		
Figures in thousands of euro	Balances as at 31.12.2013		Balances as at 1.1.2014	Reserves	Dividends and other uses	Changes in reserves	New share issues		Extraordinary distribution of dividends	Change in equity instruments	Derivatives on treasury shares	Stock options	Changes in equity stakes	Consolidated comprehensive income	Equity	attributable to the shareholders of the Parent	attributable to non- controlling interests
Share capital:	2,762,447	-	2,762,447	-	-	_	-	-	-	-	_		-112	-	2,762,335	2,254,371	507,964
a) ordinary shares	2,717,340	-	2,717,340	-	-			-	-	-	-	-	-112	-	2,717,228	2,254,371	462,857
b) other shares	45,107	-	45,107	-	-	-	-	-	-	-	-	-	-	-	45,107	-	45,107
Share premiums	4,772,267	-	4,772,267	-	-	-	-	-	-	-	-	-	-115	-	4,772,152	4,716,866	55,286
Reserves	3,553,596	-	3,553,596	274,137	-92,113	-139	-	-	-	-	-	-	-2,059	-	3,733,422	3,484,522	248,900
a) retained earnings	1,508,859	-	1,508,859	274,137	-92,113	-	-	-	-	-	-	-	-2,059	-	1,688,824	1,439,955	248,869
b) other	2,044,737	-	2,044,737	-	-	-139	-	-			-	-	-	-	2,044,598	2,044,567	31
Valuation reserves	-174,959	-	-174,959	_	-		-	_	-	_	_	-	1	323,346	148,388	153,603	-5,215
Equity instruments	_		-	-	_		_	_	-	_	_	_	_	-	_	-	-
Treasury shares	-6,121	-	-6,121	_	_	-	-		_	_	_		_	_	-6,121	-6,121	_
Profit for the period	274,137		274,137	-274,137	_	-		_	-	_	_	-	_	121,934	121,934	106,192	15,742
Equity	11,181,367	-	11,181,367	-	-92,113	-139	-	-	-	-	-	-	-2,285	445,280	11,532,110	10,709,433	822,677
Equity attributable to the shareholders of the Parent	10,339,392	-	10,339,392	-	-58,591	-139	-	-	-	_	_	-	-1,990	430,761	10,709,433	x	X
Equity attributable to non- controlling interests	841,975	-	841,975	-	-33,522			-	-	-	_	-	-295	14,519	822,677	x	х

# Statement of changes in consolidated shareholders' equity for the period ended 30<sup>th</sup> June 2013

				Allocation of prior year			Changes January - June 2013								30th June 2013		
		Restate-	Balances as at 1.1.2013	pro	fit				Equity trai	nsactions					Sour June 2013		
Figures in thousands of euro	Balances as at 31.12.2012	ment of opening balances		Reserves	Dividends and other uses	Changes in reserves	New share issues	Repurcha se of treasury shares	Extraordinary distribution of dividends	Change in equity instruments	Derivatives on treasury shares	Stock options	Consolidated comprehensive income	Equity	attributable to the shareholders of the Parent	attributable to non- controlling interests	
Share capital:	2,764,895	-	2,764,895	-	-	-2,343	3		-	-			-	2,762,555	2,254,371	508,184	
a) ordinary shares	2,719,788	-	2,719,788	-	-	-2,343	3	-	-	-	-	-	-	2,717,448	2,254,371	463,077	
b) other shares	45,107	-	45,107	-	-	-	-	_	-	_	-	-		45,107		45,107	
Share premiums	4,772,714	_	4,772,714			-401	3	_	-			_	-	4,772,316	4,716,864	55,452	
Reserves	3,527,244	-	3,527,244	91,666	-66,316	-1,244	_	-	-	_	_	-	-	3,551,350	3,292,089	259,261	
Valuation reserves	-574,975	-	-574,975	-	-	625	-	-	-	-	_	-	122,616	-451,734	-448,311	-3,423	
Equity instruments	_	-	-	-	-	-	-	-	-	-	_	-	-	-	-	-	
Treasury shares	-4,375	_	-4,375			-	-	-1,746	-		-	-	-	-6,121	-6,121	_	
Profit for the period	91,666	-	91,666	-91,666	_	-	-	-	-	_	_	-	65,575	65,575	52,933	12,642	
Equity	10,577,169	-	10,577,169	-	-66,316	-3,363	6	-1,746	-	-	_	-	188,191	10,693,941	9,861,825	832,116	
Equity attributable to the shareholders of the Parent	9,737,882	-	9,737,882	-	-48,585	-760	6	-1,746	-			-	175,028	9,861,825	х	Х	
Equity attributable to non- controlling interests	839,287	-	839,287	-	-17,731	-2,603	-	-	-			_	13,163	832,116	Х	х	

## Consolidated Statement of Cash Flows (Indirect

method)

Figures in thousands of euro	1H 2014	1H 2013
A. OPERATING ACTIVITIES		
1. Ordinary activities	696,994	499,507
- profit for the period (+/-)	121,934	65,575
- gains/losses on financial assets held for trading and on financial assets/liabilities at fair value (+/-)	-50,322	-54,086
- gains/losses on hedging activities (-/+)	7,395	4,634
- netimpairment losses on loans (+/-)	431,102	401,165
- depreciation, amortisation and net impairment losses on property, plant and equipment and intangible assets (+/-)	82,433	88,163
<ul> <li>net provisions for risks and charges and other expense/income (+/-)</li> </ul>	2,702	11,604
- net premiums not received (-)	-	
- other insurance income/expense not received(-/+)	-	-
- outstanding taxes and duties	129,916	-2,159
- net impairment losses on disposal groups held for sale after tax (-/+)	-	_
- other adjustments (+/-)	-28,166	-15,389
2. Net cash flows from/used by financial assets	527,660	3,912,432
- financial assets held for trading	1,839,545	-610,053
- financial assets designated at fair value	15,692	-4,837
- available-for-sale financial assets	-1,841,173	693,608
- loans and advances to banks: repayable on demand	-	_
- loans and advances to banks: other loans and receivables	50,864	1,297,585
- loans and advances to customers	872,970	1,235,582
- other assets	-410,238	1,300,547
3. Net cash flows from/used by financial liabilities	-1,232,757	-4,501,982
- amounts due to banks repayable on demand	-	-
- amounts due to banks: other payables	947,539	-185,979
- due to customers	-3,575,629	-915,156
- debt securities issued	1,147,294	-1,558,606
- financial liabilities held for trading	-899,404	-224,907
- financial liabilities designated at fair value	-	_
- other liabilities	1,147,443	-1,617,334
Net cash flows from/used in operating activities	-8,103	-90,043
B. INVESTING ACTIVITIES		
1. Cash flows from	10,254	8,552
disposals of equity investments	10,254	<b>8,552</b> 334
	10,254 - 8,868	
- disposals of equity investments	-	334
disposals of equity investments     dividends received on equity investments     disposals of held-to-maturity investments     disposals of property, plant and equipment	-	334
<ul> <li>disposals of equity investments</li> <li>dividends received on equity investments</li> <li>disposals of held-to-maturity investments</li> </ul>	- 8,868 -	334
disposals of equity investments     dividends received on equity investments     disposals of held-to-maturity investments     disposals of property, plant and equipment	- 8,868 -	334
- disposals of equity investments - dividends received on equity investments - disposals of held-to-maturity investments - disposals of property, plant and equipment - disposals of intangible assets	- 8,868 -	334
- disposals of equity investments - dividends received on equity investments - disposals of held-to-maturity investments - disposals of property, plant and equipment - disposals of intangible assets - disposals of subsidiaries and lines of business	- 8,868 - 1,386 - -	334 8,218 - - - - - -1,308
- disposals of equity investments - dividends received on equity investments - disposals of held-to-maturity investments - disposals of property, plant and equipment - disposals of intangible assets - disposals of subsidiaries and lines of business 2. Cash flows used in	- 8,868 - 1,386 - -	334 8,218 - - - - - -1,308
- disposals of equity investments - dividends received on equity investments - disposals of held-to-maturity investments - disposals of property, plant and equipment - disposals of intangible assets - disposals of subsidiaries and lines of business  2. Cash flows used in - purchases of equity investments	- 8,868 - 1,386 - -	334 8,218 - - - - - -1,308
- disposals of equity investments - dividends received on equity investments - disposals of held-to-maturity investments - disposals of property, plant and equipment - disposals of intangible assets - disposals of subsidiaries and lines of business  2. Cash flows used in - purchases of equity investments - purchases of held-to-maturity investments	- 8,868 - 1,386 	334 8,218 - - -
- disposals of equity investments - dividends received on equity investments - disposals of held-to-maturity investments - disposals of property, plant and equipment - disposals of intangible assets - disposals of subsidiaries and lines of business  2. Cash flows used in - purchases of equity investments - purchases of held-to-maturity investments - purchases of property, plant and equipment	- 8,868 - 1,386 	334 8,218 - - - - - -1,308
- disposals of equity investments - dividends received on equity investments - disposals of held-to-maturity investments - disposals of property, plant and equipment - disposals of intangible assets - disposals of subsidiaries and lines of business  2. Cash flows used in - purchases of equity investments - purchases of held-to-maturity investments - purchases of property, plant and equipment - purchases of intangible assets	- 8,868 - 1,386 	334 8,218 - - - - -1,308 -1,308
- disposals of equity investments - dividends received on equity investments - disposals of held-to-maturity investments - disposals of property, plant and equipment - disposals of intangible assets - disposals of subsidiaries and lines of business  2. Cash flows used in - purchases of equity investments - purchases of held-to-maturity investments - purchases of property, plant and equipment - purchases of intangible assets - purchases of subsidiaries and lines of business	- 8,868 - 1,386 	334 8,218 - - - - -1,308 -1,308
- disposals of equity investments - dividends received on equity investments - disposals of held-to-maturity investments - disposals of property, plant and equipment - disposals of intangible assets - disposals of subsidiaries and lines of business  2. Cash flows used in - purchases of equity investments - purchases of held-to-maturity investments - purchases of property, plant and equipment - purchases of intangible assets - purchases of intangible assets - purchases of subsidiaries and lines of business  Net cash flows from/used in investing activities	- 8,868 - 1,386 	334 8,218 - - - -1,308 -1,308 - - - - - - -
- disposals of equity investments - dividends received on equity investments - disposals of held-to-maturity investments - disposals of property, plant and equipment - disposals of intangible assets - disposals of subsidiaries and lines of business  2. Cash flows used in - purchases of equity investments - purchases of held-to-maturity investments - purchases of property, plant and equipment - purchases of intangible assets - purchases of intangible assets - purchases of subsidiaries and lines of business  Net cash flows from/used in investing activities  C. FINANCING ACTIVITIES - issues/purchases of equity instruments	- 8,868 - 1,386 	334 8,218 - - - -1,308 -1,308 - - - - - - -
- disposals of equity investments - dividends received on equity investments - disposals of held-to-maturity investments - disposals of property, plant and equipment - disposals of intangible assets - disposals of subsidiaries and lines of business  2. Cash flows used in - purchases of equity investments - purchases of held-to-maturity investments - purchases of property, plant and equipment - purchases of intangible assets - purchases of intangible assets - purchases of subsidiaries and lines of business  Net cash flows from/used in investing activities  C. FINANCING ACTIVITIES - issues/purchases of treasury shares	- 8,868 - 1,386 	334 8,218 - - - -1,308 -1,308 - - - - - 7,244
- disposals of equity investments - dividends received on equity investments - disposals of held-to-maturity investments - disposals of property, plant and equipment - disposals of intangible assets - disposals of subsidiaries and lines of business  2. Cash flows used in - purchases of equity investments - purchases of held-to-maturity investments - purchases of property, plant and equipment - purchases of intangible assets - purchases of intangible assets - purchases of subsidiaries and lines of business  Net cash flows from/used in investing activities  C. FINANCING ACTIVITIES - issues/purchases of equity instruments	- 8,868 - 1,386 	334 8,218 - - - - - -1,308

## Reconciliation

Figures in thousands of euro	30.6.2014	30.6.2013
Cash and cash equivalents at beginning of period	589,705	641,608
Total net cash flows generated/absorbed during the period	-102,898	-150,854
Cash and cash equivalents: effect of changes in exchange rates	-	-
Cash and cash equivalents at the end of the period	486,807	490,754

## **EXPLANATORY NOTES**



## Accounting policies

## **Basis of preparation**

The Interim financial report as at and for the period ended 30<sup>th</sup> June 2014 of the UBI Banca Group, approved by the Management Board on 8<sup>th</sup> August 2014, which authorised its publication in compliance, amongst other things, with IAS 10, comprises the interim management report on consolidated operations and the condensed interim consolidated financial statements. It has been prepared in compliance with article 154-*ter* of Legislative Decree No. 58/1998, with the IFRS international accounting standards <sup>1</sup> 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 on 30<sup>th</sup> June 2014.

More specifically the interim condensed consolidated financial statements (containing: the balance sheet, income statement, statement of comprehensive income, statements of changes in equity, cash flow statement and notes) have been prepared in compliance with IAS 34, which governs interim financial reporting.

In view of the option allowed by the standard just mentioned, the condensed interim consolidated financial statements as at 30<sup>th</sup> June 2014 have been presented in condensed form and therefore they do not provide all the full information required for annual financial statements and must be read in conjunction with the annual report prepared for the year ended 31<sup>st</sup> December 2013.

The condensed interim consolidated financial statements as at and for the period ended 30th June 2014 include the Parent UBI Banca Scpa and the companies comprised within the scope of the consolidation<sup>2</sup> and they have been prepared by using the positions of the single companies included within the consolidation, corresponding to their individual interim financial statements examined and approved by their respective governing bodies and appropriately modified and reclassified, where necessary, for compliance with the accounting policies adopted by the Group.

The condensed interim consolidated financial statements 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 a limited audit by the independent auditors Deloitte & Touche Spa.

\* \* \*

The condensed interim consolidated financial statements result from the application of IFRS and measurement criteria, adopted on the basis of a going concern assumption and in compliance with the principles of accrual accounting, the relevance of the information and the predominance of substance over form.

These criteria are the same as those applied for the 2013 Annual Report which may be consulted in full, except for matters which may be detailed in the following sub-section "Other aspects".

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:

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<sup>&</sup>lt;sup>1</sup> Those standards, implemented in Italian law by Legislative Decree No. 38/2005, which took advantage of the option allowed under EC Regulation 1606/2002, are applied on the basis of events occurring that are disciplined by them from the date on which their application becomes compulsory, unless specified otherwise.

<sup>&</sup>lt;sup>2</sup> Details are given in the section "The scope of the consolidation", in which changes that occurred during the period are also given.

- 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 post-employment benefits.

In compliance with the provisions of IAS 34, income taxes are recognised on the basis of the best estimate of the weighted average rate expected for the full year.

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 the first half to the criteria previously employed for estimates in the financial statements as at and for the period ended  $31^{\rm st}$  December 2013.

These condensed half year consolidated financial statements as at and for the period ended 30<sup>th</sup> June 2014 have been clearly stated and give a true and fair view of the capital and financial position, the result for the period, the changes in equity and the cash flows generated.

The business of the Group is not significantly subject to seasonal and/or cyclical factors.

The information contained in this report is expressed, unless otherwise indicated, in euro as the accounting currency.

The mandatory financial statements and the explanatory notes have been prepared in thousands of euro $^3$  and comply with those defined in Bank of Italy Circular No.  $262/2005^4$  and in addition to the financial statements as at  $30^{th}$  June 2014 they provide the following comparative information:

- balance sheets: as at 31st December 2013 and 30th June 2013;
- income statement: period ended 30th June 2013 and full year ended 31st December 2013;
- statement of comprehensive income: period ended 30<sup>th</sup> June 2013 and full year ended 31<sup>st</sup> December 2013;
- statement of changes in equity: period ended 30th June 2013;
- statement of cash flows: period ended 30th June 2013.

The minimum information required under paragraphs 15 B and 16 A of IAS 34 relating to dividends paid and trends for loan provisions is given in the interim consolidated management report.

For full information, this Interim Financial Report also includes a section on the Parent, even if it is required neither by Art. 154-*ter* nor by IAS 34, containing the separate condensed mandatory interim financial statements as at and for the period ended 30<sup>th</sup> June 2014, the reclassified financial statements and the relative notes and comments. Those financial statements were not subjected to a limited audit.

With regard to the provisions of IAS 10, concerning events occurring subsequent to the balance sheet date of the condensed interim consolidated financial statements, subsequent to 30<sup>th</sup> June 2014, the balance sheet date, and until 8<sup>th</sup> August 2014, the date on which the Interim Financial Report was approved by the Management Board, no events occurred to make adjustments to the figures presented in the report necessary.

Furthermore, account was also taken in the preparation of this financial report, of the provisions introduced with the documents issued jointly by the supervisory authorities and more specifically with particular regard to Bank of Italy/Consob (securities market

The relative rounding of the figures has been performed on the basis of Bank of Italy instructions.
 The balance sheet lists assets and liabilities in order of decreasing liquidity and the income statement recognises expenses according to their nature.

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authority)/Isvap (insurance authority) Document No. 4 of 3<sup>rd</sup> March 2010, reference is made to the subsequent section "Other aspects" in relation to impairment of goodwill and available-for-sale financial assets.

## Regulatory developments

The most important aspects of changes in international accounting standards are given below with the periods from which they run.

#### INTERNATIONAL ACCOUNTING STANDARDS IN FORCE FROM 2014

As already reported in the 2013 Annual Report, which may be consulted for full details, the provisions of Regulation EU 1254/2012 have come into force during the current year which, with regard to the most important aspects, have:

- introduced IFRS 10 "Consolidated financial statements", IFRS 11 "Joint arrangements" and IFRS 12 "Disclosure of interests in other entities"; and also
- amended IAS 27 "Consolidated and separate financial statements" renamed IAS 27 "Separate financial statements" and IAS 28 "Investments in associates";

substantially inserting changes to the rules for the preparation of and compulsory disclosures for consolidated and separate financial statements.

The impact analysis carried out by the UBI Banca Group, in order to determine possible changes to the scope of consolidation regarded, as far as concerns the most important aspects, interests held in "banc assurance" companies and it led to the conclusion of joint control pursuant to IFRS 11, with regard to the following investments:

- Aviva Vita;
- Aviva Assicurazioni Vita; and
- UBI Assicurazioni,

previously recognised in accordance with IAS 28 as investments subject to significant influence<sup>6</sup>.

Furthermore, the consolidation methods provided for by IFRS 11 do not determine any changes in the consolidated financial statements of the UBI Banca Group with respect to the treatment employed until 31st December 2013 in accordance with IAS 28, as the investments in question continue to be accounted for according to the equity method.

As concerns the partnership with the Cattolica insurance Group (Lombarda Vita Spa), the analysis carried out led to the identification of a situation consisting of investments in companies subject to significant influence in accordance with IAS 28.

Consequently, the main changes introduced regard changes in the financial statements as at and for the period ended 31st December 2014 resulting from the introduction of IFRS 127.

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The provisions relating to the following EU regulations come into force in the current year, the adoption of which has no substantial effect on the financial statements of the UBI Banca Group:

- Regulation EU 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 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

<sup>&</sup>lt;sup>5</sup> The reference is to the companies Aviva Vita Spa, Aviva Assicurazioni Vita Spa, Lombarda Vita Spa and UBI Assicurazioni Spa.

<sup>&</sup>lt;sup>6</sup> We report, with regard to the above-mentioned conclusions on the *banc assurance* partnership with the Aviva Group, that these could be subject to modification following the definition of agreements provided for by new contractual commitments undertaken with the Aviva Group with particular regard to current relationships concerning governance.

<sup>&</sup>lt;sup>7</sup> To complete the information we report that with regard to the analyses carried out on the special purpose entities (SPEs) with which the Group holds business relations, these are all entities formed as part of securitisation operations. Consequently, these entities are already included in the scope of consolidation as at 31<sup>st</sup> December 2013 in accordance with IAS 27 and SIC 12, then in force, in line also with the provisions of IFRS 10.

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 just the previous comparative period;

- 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 FVTPL instead of consolidating them;
- Regulation EU 1374/2013, which endorses "recoverable amount disclosures for non-financial assets", makes amendments to IAS 36 "Impairment of assets" 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 have reduced in value;
- Regulation EU 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 be discontinued regardless of the novation, a possibility not allowed without this amendment.

### INTERNATIONAL ACCOUNTING STANDARDS IN FORCE SUBSEQUENT TO 2014

On 13th June 2014, the European Commission endorsed regulation EU 634/2014 which made the introduction of IFRIC 21 "Levies" 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.

#### **AMENDMENTS TO IAS 39**

On 24<sup>th</sup> July 2014 the IASB issued the accounting standard IFRS 9 "Financial Instruments", which therefore brought to conclusion a process consisting of three stages "classification and measurement", "impairment" and "general hedge accounting", which fully revised IAS 39 "Financial Instruments: Recognition and Measurement".

While according to the standard, compulsory adoption is set for 1<sup>st</sup> January 2018, it will now be subject to a process of endorsement by the European commission and will only become actually applicable in member countries of the EU on conclusion of that process.

For full information 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.

## Other aspects

#### **Forbearance**

The term "forbearance" 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 performing and non-performing. The definition of "forbearance", its impact on the writedown of financial assets and the disclosure needed to adequately describe the situation in question was addressed in Public Statement No. 853 issued by the ESMA on 20th December 2012. In this document the ESMA makes its recommendation that the measurement of financial assets carried out in accordance with IAS 39 should also cover situations of forbearance, stating that these occur when "the borrower is considered unable to meet the terms and conditions of the contracts due to financial difficulties. Based on these difficulties, the issuer decides to modify the terms and conditions of the contract to allow the borrower sufficient ability to service the debt or refinance the contract, either totally or partially".

In fact section 59(c) of IAS 39 lists cases of "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" as one of the possible indicators that a financial asset is impaired. The ESMA concludes from this that the concession of forbearance measures constitutes an indicator of the need to carry out an assessment to determine possible impairment of the

In the view of the ESMA, forbearance occurs when two conditions manifest simultaneously:

- a concession is made to the counterparty (in terms of modifications to the contract);
- financial difficulty (current or about to manifest) of the counterparty.

The document explicitly and unequivocally states that the concession of changes to the contract must be granted to the counterparty due either to current financial difficulties or to difficulties already present but not yet manifest. The absence of that requirement considers that concession to be a normal commercial agreement and not therefore to be classified as a case of forbearance. Determination of objective financial difficulty on the part of the counterparty is left to the judgement of the bank.

In order to help standardise the definitions, in line with the definition introduced by the ESMA8, on 24th July 2014, the EBA9 issued a "final draft Implementing Technical Standards10" with the objective, for regulatory purposes, of defining common criteria and harmonisation elements to identify measurements of forbearance in order to reduce divergences in the implementation of the definition of default and impairment. To achieve this, in this document the EBA introduces a definition of forbearance and of performing exposures and it publishes templates with which this information must be reported. More precisely:

- "forborne exposures11 are debt contracts in respect of which forbearance measures have been extended. Forbearance measures consist of concessions towards a debtor facing or about to face difficulties in meeting its financial commitments ('financial difficulties')";
- "non-performing exposures are those that satisfy either or both of the following criteria: (a) material exposures which are more than 90 days past - due; (b) the debtor is assessed as unlikely to pay its credit obligations in full without realization of collateral, regardless of the existence of any past - due amount or of the number of days past due".

At present the ITSs are currently being approved by the European Commission. Once they are approved they will constitute an addendum to the body of regulations on supervisory reporting (FINREP - financial Reporting). The latter will come into force as of 30th September 2014, with the date for submitting the first report by 31st December 2014.

Since the modifications reported above apply to supervisory reporting, the rules provided by Bank of Italy Circular No. 262 remain in force for financial reporting, in application of the provisions of IAS 39.

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European Banking Authority.

<sup>10</sup> ITS. On 21st October 2013 the EBA issued "Recommendations on asset quality reviews", with which it introduced an initial definition of forbearance measures, following which initial information on the matter was furnished in the notes to the financial statements in the 2013 Annual Report.

<sup>11</sup> These may be either performing or non-performing.

As concerns the impacts on financial reporting, work is at present in progress, including work by the Italian Banking Association, to study the reconciliation between the current categories in use for supervisory and financial reporting (i.e. defined by the Bank of Italy) and those of the EBA.

Therefore the classification and measurement criteria for loans employed in the 2013 annual report have been maintained for the financial statements as at and for the period ended 30<sup>th</sup> June 2014.

### Impairment of available-for-sale securities

The fair value measurement of available-for-sale securities as at 30<sup>th</sup> June 2014 resulted in the recognition of impairment losses through profit and loss of €2 million (gross of tax and non-controlling interests), of which €0.8 million relating to UBI Banca.

These impairment losses are attributable overall to equity instruments and consisted of  $\in 1.1$  million on shareholdings and  $\in 0.9$  million on investments in UCITS (mostly held by the Parent), the fair value of which is obtained on the basis of the NAVs periodically reported by the asset management companies.

The impairment losses were recognised, in compliance with Group policy on the impairment of available-for-sale equity instruments, when the fair value of the instruments either remained below the historical cost of purchase for a period of longer than 18 months or fell below that level by more than 35% or in cases of impairment following the recognition of previous impairment losses.

Any future recoveries in the value of those instruments must be recognised in a separate reserve in equity in compliance with the provisions of IAS 39;

### Impairment tests on goodwill

The provisions of IAS 36 require goodwill and therefore the cash generating units (CGUs) or groups of CGUs to which it was allocated, to be tested for impairment at least annually and also certain qualitative and quantitative indicators of impairment to be monitored continuously to see whether the necessary conditions exist for testing goodwill for impairment more frequently.

It is even more important to monitor the factors which might indicate possible impairment in the current economic environment as fully reported in the Consolidated Interim Management Report.

The importance of impairment tests was also emphasised by supervisory authorities in the Joint Document No. 4 already mentioned, which underlined the need to pay maximum attention to full compliance with IAS 36 in the preparation of financial statements with regard to the following:

- the impairment testing procedures employed;
- the information provided in the notes to the financial statements.

In consideration of the foregoing, since the stock market capitalisation as at  $30^{\text{th}}$  June 2014 was lower than the equity recognised on the books, all those elements from internal and external inputs which might lead to a fundamental valuation lower than that recognised as at  $31^{\text{st}}$  December 2013 were subject to analysis.

In detail, it was found that in the first half in question both the stock market capitalisation and the equity value implicit in the consensus target price had both risen substantially. Also the UBI one-year and five-year credit default swaps had also improved by falling. This also denotes an ability to acquire debt under better terms and conditions than at the beginning of the first half.

The following fundamental factors were analysed:

- i. the cost of equity for UBI Banca (and its determinants);
- ii. the scenario interest rates;
- iii. trends in net profit forecasts (and other income statement items) made by equity analysts both for 2014 and subsequent years (after the announcement of the results from the first quarter of 2014).

The estimate of the cost of equity (and its determinants) as at 30<sup>th</sup> June 2014 had fallen slightly as reported in the table below.

	31.12.2013 (a)	30.06.2014 (b)	Delta = (b-a)
A) Risk Free (average Daily 1 year IRS 10 y)	1.95%	1.98%	0.03%
B) Beta based on options (vs Stoxx 600)	1.46x	1.44x	-0.02x
C) Equity risk premium	5.50%	5.50%	0.00%
D) Cost of equity = A + B x C	9.98%	9.90%	-0.08%

The table shows that the estimate of the cost of equity (COE) as at 30<sup>th</sup> June 2014 was 9.90%, essentially the same as the estimate as at 31<sup>st</sup> December 2013 (9.98%). This was because both the risk free rate (average daily 1 year interest rate swaps, 10 years) and the beta coefficient were almost unchanged.

The terminal value of the cost of equity as at  $30^{th}$  June 2014 was calculated using the same method as that employed as at  $31^{st}$  December 2013 based on a capital asset pricing model. It made use of the yield to maturity of the interbank rate (1.98% as at  $30^{th}$  June 2014) as the risk free rate, an adjusted UBI Banca beta ( $\beta$ ) (calculated on the basis of the volatility implicit in options on the share and on the Stoxx 600 index and on the basis of a one-year correlation between the index and the share) which stood at 1.44x as at  $30^{th}$  June 2014 and an equity risk premium of 5.5% (COE = Risk Free +  $\beta$  x Equity Risk Premium).

With regard to the interest rate scenario, a survey was carried out on external input based forecasts. The following in particular was found:

- a) the consensus forecasts for the BTP Bund spread, used for the annual impairment test to verify cost projections for planned debt were in line with the most up-to-date consensus forecasts (April 2014);
- b) the consensus estimates for the ten-year German interest rate were more or less unchanged. This supports the long-term Interbank interest rate projections carried out by management:
- c) the estimates for short-term interbank interest rates (Euribor 3 months) decreased.

Since the update of the interest rate scenario was not accompanied by forecasts of a reduction in profit by equity analysts for the five-year period 2014-2018, we report that no external input triggers existed which required the exercise to estimate the recoverable value as at 30<sup>th</sup> June 2014 to be repeated.

As concerns potential internal input triggers, the comparison of the consolidated results to 30<sup>th</sup> June 2014 with budget forecasts for the same period confirmed a trend in line with expectations.

On the basis of the analysis of internal and external presumed impairment factors, no requirement was found to repeat the impairment test for the purposes of preparing this interim financial report.

#### Change in the rate for IRAP (regional production tax)

Information was provided in the 2013 Annual Report on the provisions of the 2014 *Legge di stabilità* ("stability law" – annual finance law) and in particular on the fact that with regard to IRAP (regional production tax) also they provided for new procedures for recovering taxes in addition and supplementary to the ordinary criteria for recognition, designed to ensure the recovery of tax assets, independently of the future profits of a company.

UBI Banca, which in past years had not recognised deferred tax assets (DTAs) on fiscally realigned goodwill because of expectations of negative taxable income in subsequent years, which *de facto* made recovery uncertain, proceeded in 2013 to reassess DTAs for IRAP not recognised on goodwill subject to tax relief. It therefore recognised tax assets for prepaid taxes amounting to approximately €212 million, calculated on the basis of the IRAP rate in force which it was expected to be applied in the financial year in which the asset would be realised.

Subsequently, Decree Law No. 66 of 24<sup>th</sup> April 2014, converted into Law No 89 of 23<sup>rd</sup> June 2014, reduced the rate for IRAP to be applied on the value of production from 4.65% to 4.20%, but without changing the surtax of 0.92% charged on some companies, including banks.

As a result of this, the negative impact resulting from the overall recalculation of deferred tax assets on the basis of the new tax rate was recognised in the interim financial report for the period ended  $30^{th}$  June 2014. It amounted to approximately  $\[ \in \]$  19.56 million ( $\[ \in \]$  19.55 million net of non-controlling interests), of which  $\[ \in \]$  17.2 million relating to the above-mentioned deferred tax assets on fiscally aligned goodwill.

## Valuation of the shareholdings held in the Bank of Italy

Information was given in the 2013 Annual Report on the effects for the UBI Banca Group of the recognition of the greater value assigned to the new profit-sharing "stakes" in the ownership capital the Bank of Italy, specifying that that valuation had a positive impact of &29.2 million on the income statement [item 100b "income (loss) from disposal or repurchase of: available-for-sale financial assets"], &20.5 million net of non-controlling interests and the relative tax (a substitute tax of 12%).

Decree Law No. 66 of  $24^{th}$  April 2014, converted into Law No 89 of  $23^{rd}$  June 2014, subsequently raised the rate of the substitute tax to 26%.

The negative impact of that rise amounting to €4.5 million (€3.7 million net of non-controlling interests) has therefore been recognised in the income statement in this interim financial report.

#### Classification pursuant to IFRS 5 of non-current assets held for sale.

As described in the section "Significant events in the first half of 2014" of the Interim consolidated management report, on 16<sup>th</sup> April 2014, UBI Banca signed a series of agreements with the Aviva Group to totally redefine the existing joint venture in the sector of the distribution of life insurance products.

These agreements, amongst other things, require the sale by UBI Banca to Aviva of 30% of the two joint ventures Aviva Vita and Aviva Assicurazioni Vita in which 50% and 49.99% is held respectively, thereby maintaining a stake of approximately 20% of the share capital of each one.

On the basis of the above and considering that it had complied with IFRS 5 "non-current assets held for sale and discontinued operations", UBI Banca reclassified the share of the investments subject to future sale within "non-current assets and disposal groups held for sale" (asset item 150 on the balance sheet).

# List of the main IFRS standards endorsed by the European Commission

IAS/IFRS	ACCOUNTING STANDARDS	ENDORSEMENT
IAS 1	Presentation of financial statements	Reg. 1274/08, 53/09, 70/09, 494/09, 243/10, 149/11, 475/12, 1254/12, 1255/12, 301/13
IAS 2	Inventories	Reg. 1126/08, 1255/12
IAS 7	Statement of cash flows	Reg. 1126/08, 1274/08, 70/09, 494/09, 243/10, 1254/12, 1174/13
IAS 8	Accounting policies, changes in accounting estimates and errors	Reg. 1126/08, 1274/08, 70/09, 1255/12
IAS 10	Events after the reporting date	Reg. 1126/08, 1274/08, 70/09, 1142/09, 1255/12
IAS 11	Construction contracts	Reg. 1126/08, 1274/08
IAS 12	Income taxes	Reg. 1126/08, 1274/08, 495/09, 475/12, 1254/12, 1255/12, 1174/13
IAS 16	Property, plant and equipment	Reg. 1126/08, 1274/08, 70/09, 495/09, 1255/12, 301/13
IAS 17	Leases	Reg. 1126/08, 243/10, 1255/12
IAS 18	Revenue	Reg. 1126/08, 69/09, 1254/12, 1255/12
IAS 19	Employee benefits	Reg. 1126/08, 1274/08, 70/09, 475/12, 1255/12
IAS 20	Accounting for government grants and disclosure of government assistance	Reg. 1126/08, 1274/08, 70/09, 475/12, 1255/12
IAS 21	The effects of changes in foreign exchange rates	Reg. 1126/08, 1274/08, 69/09, 494/09, 149/11, 475/12, 1254/12, 1255/12
IAS 23	Borrowing costs	Reg. 1260/08, 70/09
IAS 24	Related party disclosures	Reg. 632/10, 475/12, 1254/12, 1174/13
IAS 26	Retirement benefit plans	Reg. 1126/08
IAS 27	Consolidated and separate financial statements	Reg. 1254/12, 1174/13
IAS 28	Investments in associates	Reg. 1254/12
IAS 29	Financial reporting in hyperinflationary economies	Reg. 1126/08, 1274/08, 70/09
IAS 32	Financial instruments: presentation	Reg. 1126/08, 1274/08, 53/09, 70/2009, 495/09, 1293/09, 149/11, 475/12, 1254/12, 1255/12, 1256/12, 301/13, 1174/13
IAS 33	Earnings per share	Reg. 1126/08, 1274/08, 495/09, 475/12, 1254/12, 1255/12
IAS 34	Interim financial reporting	Reg. 1126/08, 1274/08, 70/09, 495/09, 149/11, 475/12, 1255/12, 301/13, 1174/13
IAS 36	Impairment of assets	Reg. 1126/08, 1274/08, 69/09, 70/09, 495/09, 243/10, 1254/12, 1255/12, 1374/13
IAS 37	Provisions, contingent liabilities and contingent assets	Reg. 1126/08, 1274/08, 495/09
IAS 38	Intangible assets	Reg. 1126/08, 1274/08, 70/09, 495/09, 243/10, 1254/12, 1255/12
IAS 39	Financial instruments: recognition and measurement	Reg. 1126/08, 1274/08, 53/2009, 70/09, 494/09, 495/09, 824/09, 839/09, 1171/09, 243/10, 149/11, 1254/12, 1255/12, 1174/13, 1375/13
IAS 40	Investment property	Reg. 1126/08, Reg. 1274/08, Reg. 70/09, 1255/12
IAS 41	Agriculture	Reg. 1126/08, 1274/08, 70/09, 1255/12
IFRS 1	First-time adoption of international financial reporting standards	Reg. 1126/09, 1164/09, 550/10, 574/10, 662/10, 149/11, 475/12, 1254/12, 1255/12, 183/2013, 301/13, 313/13, 1174/13
IFRS 2	Share-based payment	Reg. 1126/08, 1261/08, 495/09, 243/10, 244/10, 1254/12, 1255/12
IFRS 3	Business combinations	Reg. 495/09, 149/11, 1254/12, 1255/12, 1174/13
IFRS 4	Insurance contracts	Reg. 1126/08, 1274/08, 1165/09, 1255/12
IFRS 5	Non-current assets held for sale and discontinued operations	Reg. 1126/08, 1274/08, 70/09, 494/09, 1142/09, 243/10, 475/12, 1254/12, 1255/12
IFRS 6	Exploration for and evaluation of mineral resources	Reg. 1126/08
IFRS 7	Financial instruments: disclosures	Reg. 1126/08, 1274/08, 53/09, 70/2009, 495/09, 824/09, 1165/09, 574/10, 149/11, 1205/11, 475/12, 1254/12, 1255/12, 1256/12, 1174/13
IFRS 8	Operating segments	Reg. 1126/08, 1274/08, 243/10, 632/10, 475/12
IFRS 10	Consolidated financial statements	Reg. 1254/12, 313/13, 1174/13
IFRS 11	Joint arrangements	Reg. 1254/12, 313/13
IFRS 12	Disclosure of interests in other entities	Reg. 1254/12, 313/13, 1174/13
IFRS 12 IFRS 13		
11.179 19	Fair value measurement	Reg. 1255/12

SIC/IFRIC	INTERPRETATION DOCUMENTS	ENDORSEMENT
IFRIC 1	Changes in existing decommissioning, restoration and similar liabilities	Reg. 1126/08, 1274/08
IFRIC 2	Members' Shares in co-operative entities and similar instruments	Reg. 1126/08, 53/09, 1255/12, 301/13
IFRIC 4	Determining whether an arrangement contains a lease	Reg. 1126/08, 70/09, 1255/12
IFRIC 5	Rights to interests arising from decommissioning, restoration and environmental rehabilitation funds	Reg. 1126/08, 1254/12
IFRIC 6	Liabilities arising from participating in a specific market - waste electrical and electronic equipment	Reg. 1126/08
IFRIC 7	Applying the restatement approach under IAS 29 "Financial reporting in hyperinflationary economies"	Reg. 1126/08, 1274/08
IFRIC 9	Reassessment of embedded derivatives	Reg. 1126/08, 495/09, 1171/09, 243/10, 1254/12
IFRIC 10	Interim financial reporting and impairment	Reg. 1126/08, 1274/08
IFRIC 12	Service concession arrangements	Reg. 254/09
IFRIC 13	Customer loyalty programmes	Reg. 1262/08, 149/11, 1255/12
IFRIC 14	Prepayments of a minimum funding requirement	Reg. 1263/08, Reg. 1274/08, 633/10, 475/12
IFRIC 15	Agreements for the construction of real estate	Reg. 636/09
IFRIC 16	Hedges of a net investment in a foreign operation	Reg. 460/09, Reg. 243/10, 1254/12
IFRIC 17	Distributions of non-cash assets to owners	Reg. 1142/09, 1254/12, 1255/12
IFRIC 18	Transfers of assets from customers	Reg. 1164/09
IFRIC 19	Extinguishing financial liabilities with equity instruments	Reg. 662/10, 1255/12
IFRIC 20	Stripping costs in the production phase of a surface mine	Reg. 1255/12
IFRIC 21	Levies	Reg. 634/14
SIC 7	Introduction of the euro	Reg. 1126/08, 1274/08, 494/09
SIC 10	Government assistance – no specific relation to operating activities	Reg. 1126/08, 1274/08
SIC 13	Jointly controlled entities – non-monetary contributions by venturers	Reg. 1126/08, 1274/08
SIC 15	Operating leases – Incentives	Reg. 1126/08, 1274/08
SIC 25	Income taxes – Changes in the tax status of an enterprise or its shareholders	Reg. 1126/08, 1274/08
SIC 27	Evaluating the substance of transactions in the legal form of a lease	Reg. 1126/08
SIC 29	Service concession arrangements: disclosures	Reg. 1126/08, 1274/08, 70/09
SIC 31	Revenue – Barter transactions involving advertising services	Reg. 1126/08
SIC 32	Intangible assets – Website costs	Reg. 1126/08, 1274/08

# Information on fair value

# Transfers between portfolios

The UBI Banca Group made no portfolio reclassifications of financial assets during the reporting period out of assets measured at fair value into assets measured at amortised cost, in relation to the possibilities introduced by EU Regulation No. 1004/2008 of the European Commission.

## Fair value hierarchy

No changes were made in the first half to the criteria employed for calculating fair value hierarchies on the basis of the use of observable or non-observable inputs compared to those used for the 2013 Annual Report, which may be consulted for full details.

#### Assets and liabilities measured at fair value on recurring basis

Assets/liabilities measured at fair value		30.6.2014			31.12.2013	
Figures in thousands of euro	L1	L2	L3	L1	L2	L3
Financial assets held for trading	1,667,952	499,371	1,338	2,597,874	456,687	1,703
2. Financial assets designated at fair value	120,469	927	71,012	117,129	927	90,087
3. Available-for-sale financial assets	15,622,108	939,633	180,835	14,401,259	903,874	184,364
4. Hedging derivatives	-	458,998	-	-	253,609	-
5. Property, plant and equipment	-	-	-	-	-	-
6. Intangible assets	-	-	-	-	-	-
Total	17,410,529	1,898,929	253,185	17,116,262	1,615,097	276,154
1. Financial liabilities held for trading	332	496,614	-	979,014	417,336	-
2. Financial liabilities designated at fair value	-	-	-	-	-	-
3. Hedging derivatives	-	623,610	-	-	483,545	-
Total	332	1,120,224	-	979,014	900,881	-

For securities classified within the AFS portfolio with fair value level three for which, given the measurement model used, a sensitivity analysis is produced, if the maximum value set by internal policies for the unobservable inputs is used, the gross valuation reserve would be  $\[mathbb{e}\]$ 7.5 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  $\[mathbb{e}\]$ 14.9 million higher than the book value recognised.

For equity instruments classified as designated at fair value for which sensitivity analysis can be carried out, 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 (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.

#### Changes in the first half in assets measured at fair value (level 3)

Figures in thousands of euro	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	1,703	90,087	184,364	-	· -	•
2. Increases	551	17,933	2,764	-	-	
2.1. Purchases	5	-	384	-	-	
2.2. Profits recognised in:						
2.2.1. Income statement	4	1,400	-	-	-	
- of which gains	4	1,400	-	-	-	
2.2.2. Equity	Х	X	2,379	-	-	
2.3. Transfers from other levels	496	-	-	-	-	
2.4. Other increases	46	16,533	1	-	-	
3. Decreases	(916)	(37,008)	(6,293)		-	
3.1. Sales	(535)	(18,886)	(2,087)	-	-	
3.2. Redemptions	-	(217)	(1)	-	<del>-</del>	
3.3. Losses recognised in:						
3.3.1. Income statement	(381)	(2,087)	(840)	-	-	
- of which losses	(381)	(2,087)	(840)	-	-	
3.3.2. Equity	Х	X	(2,953)	-	-	
3.4. Transfers to other levels	-	-	-	-	-	
3.5. Other decreases	-	(15,818)	(412)	-	-	
4. Closing balances	1,338	71,012	180,835		-	

#### Financial assets held for trading

Transfers from other levels regarded €341 thousand (from level two to level three) relating to the investment in Alba Private Equity Old.

All the securities subject to transfer had been sold as at 30th June 2014.

Losses recognised through profit and loss related to the convertible bond Cogeme SET 2009-2014 Step Coupon Cv amounting to €364 thousand.

## Financial assets designated at fair value

Profits recognised through profit and loss relate to the profits realised on shareholdings held in the company Property Mirasole amounting to €1,383 thousand while the remainder related to profits on hedge funds.

The other increases and decreases regarded primarily the change in the legal status of equity instruments from the investees Car Testing and Property Mirasole.

Other increases also included the profit realised on the sale of the investee Manisa Srl.

Sales related to the disposal of part of the investment in Humanitas Spa amounting to €15 million and the full disposal of Manisa Srl for €3,886 thousand.

Losses recognised through profit and loss relate to positions in hedge funds amounting to approximately  $\mbox{\ensuremath{$\ell$}}723$  thousand and losses on merchant banking investments of  $\mbox{\ensuremath{$\ell$}}1,364$  thousand (of which  $\mbox{\ensuremath{$\ell$}}729$  thousand on Humanitas and  $\mbox{\ensuremath{$\ell$}}635$  thousand on ECAS Spa).

#### Available-for-sale financial assets

Profits recognised in equity relate to the investment in SACBO S.p.A.

Sales related to the disposal of part of the investment in Prelios for €2,087 thousand.

Losses recognised through profit and loss mainly regard the investments in GEC Gestione Esazioni Convenzionate amounting to €712 thousand and Centro Polifunzionale del Piano amounting to €56 thousand.

Losses recognised in equity were primarily attributable to the investment in SIA due to a change in the fair value of the investment (€2.5 million). That impairment was offset in the first half of 2014 by the receipt of approximately €3.3 million in dividends from the company.

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

Assets and liabilities not measured at fair value or measured at fair value on a non-recurring basis		30.6.2	014		31.12.2013		2013	
			Fair value				Fair value	
Figures in thousands of euro	Carrying amount	L1	L2	L3	Carrying amount	L1	L2	L3
1. Held-to-maturity investments	3,049,841	3,085,020	-	-	3,086,815	3,153,553	-	-
2. Loans and advances to banks	4,078,892	-	1,035,727	3,081,226	4,129,756	-	776,556	3,386,967
3. Loans and advances to customers	87,119,396	-	38,075,819	50,544,900	88,421,467	-	34,516,327	53,843,580
4. Tangible assets held for investment	177,523	-	-	237,853	168,220	-	-	235,813
5. Non-current assets and disposal groups held for sale	188,358	-	-	-	79,877	-	-	-
Total	94,614,010	3,085,020	39,111,546	53,863,979	95,886,135	3,153,553	35,292,883	57,466,360
1. Due to banks	15,964,805	-	16,207	15,950,341	15,017,266	-	4,500	15,090,737
2. Due to customers	47,126,528	-	1,371,513	45,755,402	50,702,157	-	1,566,474	49,408,711
3. Debt securities issued	43,049,073	17,922,943	25,559,256	170,472	41,901,779	17,653,559	23,902,816	229,179
Liabilities associated with assets held for sale	-	-	-	-	-	-	-	-
Total	106,140,406	17,922,943	26,946,976	61,876,215	107,621,202	17,653,559	25,473,790	64,728,627

## Information on "day one profit/loss"

The information relates to paragraph 28 of IFRS 7 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.

In consideration of the above, we report that the UBI Banca Group 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.

# The scope of the consolidation

The companies that formed part of the consolidation as at 30th June 2014 are listed below, divided into subsidiaries (fully consolidated) and companies subject to joint control/associates (consolidated using the equity method).

The percentage of control or ownership attributable to the Group (direct or indirect), their headquarters (registered address or operating headquarters) and the share capital is also given for each of them.

Fully consolidated companies (control is by the Parent of the Group where no other indication is given):

- 1. Unione di Banche Italiane Scpa UBI Banca (Parent) registered address: Bergamo, Piazza Vittorio Veneto, 8 - share capital: €2,254,371,430
- 2. Banca Popolare di Bergamo Spa (100% controlled) registered address: Bergamo, Piazza Vittorio Veneto, 8 - share capital: €1,350,514,252
- 3. Banco di Brescia San Paolo CAB Spa (100% controlled) registered address: Brescia, Corso Martiri della Libertà, 13 - share capital: €615,632,230.88
- 4. Banca Popolare Commercio e Industria Spa (75.0769% controlled) registered address: Milan, Via Monte di Pietà, 71 - share capital: €934,150,467.60
- 5. Banca Regionale Europea Spa (74.7531% controlled)<sup>2</sup> registered address: Cuneo, Via Rome, 13 - share capital: €587,892,824.35
- 6. Banca Popolare di Ancona Spa (93.0195% controlled) registered address: Jesi (Ancona), Via Don A. Battistoni, 4 - share capital: €147,301,670.32
- 7. Banca Carime Spa (92.8386% controlled) registered address: Cosenza, Viale Crati snc - share capital: €1,468,208,505.92
- 8. Banca di Valle Camonica Spa (74.2439% controlled and BBS holds 8.7156%) registered address: Breno (Brescia), Piazza Repubblica, 2 - share capital: €2,738,693
- 9. UBI Banca International Sa (91.1959% controlled and 5.4825% held by BBS, 3.1598% held by BPB and 0.1618% by BRE) registered address: 37/A, Avenue J.F. Kennedy, L – Luxembourg – share capital: €70,613,580
- 10. UBI Trustee Sa (100% controlled by UBI Banca International) registered address: 37/A, Avenue J.F. Kennedy, L - Luxembourg - share capital: €250,000
- 11. UBI Capital Singapore Pte Ltd former BDG Singapore Pte Ltd (100% controlled by UBI Banca International)3 registered address: 47 Scotts Road # 06-01/02, Goldbell Towers, 228233 Singapore - share capital:
- 10,600,000 Singapore dollars 12. Prestitalia Spa (100% controlled)
- registered address: Bergamo, Via A. Stoppani, 15 share capital: €205,722,715
- 13. IW Bank Spa (98.8710% controlled4) registered address: Milano, Via Cavriana, 20 - share capital: €18,404,795
- 14. UBI Banca Lombarda Private Investment Spa (100% controlled) registered address: Brescia, Via Cefalonia, 74 - share capital: €67,950,000
- 15. Centrobanca Sviluppo Impresa SGR Spa (100% controlled) registered address: Milano, Corso Europa, 16 - share capital: €2,000,000

<sup>1</sup> A Shareholders' Meeting, held on 25th March 2014, resolved to transfer the registered offices to via Monte di Pietà, 7 (still in Milan). The change was filed with the Company Registrar on 3rd April 2014.

<sup>2</sup> The percentage of control relates to the total share capital held.

<sup>3</sup> On 21st July 2014 the company was removed from the Company Register by the local authority (ACRA - Accounting & corporate

Regulatory Authority).

4 In reality the Group fully controls this online bank, because the remaining shares, amounting to 1.1290% of the share capital, are held in portfolio by IW Bank (and as treasury shares they do not pay a dividend).

- 16. UBI Pramerica SGR Spa (65% controlled) operating headquarters: Milano, Via Monte di Pietà, 5 share capital: €19,955,465
- 17. UBI Management Company Sa (100% controlled by UBI Pramerica SGR) registered address: 37/A, Avenue J.F. Kennedy, L Luxembourg share capital: €125,000
- 18. UBI Leasing Spa (99.6207% controlled) registered address: Brescia, Via Cefalonia, 74 share capital: €641,557,806
- 19. Unione di Banche Italiane per il Factoring Spa UBI Factor Spa (100% controlled) registered address: Milan, Via f.lli Gabba, 1 share capital: €36,115,820
- 20. BPB Immobiliare Srl (100% controlled)
  registered address: Bergamo, Piazza Vittorio Veneto, 8 share capital: €185,680,000
- 21. Società Bresciana Immobiliare Mobiliare S.B.I.M. Spa (100% controlled) registered address: Brescia, Via A. Moro, 13 share capital: €35,000,000
- 22. Società Lombarda Immobiliare Srl SOLIMM (100% controlled) registered address: Brescia, Via Cefalonia, 74 share capital: €100,000
- 23. UBI Fiduciaria Spa (100% controlled)
  registered address: Brescia, Via Cefalonia, 74 share capital: €1,898,000
- 24. UBI Gestioni Fiduciarie Sim Spa (100% controlled by UBI Fiduciaria) registered address: Brescia, Via Cefalonia, 74 share capital: €1,040,000
- 25. Coralis Rent Srl (100% controlled) registered address: Milano, Via f.lli Gabba, 1 share capital: €400,000
- 26. UBI Sistemi e Servizi SCpA<sup>5</sup> Consortium Stock Company (71.8696% controlled and 4.3154% held by BRE; 2.8769% held by: BPB, BBS, BPCI, BPA and Banca Carime; 2.8757% held by IW Bank; 1.4385% held by: Banca di Valle Camonica, UBI Banca Private Investment and UBI Pramerica SGR; 0.7192% held by UBI Factor; 0.0719% held by Prestitalia; and 0.0097% held by UBI Academy)
  - registered address: Brescia, Via Cefalonia, 62 share capital: €36,149,948.64
- 27. UBI Academy SCRL Limited Consortium Company (68.5% controlled and 3% held by: BPB, BBS, BPCI, BPA, Banca Carime, BRE and UBI.S; 1.5% held by: Banca di Valle Camonica, IW Bank, UBI Banca Private Investment, UBI Pramerica SGR, UBI Leasing, UBI Factor and Prestitalia) registered address: Bergamo, Via f.lli Calvi, 9 share capital: €100,000
- 28. UBI Finance Srl<sup>6</sup> (60% controlled) registered address: Milano, Foro Bonaparte, 70 share capital: €10,000
- 29. UBI Finance CB 2 Srl<sup>7</sup> (60% controlled) registered address: Milano, Foro Bonaparte, 70 share capital: €10,000
- 30. 24-7 Finance Srl<sup>8</sup>
- 31. Lombarda Lease Finance 4 Srl<sup>9</sup>
- 32. UBI Lease Finance 5 Srl<sup>10</sup>

<sup>5</sup> The Group holds a controlling 98.56% interest in the share capital of UBI.S; the remaining 1.44% is held by UBI Assicurazioni.

<sup>6</sup> A special purpose entity in accordance with Law No. 130/1999, this company, enrolled on the general list of intermediaries pursuant to Art. 106 of the Consolidated Banking Act, was formed on 18th March 2008 to allow UBI Banca to implement the first programme to issue covered bonds backed by residential mortgages.

<sup>7</sup> A special purpose entity in accordance with Law No. 130/1999, this company, enrolled on the general list of intermediaries pursuant to Art. 106 of the consolidated banking act, was formed on 20th December 2011 to allow the UBI Banca to implement a second programme to issue covered bonds backed mainly by commercial non-residential mortgages.

second programme to issue covered bonds backed mainly by commercial non-residential mortgages.

8 A special purpose entity used in compliance with Law No. 130/1999 for the securitisations of the former B@nca 24-7 performed in 2008. It was consolidated because this company is in reality controlled, since its assets and liabilities were originated by a Group member company. UBI Banca holds a 10% stake.

<sup>9</sup> A special purpose entity formed in accordance with Law No. 130/1999 when a securitisation was performed in 2005 by the former SBS Leasing. It was consolidated because this company is in reality controlled, since its assets and liabilities were originated by a Group member company. UBI Banca holds a 10% stake.
On 30th July 2014 this securitisation was closed down and the originator repurchased the remaining portfolio of loans from the

On 30<sup>th</sup> July 2014 this securitisation was closed down and the originator repurchased the remaining portfolio of loans from the entity (£49 million, with operating effect from 30<sup>th</sup> June) and then redeemed the junior notes (the original value of the tranche on the books of the leasing company was £21 million). On the preceding 30<sup>th</sup> April, the last £7 million of the mezzanine tranche still outstanding had been redeemed.

<sup>10</sup> A special purpose entity formed in accordance with Law No. 130/1999 for the securitisation of performing loans by UBI Leasing in November 2008. It was consolidated because this company is in reality controlled, since its assets and liabilities were originated by a Group member company. UBI Banca holds a 10% stake.

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33. UBI Finance 2 Srl11
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- 34. UBI Finance 3 Srl<sup>12</sup>
- 35. UBI SPV BBS 2012 Srl13
- 36. UBI SPV BPCI 2012 Srl13
- 37. UBI SPV BPA 2012 Srl13

**Companies consolidated using the equity method** (the investment is by the Parent where no other indication is given):

1. Aviva Vita Spa (50% interest held) registered address: Milan, Via Scarsellini, 14 – share capital: €155,000,000

 Aviva Assicurazioni Vita Spa (formerly UBI Assicurazioni Vita Spa) (49.9999% interest held) registered address: Milan, Via Scarsellini, 14 - share capital: €49,721,776

3. Lombarda Vita Spa (40% interest held) registered address: Brescia, Corso Martiri della Libertà, 13 – share capital: €185,300,000

UBI Assicurazioni Spa (49.9999% interest held)
 registered address: Milano, via Tolmezzo, 15 - share capital: €32,812,000

5. Polis Fondi SGRpA (19.6% interest held)
registered address: Milano, Via Solferino, 7 – share capital: €5,200,000

- 6. Zhong Ou Asset Management Co. Ltd (formerly Lombarda China Fund Management 35% interest held) registered address: 8f Bank of East ASIA Finance Tower, 66 Hua Yuan Shi Qiao Road, Pudong New Area, 200120 Shanghai (China) share capital: 188,000,000 yuan/renminbi
- 7. SF Consulting Srl (35% interest held) operating headquarters: Mantova, Via P.F. Calvi, 40 share capital: €93,600
- 8. UFI Servizi Srl (23.1667% interest held by Prestitalia) registered address: Roma, Via G. Severano, 24 share capital: €150,000

## Changes in the scope of consolidation

No changes were made to the scope of consolidation compared with 31st December 2013 except for those reported below:

- Banca Regionale Europea Spa: in the first half of the year the Parent acquired 84,607 ordinary shares from non-controlling shareholders to bring its controlling interest in the ordinary share capital up to 79.8683% (from 79.8576% at the end of December). Total percentage control of the share capital (consisting of ordinary, privileged and savings shares) rose to 74.7531% from 74.7438%; before;
- Banca Popolare di Ancona Spa: in the first six months of 2014, following the sale of 5,791 shares by individual shareholders, UBI Banca increased its percentage control of this Marches bank from 92.9959% as at 31st December 2013 to 93.0195% in June 2014;
- Banca Carime: 21,039 shares were purchased in May from individual counterparties, which brought the share of control up to 92.8386% (92.8371% at the end of 2013);

<sup>11</sup> A special purpose entity used in accordance with Law No. 130/1999 for the securitisation of a portfolio of Banco di Brescia performing loans at the beginning of 2009. It was consolidated because this company is in reality controlled, since its assets and liabilities were originated by a Group member company. UBI Banca holds a 10% stake.

Following a decision to close down the securitisation already subject to substantial amortisation on 5th May (date of effect for

Following a decision to close down the securitisation, already subject to substantial amortisation, on 5th May (date of effect for operating purposes) the originator repurchased the remaining portfolio of loans (£682 million) and on 29th May 2014 redeemed the senior notes still outstanding (£99 million) and the junior tranche (£510 million approx.) on the books of Banco di Brescia. On that same day the amounts relating to the guarantees and margin accounts were also repaid. As at 30th June 2014 the company had only recognised the operating effects relating to the assets and liabilities recognised in the preceding months.

<sup>12</sup> A special purpose entity used in accordance with Law No. 130/1999 for the securitisation of a portfolio of performing loans performed by Banca Popolare di Bergamo at the end of 2010. It was consolidated because this company is in reality controlled, since its assets and liabilities were originated by a Group member company. UBI Banca holds a 10% stake.

<sup>13</sup> A special purpose entity formed in accordance with Law No. 130/1999 for the securitisations of the performing loans to SMEs of some network banks (Banco di Brescia, Banca Popolare Commercio e Industria and Banca Popolare di Ancona) carried out in the last part of 2012. They were consolidated because they are in reality controlled, since their assets and liabilities were originated by Group member companies. UBI Banca holds a 10% stake in each of them.

- UBI Leasing Spa: in order to provide a more adequate level of capitalisation, on 30<sup>th</sup> November 2012 an extraordinary shareholders' meeting of UBI Leasing approved an increase in the share capital up to a maximum limit of €400 million, inclusive of any share premium.
  - On  $2^{nd}$  January 2013, the subscription of the first tranche of a share capital increase was launched (concluded on the following  $21^{st}$  January, with the purchase of all the shares relating to the options not taken up) and fully subscribed by UBI Banca for  $\[ \in \]$  300 million, with the issue of 50,000,000 new shares with a nominal value of  $\[ \in \]$  6 and no share premium. As at  $31^{st}$  December 2013 the share capital of UBI Leasing had therefore risen to  $\[ \in \]$  541,557,810, with 99.5507% held by the Parent.
  - Under that same authorisation, on 12<sup>th</sup> March 2014 the Board of Directors resolved to issue a second tranche to increase the share capital by a further €100 million (rounded down to €99,999,996 to take account of the nominal value of the shares of €6 each). The issue was offered for subscription by shareholders in compliance with the provisions of paragraphs 1, 2 and 3 of article 2441 of the Italian Civil Code. A period of 30 days from the date of filing the resolution with the Company Registrar (which occurred on 13<sup>th</sup> of March 2014 and was valid as a publication of the offering pursuant to paragraph 2 of article 2441 of the Italian Civil Code) was given to exercise option rights. UBI Banca exercised its options on 19<sup>th</sup> March 2014 and subscribed 16,591,780 shares for a total of €99,550,680.
  - Since the other shareholder had not exercised its option rights, at the end of the exercise period, on 15<sup>th</sup> April 2014 UBI Banca purchased all the 74,886 shares not taken up (for a total of €449,316). Therefore as at 30<sup>th</sup> June 2014, the Parent's percentage control had risen to 99.6207%, while the share capital had reached €641,557,806;
- BPB Funding Llc, BPB Capital Trust, Banca Lombarda Preferred Capital Company Llc, Banca Lombarda Preferred Securities Trust, BPCI Funding Llc, BPCI Capital Trust: following the early redemption of three series of innovative equity instruments (preference shares) on 15th February 2014 (BPB Capital Trust), 10th March 2014 (Banca Lombarda Preferred Securities Trust) and 27th March 2014 (BPCI Capital Trust) respectively, the Group commenced activity to close all the companies involved in the operation. Having received prior authorisation from the Bank of Italy on 24th December 2013, that activity was completed on 23rd May (for the companies relating to the former BPB and former BPCI) and on 18th June (for the former BL), with confirmation received from the American authorities responsible for the legal removal of the companies from the relative register. Therefore the six companies no longer appear in the consolidation from 30th June 2014.
- Prisma Srl: on 9<sup>th</sup> April 2014 this company, an equity accounted investee in which a 20% interest in the share capital was held, was sold to Cattolica Assicurazioni for €28,000.

# Information on the accounts

This section contains the principal information relating to the balance sheet, financial position and income statement. The changes in the balance sheet and financial position that occurred in the reporting period (first six months of 2014), and the operating performance for the period January-June 2014, compared with the corresponding first six months of 2013, are commented on in the Interim Management Report on consolidated operations as at and for the period ended 30th June 2014.

# Explanatory tables for the consolidated income statement

# Interest and similar income: composition (item 10)

Figures in thousands of euro	Debt instruments	Financing	Other transactions	1H 2014	1H 2013
1. Financial assets held for trading	20,261	-		20,261	29,707
2. Financial assets designated at fair value	-	-	-	-	-
3. Available-for-sale financial assets	204,757	-	-	204,757	213,400
3. Held-to-maturity investments	53,026	-	-	53,026	54,258
5. Loans and advances to banks	32	3,952	-	3,984	4,892
6. Loans and advances to customers	132	1,247,894	435	1,248,461	1,307,420
7. Hedging derivatives	X	Х	33,334	33,334	35,270
8. Other assets	X	Х	30	30	315
Total	278,208	1,251,846	33,799	1,563,853	1,645,262

#### Interest and similar expense: composition (item 20)

Figures in thousands of euro	Borrowings	Securities	Other transactions	1H 2014	1H 2013
1. Due to central banks	(14,417)	X	-	(14,417)	(40,833)
2. Due to banks	(12,712)	Х	-	(12,712)	(8,198)
3. Due to customers	(105,560)	Х	(333)	(105,893)	(202,425)
4. Debt securities issued	X	(506,175)	-	(506,175)	(524,250)
5. Financial liabilities held for trading	(15,949)	-	-	(15,949)	(23,979)
6. Financial liabilities designated at fair value	-	-	-	-	-
7. Other liabilities and provisions	X	Х	(179)	(179)	(199)
8. Hedging derivatives	X	Х	-	-	-
Total	(148,638)	(506,175)	(512)	(655,325)	(799,884)
Net interest income				908,528	845,378

# Commission income: composition (item 40)

# Commission expense: composition (item 50)

Figures in thousands of euro	1H 2014	1H 2013	Figures in thousands of euro	1H 2014	1H 2013
a) guarantees granted	27,864	26,180	a) guarantees received	(16,882)	(24,019)
c) management, trading and advisory services	362,325	340,500	c) management and trading services:	(39,816)	(39,897)
trading in financial instruments	11,730	12,383	trading in financial instruments	(5,510)	(6,454)
2. foreign exchange trading	3,169	2,916	2. foreign exchange trading	(3)	(4)
3. portfolio management	128,800	121,271	3. portfolio management	(5,136)	(5,882)
3.1. individual	32,788	34,154	3.1. ow n	-	-
3.2. collective	96,012	87,117	3.2. on behalf of third parties	(5,136)	(5,882)
4. custody and administration of securities	4,419	5,867	custody and administration of securities	(3,854)	(3,310)
5. depository banking	-	-	5. placement of financial instruments	(2,449)	(2,331)
6. placement of securities	96,073	94,244	6. financial instruments, products and services		
7. receipt and transmission of orders	28,874	25,351	distributed through indirect networks	(22,864)	(21,916)
8. advisory activities	2,224	3,183	d) collection and payment services	(20,913)	(19,320)
8.1 on investments	2,224	3,183	e) other services	(13,715)	(14,987)
8.2 on financial structure	-	-	Total	(91,326)	(98,223)
distribution of third party services	87,036	75,285			
9.1. portfolio management	17	18			
9.1.1. individual	17	18			
9.2. insurance products	68,255	58,442			
9.3. other products	18,764	16,825			
d) collection and payment services	71,661	72,725			
f) services for factoring transactions	10,056	12,369			
i) current account administration	98,128	98,895			
j) other services	130,985	149,799			
Total	701,019	700,468	Net fee and commission income	609,693	602,245

# Net trading income (item 80)

	Gains	Profits from trading	Losses	Losses from trading	Net income 1H 2014	1H 2013
Figures in thousands of euro	(A)	(B)	(C)	(D)	[(A+B)-(C+D)]	
1. Financial assets held for trading	15,155	30,392	(8,290)	(10,330)	26,927	142,933
1.1 Debt instruments	13,398	14,172	(377)	(204)	26,989	18,349
1.2 Equity instruments	347	62	(83)	(6)	320	1,502
1.3 Units in UCITS	17	2	(19)	(2)	(2)	(40)
1.4 Financing	-	-	-	-	-	-
1.5 Other	1,393	16,156	(7,811)	(10,118)	(380)	123,122
2. Financial liabilities held for trading	-	13,176	-	(3,117)	10,059	9,143
2.1 Debt instruments		13,176	_	(3,117)	10,059	9,146
2.2 Payables	-	-	-	-	-	-
2.3 Other	-	-	-	-	-	(3)
3. Financial assets and liabilities: exchange rate differences	Х	Х	Х	Х	475	4,143
4. Derivative instruments	285,391	197,942	(302,907)	(183,209)	13,133	(103,715)
4.1 Financial derivatives	285,391	197,942	(302,907)	(183,209)	13,133	(103,715)
- on debt instruments and interest rates	283,080	193,225	(300,367)	(178,502)	(2,564)	10,563
- on equity instruments and share indices	30	105	(257)	(171)	(293)	132
- on currencies and gold	Χ	X	X	Х	15,916	(114,628)
- other	2,281	4,612	(2,283)	(4,536)	74	218
4.2 Credit derivatives	-	-	-	-	-	-
Total	300.546	241,510	(311,197)	(196,656)	50,594	52,504

# Net hedging loss (item 90)

Figures in thousands of euro	1H 2014	1H 2013
Net hedging loss	(7,395)	(4,634)

# Profit from disposal or repurchase (item 100)

Figures in thousands of euro	Profits	Losses	Net profit 1H 2014	1H 2013
Financial assets				
1. Loans and advances to banks	-	-	-	-
2. Loans and advances to customers	916	(1,803)	(887)	(324)
3. Available-for-sale financial assets	98,339	(473)	97,866	63,091
3.1 Debt instruments	78,604	(367)	78,237	47,934
3.2 Equity instruments	13	(60)	(47)	15,157
3.3 Units in UCITS	19,722	(46)	19,676	-
3.4 Financing			-	-
4. Held-to-maturity investments			-	-
Total assets	99,255	(2,276)	96,979	62,767
Financial liabilities				
1. Due to banks			-	-
2. Due to customers			-	-
3. Debt securities issued	982	(4,246)	(3,264)	(2,852)
Total liabilities	982	(4,246)	(3,264)	(2,852)
Total	100,237	(6,522)	93,715	59,915

# Net profit (loss) on financial assets and liabilities designated at fair value (item 110)

The French (1999) or mind appear and many many many many (1997)		
Figures in thousands of euro	1H 2014	1H 2013
Net profit (loss) on financial assets and liabilities designated at fair value	(272)	1,582
Net income from trading, hedging and disposal/repurchase activities and from		
assets/liabilities designated at fair value	136,642	109,367

# Other administrative expenses: composition $[item\ 180\ b)]$

Figures in thousands of euro	1H 2014	1H 2013
A. Other administrative expenses	(283,406)	(309,894)
Rent payable	(29,311)	(31,907)
Professional and advisory services	(33,867)	(38,509)
Rentals hardware, software and other assets	(19,365)	(20,135)
Maintenance of hardware, software and other assets	(18,708)	(18,933)
Tenancy of premises	(24,354)	(26,475)
Property maintenance	(11,080)	(11,831)
Counting, transport and management of valuables	(6,345)	(6,753)
Membership fees	(4,803)	(5,128)
Information services and land registry searches	(5,279)	(4,908)
Books and periodicals	(662)	(829)
Postal	(9,782)	(11,856)
Insurance premiums	(16,725)	(20,921)
Advertising	(10,629)	(13,300)
Entertainment expenses	(811)	(847)
Telephone and data transmission expenses	(21,609)	(27,770)
Services in outsourcing	(25,356)	(22,666)
Travel expenses	(8,530)	(9,523)
Credit recovery expenses	(22,182)	(21,832)
Forms, stationery and consumables	(3,559)	(4,380)
Transport and removals	(3,346)	(3,517)
Security	(4,170)	(4,413)
Other expenses	(2,933)	(3,461)
B. Indirect taxes	(122,276)	(101,368)
Indirect taxes and duties	(13,317)	(11,565)
Stamp duty	(89,159)	(71,126)
Municipal property tax	(9,279)	(8,611)
Other taxes	(10,521)	(10,066)
Total	(405,682)	(411,262)

# Explanatory tables for the consolidated balance sheet

# Composition of direct funding from customers (liability item 20)

Figures in thousands of euro	30.6.2014	31.12.2013
Current accounts and deposits	42,504,977	42,627,265
Term deposits	853,934	1,014,170
Financing	2,941,959	6,232,361
- repurchase agreements	2,516,776	5,756,598
- other	425, 183	475,763
Amounts due for commitments to repurchase own equity instruments	-	-
Other payables	825,658	828,361
Total amounts due to customers	47,126,528	50,702,157
Fair value - level 1	-	-
Fair value - level 2	1,371,513	1,566,474
Fair value - level 3	45,755,402	49,408,711
Total fair value	47,126,915	50,975,185

# $\textbf{Debt securities issued: composition} \ (liability \ item \ 30)$

		30.6.2	2014		31.12.2013				
	Carrying		Fair value		Carrying		Fair value		
Figures in thousands of euro	amount	L 1	L 2	L 3	amount	L1	L 2	L 3	
A. Securities									
1. Bonds	41,096,164	17,922,943	23,667,826	108,994	39,773,397	17,653,559	21,867,477	136,136	
1.1 structured	4,016,145	1,046,959	2,764,189	102,908	2,959,911	303,426	2,360,348	129,650	
1.2 other	37,080,019	16,875,984	20,903,637	6,086	36,813,486	17,350,133	19,507,129	6,486	
2. Other securities	1,952,909	-	1,891,430	61,478	2,128,382	-	2,035,339	93,043	
2.1 structured	-	-	-	-	-	-	-	-	
2.2 other	1,952,909	-	1,891,430	61,478	2,128,382	-	2,035,339	93,043	
Total	43,049,073	17,922,943	25,559,256	170,472	41,901,779	17,653,559	23,902,816	229,179	

## Composition of loans and advances to customers (asset item 70)

		<u>-</u>	30.6.2	014					31.12.2	2013		
	Performing	Deter	iorated		Fair valu	ie	Performing	Dete	riorated		Fair valu	ie
Figures in thousands of euro		Purchased	Other	L1	L2	L3		Purchased	Other	L1	L2	L3
Financing	77,854,074	<u>-</u>	9,257,348	-	38,075,819	50,537,302	79,101,212	-	9,312,273	-	34,516,314	53,836,866
Current account overdrafts	9,526,718	-	1,546,960				9,965,222	-	1,569,334			
2. Reverse repurchase agreements	400,916	-	-				18,859	-	-			
3. Mortgages	47,459,556	-	4,694,091				47,786,375	-	4,614,463			
Credit cards, personal loans and salary-backed loans	3,507,353	-	428,071				3,853,072	-	512,621			
5. Finance leases	5,810,709	-	1,310,103				6,041,281	-	1,309,584			
6. Factoring	1,923,065	-	274,727				2,180,402	-	300,292			
7. Other transactions	9,225,757	-	1,003,396				9,256,001	-	1,005,979			
Debt instruments	7,974		-	-	•	7,598	7,982	-	-	-	13	6,714
8. Structured securities	6	-	-				3	-	-			
9. Other debt instruments	7,968	-	-				7,979	-	-			
Total	77,862,048	-	9,257,348	-	38,075,819	50,544,900	79,109,194	-	9,312,273	-	34,516,327	53,843,580

As a consequence of the action taken to close down hedging derivatives in January 2013, the figure for mortgages includes the change in the fair value of macro-hedged financial assets which in December 2012 had been classified within a separate item (asset item 90 on the balance sheet) and which is amortised on the basis of the remaining life of the portfolio.

# Financial assets held for trading: composition (asset item 20)

		30.6.20	14			31.12.2	013	
Figures in thousands of euro	L 1	L 2	L 3	Total	L 1	L 2	L 3	Total
A. On-balance sheet assets								
1. Debt instruments	1,660,434	133	253	1,660,820	2,590,923	95	618	2,591,636
1.1 Structured instruments	4	10	253	267	6	6	618	630
1.2 Other debt instruments	1,660,430	123	-	1,660,553	2,590,917	89	-	2,591,006
2. Equity instruments	6,921	-	443	7,364	6,490	-	447	6,937
3. Units in UCITS	204	1	642	847	168	1	638	807
4. Financing	-	-	-	-	-	-	-	-
4.1 Reverse repurchase agreements	-	-	-	-	-	-	-	-
4.2 Other	-	-	-	-	-	-	-	-
Total A	1,667,559	134	1,338	1,669,031	2,597,581	96	1,703	2,599,380
B. Derivative instruments								
Financial derivatives	393	499,237	-	499,630	293	456,591	-	456,884
1.1 for trading	393	499,237	-	499,630	293	456,591	-	456,884
1.2 connected with fair value options	-	-	-	-	-	-	-	-
1.3 other	-	-	-	-	-	-	-	-
2. Credit derivatives	-	-	-	-	-	-	-	-
2.1 for trading	-	-	-	-	-	-	-	-
2.1 connected with the fair value option	-	-	-	-	-	-	-	-
2.3 other	-	-	-	-	-	-	-	-
Total B	393	499,237	-	499,630	293	456,591	-	456,884
Total (A+B)	1,667,952	499,371	1,338	2,168,661	2,597,874	456,687	1,703	3,056,264

# Financial assets designated at fair value: composition (asset item 30)

	30.6.2014					31.12.2	31.12.2013	
Figures in thousands of euro	L1	L 2	L 3	Total	L 1	L 2	L 3	Total
1. Debt instruments	-	-	-	-	-	-	-	-
1.1 Structured instruments	-	-	-	-	-	-	-	
1.2 Other debt instruments	-	-	-	-	-	-	-	
2. Equity instruments	3,604	927	64,800	69,331	-	927	83,016	83,943
3. Units in UCITS	116,865	-	6,212	123,077	117,129	-	7,071	124,200
4. Financing	-	-	-	-	-	_	-	
4.1 Structured	-	-	-	-	-	-	-	
4.2 Other	-	-	-	-	-	-	-	
Total	120,469	927	71,012	192,408	117,129	927	90,087	208,143
Cost	120,469	927	71,012	192,408	117,129	927	90,087	208,143

# $\textbf{Available-for-sale financial assets: composition} \; (asset\ item\ 40)$

		30.6.20	)14			31.12.2	013	
Figures in thousands of euro	L 1	L 2	L 3	Total	L 1	L 2	L 3	Total
1. Debt instruments	15,607,823	885,802	1,223	16,494,848	14,144,436	852,136	3,513	15,000,085
1.1 Structured instruments	249,715	620,363	1,000	871,078	248,700	582,907	3,500	835,107
1.2 Other debt instruments	15,358,108	265,439	223	15,623,770	13,895,736	269,229	13	14,164,978
2. Equity instruments	2,908	-	179,612	182,520	2,184	-	180,851	183,035
2.1 At fair value	2,908	-	159,620	162,528	2,184	-	158,156	160,340
2.2 At cost	-	-	19,992	19,992	-	-	22,695	22,695
3. Units in UCITS	11,377	53,831	-	65,208	254,639	51,738	-	306,377
4. Financing	-	-	-	-	-	-	-	-
Total	15,622,108	939,633	180,835	16,742,576	14,401,259	903,874	184,364	15,489,497

# Held-to-maturity financial assets: composition (asset item 50)

	30.6.2014				31.12.2013					
	Carrying		Fair v	alue		Carrying		Fair v	alue	
Figures in thousands of euro	am ount	L 1	L 2	L 3	Total	am ount	L 1	L 2	L 3	Total
1. Debt instruments	3,049,841	3,085,020	-	-	3,085,020	3,086,815	3,153,553	-	-	3,153,553
1.1 Structured	-	-	-	-	-	-	-	-	-	-
1.2 Other debt instruments	3,049,841	3,085,020	-	-	3,085,020	3,086,815	3,153,553	-	-	3,153,553
2. Financing	-	-	-	-	-	-	-	-	-	-
Total	3,049,841	3,085,020	-	-	3,085,020	3,086,815	3,153,553	_	-	3,153,553

# Property, plant and equipment and intangible assets

## Property, plant and equipment

#### Property, plant and equipment: composition

1,555,383 804,689 643,624	31.12.2013 1,596,537 810,157
804,689	
804,689	
	810.157
643.624	3.0,.0.
	665,278
30,647	33,800
34,448	36,527
41,975	50,775
31,658	33,596
16,559	17,204
15,099	16,386
-	-
-	-
-	6
1,587,041	1,630,133
177,223	167,917
107,138	102,983
70,085	64,934
300	303
47	47
253	256
177,523	168,220
1,764,564	1,798,353
	30,647 34,448 41,975 31,658 16,559 15,099 - - - 1,587,041 177,223 107,138 70,085 300 47 253 177,523

Property, plant and equipment decreased in the first half by  $\[ \in \]$  33.8 million, of which  $\[ \in \]$  43.1 million in relation to a reduction in operating assets (mainly owned), offset by an increase of  $\[ \in \]$  9.3 million for investment properties (again mainly owned assets).

The decreases relate mainly to depreciation, while the increases relate partly to some properties owned by BPB Immobiliare for which the type of use has changed.

#### Intangible assets

#### Composition of the item "Goodwill"

Figures in thousands of euro	30.6.2014	31.12.2013
Banco di Brescia Spa	671,960	671,960
Banca Carime Spa	649,240	649,240
Banca Popolare di Ancona Spa	249,049	249,049
Banca Popolare Commercio e Industria Spa	209,258	209,258
Banca Regionale Europea Spa	307,189	307,189
UBI Pramerica SGR Spa	170,284	170,284
Banca Popolare di Bergamo Spa	100,045	100,045
IW Bank Spa	68,565	68,565
Banca di Valle Camonica Spa	43,224	43,224
UBI Factor Spa	20,554	20,554
UBI Banca Private Investment Spa	20,189	20,189
UBI Sistemi e Servizi SCpA	2,122	2,122
Total	2,511,679	2,511,679

Intangible assets had a book value of  $\[ \] 2,896.3$  million as at  $30^{th}$  June 2014, down by  $\[ \] 22.2$  million compared with December 2013, the result of amortisation for the period of  $\[ \] 38.5$  million and purchases of software for approximately  $\[ \] 14$  million.

Intangible assets consist of goodwill of €2.5 billion relating to Group banks and companies, unchanged over six months, and other finite useful life assets

amounting to €385 million (€407 million at the end of 2013). The purchase price allocation associated with the latter (in relation to the merger with the Banca Lomparda e Piemontese Group effective from  $1^{st}$  April 2007) amounted to €233.7 million at the end of the first half (€252.8 million as at  $31^{st}$  December 2013).

Details of impairment tests on goodwill are given in the previous sub-section "accounting policies" of this section which may be consulted.

## Commitments to purchase property, plant and equipment and intangible assets

#### Commitments to purchase property, plant and equipment

		1
Assets/amounts	30.6.2014	31.12.2013
A. Assets for functional use		
1.1 owned	22,181	4,736
- land	-	-
- buildings	1,311	-
- fumishings	438	24
- electronic equipment	17,332	4,450
- other	3,100	262
1.2 In finance leases	-	-
- land	-	-
- buildings	-	-
- furnishings	-	-
- electronic equipment	-	-
- other	-	-
Total A	22,181	4,736
B. Assets held for investment		
2.1 owned	-	-
- land	-	-
- buildings	-	-
2.2 In finance leases	-	-
- land	-	-
- buildings	-	-
Total B	-	-
Total (A+B)	22,181	4,736

As shown in the table, the largest commitments undertaken by the Group in the first half relate to the purchase of electronic equipment for use in operations amounting to approximately €13 million (mainly by UBI Sistemi e Servizi) and to a lesser extent to buildings and other assets, again for use in operations.

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Commitments relating to intangible assets amounted to  $\[ \in \] 29.2$  million at the end of the first half ( $\[ \in \] 6.9$  million at the end of 2013), again relating to software purchases by the Group's services company.

These consisted of &11.3 million relating to commitments undertaken for the current year, while the remaining &17.9 million regard the years from 2015 to 2020.

## Non current assets/liabilities held for sale

# Non current assets and disposal groups held for sale: composition by type of asset

asset	<u> </u>	ı
Figures in thousands of euro	30.6.2014	31.12.2013
A. Single assets		
A.1 Financial assets	-	-
A2 Equity investments	110,878	_
A.3 Property, plant and equipment	77,480	79,877
A4 Intangible assets	-	-
A.5 Other non-current assets	-	-
Total A	188,358	79,877
of which measured at cost	188,358	79,877
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	-	-
B.7 Equity investments	-	-
B.8 Property, plant and equipment	-	-
B.9 Intangible assets	_	_
B.10 Other assets	-	-
Total B	-	-
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	-	-
C. Liabilities associated with-non current assets held for disposa	ı	
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	-	_

Assets held for sale, amounting to €188.4 million recorded an increase as a result of the recognition in the second quarter of €110.9 million relating to stakes held (inclusive of profit for the period) the insurance companies Aviva Vita and Aviva Assicurazioni Vita about to be partially disposed of (as described in the section "Significant events in the first 2014" half of contained in the consolidated interim management report).

On the other hand, the amount reported for property, plant and equipment includes €61.8 million relating to a property belonging to Banca Popolare Commercio Industria located at Via 33 Moscova Milan. The decrease in the

total for item A.3 compared with the year (-€2.4 million) is the result of disposals of assets by BPB Immobiliare in the first half.

# Provisions for risks and charges

#### Provisions for risks and charges: composition

Figures in thousands of euro	30.6.2014	31.12.2013
1. Company pension funds	81,134	77,387
2. Other provisions for risks and charges	222,763	231,832
2.1 litigation	105,381	105,664
2.2 costs for staff	58,769	45,805
2.3 other	58,613	80,363
TOTAL	303,897	309,219

#### Provisions for risks and charges - other provisions

Figures in thousands of euro	30.6.2014	31.12.2013
Provision for revocation (clawback) risks	13,203	13,941
2. Provision for bonds and default	5,394	6,303
3. Other provisions for risks and charges	40,016	60,119
TOTAL	58,613	80,363

The total for provisions for risks and charges of €303.9 million, fell by €5.3 million compared with the end of December, the aggregate result of opposing performances.

On the one hand, increases were (although differing magnitude) in the provision for charges relating to personnel (primarily related to trends variable remuneration) and provisions for company pension schemes (attributable partly charges for redundancy schemes "personnel relating to the safeguarded" by Fornero

reform). On the other hand "other provisions" fell (-€20.1 million, line item 3), attributable mainly to the conclusion of a legal dispute, while the remainder was due to the conclusion of tax litigation.

# Contingent liabilities

#### **Contingent liabilities**

		7
Figures in thousands of euro	30.6.2014	31.12.2013
for staff litigation	-	75
for revocation risks	14,256	4,436
for bonds in default	-	-
for compounding of interest	-	-
for claim risks	-	-
for tax litigation	287,464	277,776
for other litigation	491,467	497,371
TOTAL	793,187	779,658
		4

Contingent liabilities increased compared with the end of the year (+€13.5 million), as a result of a change in the composition which saw a reduction in the risk for legal disputes (-€5.9 million), against growth for revocation clawback risks (+€9.8 million) and for tax litigation (+€9.7 million).

A detailed report on both ordinary litigation and tax litigation, for which provisions were made or for which contingent liabilities were identified, is given in the following sub-sections which may be consulted.

# Litigation

# **Ordinary litigation**

Significant litigation (claims of greater than or equal to €5 million) for which the probable risk has been estimated by Group banks and companies are as follows:

- 1. "revocation" bankruptcy clawback actions against Banca Popolare di Ancona, brought by Napoli Calcio Spa;
- 2. a "revocation" bankruptcy clawback action against Banca Popolare Commercio e Industria, brought by FDG Spa;
- 3. a "revocation" bankruptcy clawback action against Banca Carime brought by Società Cooperativa Costruire a r.l.;
- 4. four actions brought against UBI Banca for:
  - 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;
- 5. a summons for compounding of interest served on Banca Carime;
- 6. two actions brought against Banca Popolare di Bergamo:
  - one relating to a number of joined claims, regarding an appeal against an injunction, compounding of interest and compensation for damages following a mistaken protest of cheques (case halted following the bankruptcy of the counterparty, subsequently revoked and then resumed within the legal time limits); The judgement is pending;
  - the other relating to the purchase of covered warrants and Olivetti warrants (the latter via internet banking). The counterparty, not only alleges failure to receive proper information on the risks attaching to covered trades, but also disowned the signatures on the contract documents, required by regulations governing financial instruments and on the capital in question. Investigations performed by the internal audit function into the affair found no evidence of liability of the Bank in the transactions in question. Later the counterparty accepted that the signatures were his, but claimed that he had signed blank forms which had subsequently been filled in abusively by the bank. A ruling by the court of first instance has been given in favour of the Bank;
- 7. two actions brought against Banca Popolare di Ancona:
  - various actions relating to grant of credit, damages claims for contractual and non-contractual liability;
  - claim for damages for pre-contractual and contractual liability in relation to a failed financing transaction;

Significant litigation (claims of greater than or equal to €5 million) for which a *possible risk* (or *contingent liability*) has been estimated by Group banks and companies are as follows:

#### **UBI** Banca

- 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 11<sup>th</sup> 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 26<sup>th</sup> 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 30<sup>th</sup> 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.

In the meantime a proposal for an arrangement with creditors has been filed for both bankruptcy cases (MBFH and BDH) and 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 €74.2 million, on which impairment losses of 98.4%. have been recognised.

 a compensation action originating from the former Centrobanca Spa 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;

#### Banco di Brescia

- a summons served by the company Programma Edile Srl, with a bankruptcy case which began in 1999 and is still in progress, which in the person of the receiver has requested the return of amounts drawn/used in the period September 1997-June 1998 by the sole director who ceased to be a director in September 1997 without the Bank being informed. In December 2012 the Judge accepted the objections raised by the bank and dismissed the case. The counterparty resumed the case within the relative time limits and the next hearing is set for 5th December 2014;
- a summons served on 30<sup>th</sup> June 2014 by the receivership of a corporate counterparty which went bankrupt in 2010, with which a claim for damages against banks (including Banco di Brescia) is proposed for alleged improper credit support which it is claimed delayed the winding up of the company with consequent damages to creditor claims and the assets of the company. The bank has already undertaken its defence and from an initial examination considers the claim to be completely without grounds both in terms of its legitimacy and merit.

#### Banca Popolare di Ancona

- a claim for damages for alleged abusive grant of loans.

## Banca Popolare Commercio e Industria

- litigation for claims concerning trading in securities;

#### **UBI** Leasing

- a claim for damages brought by two counterparties for claimed failure to meet obligations under finance lease contracts relating to properties under construction;
- litigation relating to ownership of finance leased assets;
- claim for damages brought by a supplier relating to a dispute concerning withdrawal from the supply contract.

## **UBI** Factor

Liabilities relate to risks connected with receivables collected following a legal injunction made temporarily executive in 2001 and then appealed against by the counterparty, the Rome H Health Authority. The injunction was confirmed by the Court of Velletri with a ruling in 2005.

With a provision in 2001, the Rome Court of Appeal issued a ruling partially overturning the decision of the court of first instance and allowing continuation by means of an appeal case, for the redefinition of the receivables by a court-appointed expert on the basis of applying regional rates instead of ministerial rates (for a higher amount) applied by the seller when the invoices sold to UBI Factor were issued.

UBI Factor and the seller (originally Hospital Appia Srl, which was then merged into San Raffaele Spa, part of the Tosinvest/Angelucci Group) undertook the following initiatives against the partial ruling:

- a) an appeal before the Rome Court of Appeal, against the redefinition of the receivables by the appointed expert, for recognition both of the original amount of the receivables received (€60 million) and the additional receivables accruing (€10 million);
- b) continuation of the case before the Supreme Court, identifying as many as 13 grounds for objection;
- c) an action before the Court of Appeal for a revocation judgement regarding the erroneous of the ruling in the Court of first instance. With a ruling of 10<sup>th</sup> January 2014, the Rome Court of Appeal referred the decision to the Supreme Court. An appeal was made before the Supreme Court against the ruling of the Court of Appeal in the revocation judgement.

In consideration of the ruling of the Supreme Court (point b above), which in fact also absorbs the others mentioned above, the company, with support from its legal advisors, considered that the risk of losing was very unlikely.

For full information, we also report that in the event of a final judgement against the company, the Health Authority could claim from UBI Factor the part over and above the amount of the redefinition of the receivables (the case in point a above), i.e. approximately €60 million. In this case, UBI Factor could claim against the seller, the Tosinvest/Angelucci Group, on the basis of the contract agreements in force.

With respect to the information contained in the notes to the consolidated financial statements as at and for the year ended 31<sup>st</sup> December 2013, we report that the following *substantial litigation has been concluded*: a claim for damages against Banca Carime for failure to report the extinction of a guarantee to the *Centrali Rischi* (central credit register); a claim for compounding interest against Banca Popolare di Ancona; a damages claim against UBI Banca for non-contractual liability; alleged responsibility for the bankruptcy of a company on the part of Banco di Brescia and other banks.

#### 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.

# Anti money-laundering notifications

The Group received two "Written notifications of findings" in the first half for failure to report suspect transactions relating to the operations of a customer at a branch subject to "switching" between two banks for a total value of €893 thousand, which involves a potential

minimum fine of €9 thousand and a maximum fine of €357 thousand. The defence documents were filed with the MEF within the set time limits.

As concerns notifications in progress, a provision pursuant to Law No. 197/1991 notified to a bank and a branch manager on 21<sup>st</sup> September 2001 for an amount of €294 thousand in relation to transactions carried out in 1996 was finally dismissed. As concerns a provision of 12<sup>th</sup> October 2005, the Ministry of the Economy and Finance (following the submission of defence documents within the set time limits) communicated that the time limit for the statute of limitations had been extended while an opinion was obtained from the Consultative Commission for Currency Violations.

On the other hand, notification of six administrative penalty procedures were received by the manager of a bank branch (with the bank jointly liable) in relation to Financial Intelligence Unit notifications in 2010, following inspections carried out in that same year pursuant to article 47, paragraph 1 of Legislative Decree No. 231 of 21<sup>st</sup> November 2007. The administrative fines, against which an appeal has been submitted to an ordinary tribunal, amount to a total of €420 thousand.

# Tax litigation

The tax inspection into UBI Pramerica SGR conducted by the Milan tax unit of the *Guardia di Finanza* (finance police), was concluded with a clean bill of health. It must nevertheless be reported that the tax periods subject to inspection may still be assessed because the time limits pursuant to article 43 of Presidential Decree No. 600/1973 have not yet been reached. On the basis of documentation acquired during that same inspection, inspections were commenced into the Luxembourg subsidiary UBI Management Company, a company registered in Luxembourg and formed in 2001 for the collective management of portfolios and also of UBI SICAV, a Luxembourg registered fund set up in that country in 1991.

The hypothesis that the investigators wish to investigate is whether the company, although registered abroad, is in fact operational in Italy. Specific criteria contained in EU directives apply to collective asset management companies, the last of which was implemented in Italian law with Legislative Decree No. 44/2014, for which there are grounds to consider (also in view of the tax authorities' Circular No. 21/E of 10<sup>th</sup> July 2014), that priority is given for the purposes of tax residence to the EU country in which a UCITS is registered and not to the different and additional criteria provided for in the Consolidated Income Tax Act.

# Assessment notices

SUBSTITUTE TAX PURSUANT TO PRESIDENTIAL DECREE NO. 601/1973 ON MEDIUM TO LONG-TERM LOANS During the reporting period introductory hearings were held in connection with litigation in the competent courts to seek the annulment of payment notices received by Group companies:

- Tax Commission of the Province of Bergamo hearing of 18th March 2014 regarding Banca Popolare di Bergamo, at which a ruling was issued in favour of the appeal;
- Tax Commission of the Province of Brescia hearing of 28th March 2014 regarding Banco di Brescia, at which a ruling was issued in favour of the appeal;
- Tax Commission of the Province of Milan hearing of 30th June 2014 regarding UBI Banca as the survivor of the Centrobanca merger, for which a ruling has not yet been given.

Grounds exist to believe that given the increasingly more widespread acceptance of the arguments put by appellant banks, the tax authorities may decide to review previous directives and limit assessments only to cases where documents are found which fully replicate the content, including the signature, of a contract subsequently signed abroad.

# LITIGATION CONCERNING THE VAT REGIME FOR THE MUTUAL INVESTMENT FUND DEPOSITORY BANKING SERVICES

Following instructions furnished by the tax authorities with Resolution No. 97/E of 17<sup>th</sup> December 2013, the settlement of notices of tax assessment continued for Banca Popolare di Bergamo and Banca Popolare Commercio e Industria, which in the meantime have been received and in some cases have already been subject to decisions by the competent tax commissions.

The following have therefore been settled:

• for Banca Popolare di Bergamo, for the years 2007, 2008 and 2009 for amounts of €477 thousand, €67 thousand and €45 thousand respectively for taxes and €81 thousand, €11 thousand and €7

- thousand respectively for interest. The settlement of the notice for 2006 is now at an advanced stage. It is estimated that €785 thousand will be payable for taxes and €200 thousand for interest;
- for Banca Popolare Commercio e Industria, for the years 2007 and 2008 for amounts of €314 thousand for taxes and €55 thousand for interest and €301 thousand for taxes and €52 thousand for interest, respectively. The notice for 2006 (overall tax assessment for €1.2 million, but settled for €340 thousand plus interest) is still being contested. Initiatives by the tax authorities to reach a settlement for this period have not yet been taken.

The meantime, the Group has commenced an application for the recovery of tax from the clients at the time (a total of epsilon1.99 million), pursuant to the last paragraph of article 60 of Presidential Decree No. 633/1972, according to which the Group need only pay the interest as described above.

#### PREFERENCE SHARES - UBI BANCA AND BANCO DI BRESCIA

This litigation, which has now been in progress for several years and which in the meantime has generated several assessments relating to different years (as reported in another part of these explanatory notes, the foreign subsidiaries which generated the transactions subject to litigation were wound up in June 2014) has seen recent developments resulting from hearings held at the competent tax commissions as follows:

- a hearing was held on 15<sup>th</sup> January 2014 at the Tax Commission of the Province of Milan on an appeal by UBI Banca for the year 2005, for which a decision has not yet been issued (withholding taxes of €4.41 million and fines of €4.30 million);
- on 5<sup>th</sup> February 2014, as a result of a hearing held on 12<sup>th</sup> December 2013, the Tax Commission of the Province of Milan issued an adverse decision rejecting the appeal lodged by Banco di Brescia for the year 2004 (withholding taxes for €1.58 million), but excluding the application of fines of €2.37 million due to uncertainty concerning the legislation;
- on 7th February 2014, the Tax Commission of the Province of Milan adjourned the case without setting a date for the appeal by Banco di Brescia for the year 2005 (withholding taxes of €1.58 million and fines of €1.54 million);
- on 15<sup>th</sup> April 2014 the Tax Commission of the Province of Milan adjourned the case until 7<sup>th</sup> October 2014 to discuss the merits of the appeal lodged by Banco Brescia for the year 2007 (withholding taxes of €1.58 million and fines of €3.95 million);
- on 28th April 2014, the Tax Commission of the Province of Milan also adjourned the case without setting a date for the appeal by Banco di Brescia for the year 2006 (withholding taxes of €1.58 million and fines of €5.17 million);
- on 5th May 2014, as a result of a hearing held on 14th April 2014, the Tax Commission of the Province of Milan issued an adverse decision rejecting the appeal lodged by UBI Banca for the year 2006 (withholding taxes for €4.41 million), but excluding the application of fines of €1.32 million due to uncertainty concerning the legislation;
- on 24th June 2014 an appeal lodged by UBI Banca against an adverse decision by the court of first instance relating to the year 2004 was discussed before the Regional Tax Commission of Milan (withholding taxes of €4.41 million and fines of €6.55 million). The relative ruling has not yet been received.

Despite the developments described above, on the basis of authoritative legal opinions and similar conduct by other major banks who have received similar demands, the Group considers that its arguments are worthy of acceptance because the transactions were entered into for the sole purpose of strengthening capital in strict compliance with instructions issued by the Bank of Italy which, moreover, explicitly authorised the transactions at the time.

As already reported, the amount so far requested from UBI Banca for the withholding taxes is €26.50 million for the years from 2004 to 2009 (in addition to fines of €43.98 million), while for Banco di Brescia, the amounts are €9.5 million of withholding taxes and fines of €20.96 million for the years from 2004 to 2009.

#### BANCA REGIONALE EUROPEA

In relation to a tax assessment report issued on conclusion of an inspection for the year 2008, this bank considered it best not to contest the infringements contained in it and to make use of deflationary regulations provided for in these situations.

This led on  $19^{th}$  May 2014 to the settlement of the dispute with no payment made for IRES (corporate income tax) purposes on the basis of offsetting the relative amounts between the different tax periods – against an initial demand for approximately €780 thousand – with the payment of interest of €135 thousand and fines of €260 thousand, while for IRAP (regional production tax) purposes a settlement amount of €136 thousand was paid, plus interest of €24 thousand and fines of €45 thousand.

Following a tax assessment report issued on conclusion of an inspection for the year 2010, this bank considered it best not to contest the infringements with a payment of  $\[ \in \]$ 243 thousand for IRES – which could in fact be recovered as costs relating to other tax periods – fines of  $\[ \in \]$ 40 thousand plus interest of  $\[ \in \]$ 27 thousand, while for VAT purposes the payment amounted to  $\[ \in \]$ 60 thousand for the tax plus a fine of  $\[ \in \]$ 12 thousand and interest of  $\[ \in \]$ 7 thousand.

## BANCO DI BRESCIA

A reconciliation agreement was signed on  $8^{th}$  May 2014 in relation to an IRES assessment for the year 2006. The matters disputed regarded the procedures for calculating write-downs on loans to customers and the "reversals from repayments received" components in particular. Since the bank had already started to settle part of the position, the reconciliation recognised the validity of this circumstance and as a consequence greater taxation of  $\{0\}$ 1 million was payable (compared with an initial demand of  $\{0\}$ 1 million) plus fines of  $\{0\}$ 278 thousand and interest of  $\{0\}$ 4196 thousand.

#### BANCA POPOLARE COMMERCIO E INDUSTRIA

On 8th July 2014, a notice of assessment was settled for the year 2009 with a payment of  $\[ \in \]$ 561 thousand for IRES and  $\[ \in \]$ 203 thousand for VAT relating to depository banking activities - plus IRES fines of  $\[ \in \]$ 82 thousand - issued by the Large Tax Payers Office of the regional tax authorities of Milan. Since these were infringements for the erroneous attribution of some costs, an application for a refund of  $\[ \in \]$ 392 thousand for IRES purposes will be submitted for the years 2006 and 2008, on the basis of the indications contained in tax authority Circular No. 31/E/2012. Acceptance of the other items contested was decided, amongst other things, in consideration of the uncertainty over the course of litigation procedures if initiated.

# Segment reporting

#### Distribution by business segment: income statement for the period ended 30th June 2014

Figures in thousands of euro

item/business segment	Banking (Aggregate)	Non-banking financial (Aggregate)	Corporate Centre (UBI, UBI.S, Property companies + all the intercompany and consolidation	TOTAL
Net interest income	748,368	77,584	82,576	908,528
Net fee and commission income	634,437	43,095	-67,839	609,693
Other expense/income	11,279	-30	134,261	145,510
Gross income	1,394,084	120,649	148,998	1,663,731
Net impairment losses on loans and financial assets	-312,165	-64,691	-54,246	-431,102
Net financial income	1,081,919	55,958	94,752	1,232,629
Net income from insurance operations	-	-	-	-
Net income from banking and insurance operations	1,081,919	55,958	94,752	1,232,629
Administrative expenses	-925,375	-62,955	-65,295	-1,053,625
Net provisions for risks and charges	-3,357	-167	822	-2,702
Depreciation, amortisation and net impairment losses on property, plant				
and equipment and intangible assets	-34,544	-2,438	-45,451	-82,433
Other net operating income/expense	141,062	-3,903	6,042	143,201
Operating expenses	-822,214	-69,463	-103,882	-995,559
Profits of equity investments	-	-	19,776	19,776
Net impairment losses on goodwill	-	-	-	-
Profits (losses) on disposal of investments	-19	-	475	456
Pre-tax profit (loss) from continuing operations	259,686	-13,505	11,121	257,302
Taxes on income for the period from continuing operations	-110,572	4,650	-29,446	-135,368
Post-tax profit (loss) from discontinued operations	_	_	_	_
(Profit) loss for the period attributable to non-controlling interests	-10,914	-5,730	902	-15,742
Profit (loss) for the period	138,200	-14,585	-17,423	106,192

#### Distribution by business segment: balance sheet as at 30th June 2014

Figures in thousands of euro

item/business segment	<b>Banking</b> (Aggregate)	Non-banking financial (Aggregate)	Corporate Centre (UBI, UBI.S, Property companies + all the intercompany and consolidation
Loans and advances to banks	2,027,910	-	-
Due to banks	-	10,242,701	3,671,122
Net financial assets	726,957	11,604	20,801,048
Loans and advances to customers	64,704,246	14,388,681	8,026,469
Due to customers	44,744,449	204,838	2,177,241
Debt securities issued	17,146,154	1,755,706	24,147,212
Equity-accounted investees	-	35	295,934
Non-controlling interests	820,544	35,866	-33,733
Profit (loss) for the period	138,200	-14,585	-17,423

The banking segment comprises the seven network banks of the Group and UBI Banca Private Investment, IW Bank and UBI Banca International.

The non-banking financial segment comprises UBI Leasing, UBI Factor, UBI Pramerica SGR, Prestitalia, UBI Fiduciaria and UBI Gestioni Fiduciarie SIM.

The "Corporate Centre" segment comprises UBI Banca, UBI Sistemi e Servizi and all the remaining Group member companies. That segment also includes all the consolidation entries including all the intercompany eliminations with the exception of those relating to the purchase price allocations made to the relative individual segments.

The algebraic sum of the three segments identified in this manner represents the income statement and balance sheet of the UBI Banca Group as at and for the year ended 30th June 2014.

The items "loans and advances to banks" and "due to banks" have been stated in the three segments on the basis of the prevailing balance.

The item "non-controlling interests" in the "Banking" and "Non-banking financial" segments relates only to the portion of equity and of the profit for the period of the companies not wholly owned. It does not include non-controlling interests in equity investments and the part of consolidated items attributable to non-controlling interests which have been attributed to the "corporate centre".

# Transactions with related parties pursuant to IAS 24

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 consolidated 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).

In compliance with the regulations in force, we report that all transactions carried out by the Group member companies 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.

More specifically, the Parent and its subsidiary UBI Sistemi e Servizi SCpA provide 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. Under this model, strategic, and management activities are centralised at UBI Banca and technical and operational activities in UBI Sistemi e Servizi SCpA.

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 and also in relation to the service contracts signed by UBI.S with its consortium shareholders, on the basis of the costs incurred for the services provided.

The main intercompany contracts existing at the end of the first half included those which implement the centralisation of activities in the Governance and Business Areas of the Parent and they involved the Parent and the main banks in the Group (Banca Popolare di Bergamo Spa, Banca Popolare Commercio e Industria Spa, Banca Popolare di Ancona Spa, Banca Carime Spa, Banco di Brescia Spa, Banca Regionale Europea Spa, Banca di Valle Camonica Spa, UBI Banca Private Investment Spa), and also contracts to implement the "national tax 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 intercompany contracts which implement the centralisation in UBI Sistemi e Servizi of support activities for the principal companies in the Group.

We report with regard to transactions between companies in the Group and all of its related parties that no atypical and/or unusual transactions were performed; furthermore, no transactions of that type were even performed with counterparties that were not related parties.

Atypical and/or unusual transactions, as indicated in Consob Communications No. 98015375 of 27th February 1998 and No. 1025564 of 6th April 2001, are intended to mean all those transactions which, because of their significance/importance, the nature of the

counterparties, the content of the transaction (even in relation to ordinary operations), the way in which the transfer price is decided and the timing of the event (close to the end of the financial year) might give rise to doubts concerning: the correctness/completeness of the information in the accounts, a conflict of interests, the security of the company's assets and the rights of non-controlling shareholders.

The information pursuant to article 5, paragraph 8 of Consob Resolution 17221/2010 on transactions of "greater importance" concluded with related parties in the first of 2014, is reported in the consolidated Interim Management Report, which may be consulted.

#### Principal transactions with related parties in the balance sheet

Figures in thousands of euro	Financial assets held for trading	Available-for- sale financial assets	Financial assets designated at fair value	Loans and advances to banks	Loans and advances to customers	Due to banks	Due to customers	Debt securities issued	Financial liabilities held for trading	Guarantees granted
Associates	-	11,377	-	-	54,152	-	276,579	-	-	24,969
Senior managers (1)	-	-	-	-	4,331	-	9,393	1,350	-	-
Other related parties	-	-	-	-	133,305	-	31,803	522	-	-
Total	-	11,377	-	-	191,788	-	317,775	1,872	-	24,969

<sup>(1)</sup> A "Senior manager" is defined as "a manager with strategic responsibilities of the entity or of its parent, where a manager with strategic responsibility is intended to mean those who have power and responsibility for the planning, management and control of the activities of the entity including its directors";

#### Percentage of related-party transactions in the consolidated balance sheet

Figures in tho usands of euro	Financial assets held for trading	Available-for- sale financial assets	Financial assets designated at fair value	Loans and advances to banks	Loans and advances to customers	Due to banks	Due to customers	Debt securities issued	Financial liabilities held for trading	Guarantees granted
With related-parties (a)		11,377	-	-	191,788	-	317,775	1,872	-	24,969
Total (b)	2,168,661	16,742,576	192,408	4,078,892	87,119,396	15,964,805	47,126,528	43,049,073	496,946	6,189,983
Percentage (a/b*100)	-	0.07%	-	-	0.22%	-	0.67%	0.00%	-	0.40%

#### Principal transactions with related parties in the income statement

Figures in thousands of euro	Net interest	Dividends and similar income	Net fee and commission income	Staff costs	Operating income/expenses	Other administrative expenses
Associates	(1,170)	-	63,937	594	762	(5,097)
Senior managers (1)	32	-	82	(6,275)	-	(16)
Other related parties	1,595		249	(231)	9	(97)
Total	457	-	64,268	(5,912)	771	(5,210)

<sup>(1)</sup> A "Senior manager" is defined as "a manager with strategic responsibilities of the entity or of its parent, where a manager with strategic responsibility is intended to mean those who have power and responsibility for the planning, management and control of the activities of the entity including its directors";

## Percentage of related-party transactions in the consolidated income statement

Figures in thousands of euro	Net interest	Dividends and similar income	Net fee and commission income	Staff costs	Operating income/expenses	Other administrative expenses
With related-parties (a)	457	-	64,268	(5,912)	771	(5,210)
Total (b)	908,528	8,868	609,693	(647,943)	143,201	(405,682)
Percentage (a/b*100)	0.05%	-	10.54%	0.91%	0.54%	1.28%

# Principal balance sheet items with associate companies subject to significant influence

Figures in thousands of euro	Financial assets held for trading	Available-for- sale financial assets	Loans and advances to customers	Due to banks	Due to customers	Debt securities issued	Financial liabilities held for trading	Guarantees granted
Aviva Assicurazioni Vita Spa	-	-	16,276	-	46,671	_	_	_
Aviva Vita Spa	-	-	12,354	-	64,957	-	-	-
Lombarda Vita Spa	-	-	15,389	-	88,744	-	-	24,969
Polis Fondi SGRpA	-	11,377	132	-	39	-	-	-
Prisma Srl	-	-	-	-	-	-	-	-
SF Consulting Srl	-	-	110	-	980	-	-	-
UBI Assicurazioni Spa	-	-	9,891	-	75,188	-	-	-
UFI Servizi Srl	-	-	-	-	-	-	-	-
Total	-	11,377	54,152	-	276,579	-	-	24,969

# Principal income statement items with associate companies subject to significant influence

Figures in thousands of euro	Net interest	Dividends and similar income	Net fee and commission income	Staff costs	Operating income/expenses	Other administrative expenses
Aviva Assicurazioni Vita Spa	(22)	-	1,551	(4)	4	_
Aviva Vita Spa	(468)	-	27,175	-	-	-
Lombarda Vita Spa	(99)	-	23,536	-	6	(815)
Polis Fondi SGRpA	_	-	132	-	-	-
Prisma Srl	-	-	-	-	16	-
SF Consulting Srl	(1)	-	59	-	-	-
UBI Assicurazioni Spa	(580)	-	11,484	597	736	(4,230)
UFI Servizi Srl	-	-	-	-	-	(52)
Total	(1,170)	-	63,937	593	762	(5,097)

# Events occurring after the end of the first half

No events of importance that might affect the operating and financial position presented occurred after 30<sup>th</sup> June 2014, the reporting date of this interim financial report, and until 8<sup>th</sup> August 2014, the date of its approval by the Management Board of UBI Banca Scpa.

The following is nevertheless reported for your information:

- 10<sup>th</sup> July 2014: at the time of its Annual Meeting, the Management Board of the Italian Banking Association appointed Victor Massiah, the Chief Executive Officer of UBI Banca, as a member of the Executive Committee of that association;
- 1st August 2014: as part of a programme to progressively discontinue non-core operations, a contract was signed for the disposal of 100% of the share capital of UBI Gestioni Fiduciarie SIM Spa, a company indirectly controlled by UBI Banca through UBI Fiduciaria Spa. The transaction, subject to completion of the authorisation procedures with the competent authorities, should be completed by the end of the year;
- 6th August 2014: UBI Banca signed a series of agreements to totally redefine the existing joint venture in the sector of the distribution of non-life insurance products with the Ageas Group and BNP ParibasCardif which, through the company F&B Insurance Holding SA/NV, hold 50%+1 share of UBI Assicurazioni Spa.
  - On the basis of the agreements reached, the parties to it have agreed (i) the transfer to Ageas and BNP Paribas Cardif of the entire stake in the share capital of UBI Assicurazioni held by UBI Banca (50%-1 share) and (ii) the signing of a new agreement for the distribution of UBI Assicurazioni's products, for the areas of activity and on the distribution channels dedicated to it already in operation in the UBI Banca Group today.
  - The applications to obtain the necessary legal authorisations will be submitted without delay and it is expected that they will be issued by the end of 2014. For the UBI Banca Group the transaction will involve a net gain of approximately €27 million, which, together with the reduction in risk weighted assets relating to the stake transferred, will result in a benefit in terms of the CET1 ratio of approximately 7 basis points.
- 7<sup>th</sup> August 2014: the Ministry of the Economy and Finance authorised the early extinction of the guarantee granted on the bonds issued at the beginning of 2012 by UBI Banca, of which a nominal residual amount of €3 billion is still in issue;
- 8th August 2014: integration between IW Bank and UBI Banca Private Investment. As part of policies pursued to streamline and improve the efficiency of the Group's operating entities, a project has been approved to integrate IW Bank, the Group's Internet bank and UBI Private Investment, the Group's network of financial advisors, which fits in very well with IW Bank's range of products and services. The integration programme is currently being finalised and therefore applications for authorisation will then be submitted to the competent authorities.

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





# Statement on the condensed interim financial report pursuant to article 81-ter of Consob Regulation No. 11971 of 14th May 1999 and subsequent amendments and additions

- 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 24<sup>th</sup> February 1998, hereby certify to:
  - 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 half year condensed financial statements, during the first half of 2014.

## 2. The model employed

The assessment of the adequacy of the administrative and accounting procedures for the preparation of the condensed interim financial report as at and for the half year ended 30<sup>th</sup> June 2014 was based on an internal model defined by UBI Banca ScpA, 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. They also certify that:
- 3.1 the condensed interim financial report:
  - a) was prepared in compliance with the applicable international accounting 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) corresponds to the records contained in the accounting books of the company;
  - c) provides a true and fair view of the capital, operating and cash flow position of the issuer and the companies included in the scope of the consolidation.
- 3.2 The half year management report comprises a reliable analysis of the important events that occurred in the first six months of the year and of their impact on the half year condensed financial statements, together with a description of the main risks and uncertainties relating to the remaining six months of the year. The half year management report also comprises a reliable analysis of information on significant related party transactions.

Bergamo, 8th August 2014

Victor Massiah Chief Executive Officer (signed on the original) Elisabetta Stegher

Senior Officer Responsible for preparing the company accounting documents (signed on the original)

# **INDEPENDENT AUDITORS' REPORT**





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# AUDITORS' REVIEW REPORT ON THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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

- 1. We have reviewed the condensed consolidated interim financial statements of Unione di Banche Italiane S.c.p.A. and its subsidiaries (the "Unione di Banche Italiane Group"), which comprise the balance sheet as of June 30, 2014, and the income statement, statement of comprehensive income, statements of changes in equity and cash flow statement for the sixmonth period then ended, and the related explanatory notes. The parent's Management Board are responsible for the preparation and presentation of this interim financial information in accordance with the International Accounting Standard applicable to the interim financial reporting (IAS 34) as adopted by the European Union. Our responsibility is to issue a report on these condensed consolidated interim financial statements based on our review.
- 2. We conducted our review in accordance with the standards recommended by the Italian Regulatory Commission for Companies and the Stock Exchange ("Consob") for the review of the half-year interim financial statements under Resolution no 10867 of July 31, 1997. Our review consisted principally of applying analytical procedures to the underlying financial data, assessing whether accounting policies have been consistently applied and making enquiries of management responsible for financial and accounting matters. The review excluded audit procedures such as tests of controls and substantive procedures of the assets and liabilities and was therefore substantially less in scope than an audit performed in accordance with established auditing standards. Accordingly, unlike our report on the year-end consolidated financial statements, we do not express an audit opinion on the condensed consolidated interim financial statements.

With regard to the comparative figures related to the year ended December 31, 2013 and to the six-month period ended June 30, 2013, presented in the half-year condensed financial statements reference should be made respectively to our auditors' report dated March 21, 2014 and our auditors' review report dated August 28, 2013.

3. Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated interim financial statements of Unione di Banche Italiane Group as of June 30, 2014 are not prepared, in all material respects, in accordance with the International Accounting Standard applicable to the interim financial reporting (IAS 34) as adopted by the European Union.

DELOITTE & TOUCHE S.p.A.

Signed by Marco Miccoli Partner

Milan, Italy, August 11, 2014

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

Ancona Bari Bergamo Bologna Brescia Cagliari Firenze Genova Milano Napoli Padova Palermo Parma Roma Torino Treviso Verona

Sede Legale: Via Tortona, 25 - 20144 Milano - Capitale Sociale: Euro 10.328.220,00 i.v. Codice Fiscale/Registro delle Imprese Milano n. 03049560166 - R.E.A. Milano n. 1720239 Partita IVA: IT 03049560166

# REPORT ON THE PERFORMANCE OF THE PARENT, UBI BANCA Scpa IN THE FIRST HALF OF 2014



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

#### Reclassified balance sheet

Figures in tho	susands of euro	30.6.2014 A	31.12.2013 B	Changes A-B	% changes A/B	30.6.2013 C	Changes A-C	% changes A/C
	ASSETS							
10.	Cash and cash equivalents	122,196	151,927	-29,731	-19.6%	115,362	6,834	5.9%
20.	Financial assets held for trading	2,280,749	3,191,080	-910,331	-28.5%	4,858,058	-2,577,309	-53.1%
30.	Financial assets designated at fair value	192,408	208,143	-15,735	-7.6%	206,860	-14,452	-7.0%
40.	Available-for-sale financial assets	15,996,041	14,753,276	1,242,765	8.4%	12,813,746	3,182,295	24.8%
50.	Held-to-maturity investments	3,049,841	3,086,815	-36,974	-1.2%	3,122,272	-72,431	-2.3%
60.	Loans and advances to banks	15,450,016	13,487,366	1,962,650	14.6%	13,717,646	1,732,370	12.6%
70.	Loans and advances to customers	23,352,148	25,168,913	-1,816,765	-7.2%	26,527,303	-3,175,155	-12.0%
80.	Hedging derivatives	447,010	215,310	231,700	107.6%	246,075	200,935	81.7%
90.	Fair value change in hedged financial assets (+/-)	5,751	5,418	333	6.1%	5,961	-210	-3.5%
100.	Equity investments	10,625,008	10,608,614	16,394	0.2%	10,975,983	-350,975	-3.2%
110.	Property, plant and equipment	642,485	650,742	-8,257	-1.3%	633,267	9,218	1.5%
120.	Intangible assets	410	410	-	-	410	-	-
130.	Tax assets	1,538,252	1,727,626	-189,374	-11.0%	1,552,572	-14,320	-0.9%
140.	Non-current assets and disposal groups held for sale	82,063	2,329	79,734	n.s.	2,329	79,734	n.s.
150.	Other assets	721,697	656,676	65,021	9.9%	714,059	7,638	1.1%
	Total assets	74,506,075	73,914,645	591,430	0.8%	75,491,903	-985,828	-1.3%
	LIABILITIES AND EQUITY							
10.	Due to banks	24,223,696	24,285,811	-62,115	-0.3%	28,531,411	-4,307,715	-15.1%
20.	Due to customers	3,423,416	7,223,913	-3,800,497	-52.6%	7,441,689	-4,018,273	-54.0%
30.	Debt securities issued	34,662,145	30,211,092	4,451,053	14.7%	26,717,190	7,944,955	29.7%
40.	Financial liabilities held for trading	600,017	1,531,436	-931,419	-60.8%	1,787,611	-1,187,594	-66.4%
60.	Hedging derivatives	573,317	377,702	195,615	51.8%	881,210	-307,893	-34.9%
80.	Tax liabilities	290,029	323,144	-33,115	-10.2%	172,210	117,819	68.4%
100.	Other liabilities	898,336	631,077	267,259	42.3%	833,387	64,949	7.8%
110.	Post-employment benefits	43,921	40,166	3,755	9.3%	38,995	4,926	12.6%
120.	Provisions for risks and charges:	49,554	58,488	-8,934	-15.3%	60,520	-10,966	-18.1%
	a) pension and similar obligations	1,114	1,061	53	5.0%	1,083	31	2.9%
	b) other provisions	48,440	57,427	-8,987	-15.6%	59,437	-10,997	-18.5%
130.+160. +170.+ 180.+190.	Share capital, share premiums, reserves, valuation reserves and treasury shares	9,496,994	9,160,476	336,518	3.7%	8,883,660	613,334	6.9%
200.	Profit for the period/year	244,650	71,340	n.s.	n.s.	144,020	100,630	69.9%
	Total liabilities and equity	74,506,075	73,914,645	591,430	0.8%	75,491,903	-985,828	-1.3%



## Reclassified quarterly balance sheets

Figures in tho	usands of euro	30.6.2014	31.3.2014	31.12.2013	30.9.2013	30.6.2013	31.3.2013
-	ASSETS						
10.	Cash and cash equivalents	122,196	129,992	151,927	127,012	115,362	124,660
20.	Financial assets held for trading	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	192,408	193,692	208,143	207,370	206,860	125,579
40.	Available-for-sale financial assets	15,996,041	15,281,956	14,753,276	13,968,794	12,813,746	12,192,040
50.	Held-to-maturity investments	3,049,841	3,113,263	3,086,815	3,149,620	3,122,272	3,185,071
60.	Loans and advances to banks	15,450,016	14,460,750	13,487,366	12,491,061	13,717,646	15,283,251
70.	Loans and advances to customers	23,352,148	23,962,361	25,168,913	26,013,350	26,527,303	21,539,134
80.	Hedging derivatives	447,010	300,274	215,310	231,834	246,075	108,737
90.	Fair value change in hedged financial assets (+/-)	5,751	5,606	5,418	5,692	5,961	
100.	Equity investments	10,625,008	10,708,381	10,608,614	10,976,197	10,975,983	11,235,287
110.	Property, plant and equipment	642,485	645.244	650,742	628,686	633,267	581,597
120.	Intangible assets	410	410	410	410	410	410
120.	of which: goodwill	-		-		-	
130.	Tax assets	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	82,063	2,329	2,329	2,329	2,329	2,329
150.	Other assets	721.697	699.446	656,676	420.688	714.059	729.573
	Total assets	74,506,075	75,199,613	73,914,645	73,203,469	75,491,903	71,569,676
		14,300,013	73,133,013	73,314,043	70,200,400	73,431,303	71,303,070
	LIABILITIES AND EQUITY			0			
10.	Due to banks	24,223,696	25,086,834	24,285,811	26,916,219	28,531,411	28,606,811
20.	Due to customers	3,423,416	2,658,889	7,223,913	7,280,405	7,441,689	7,456,576
30.	Debt securities issued	34,662,145	34,489,699	30,211,092	26,743,945	26,717,190	23,238,243
40.	Financial liabilities held for trading	600,017	1,513,524	1,531,436	1,457,552	1,787,611	1,693,378
60.	Hedging derivatives	573,317	462,440	377,702	835,256	881,210	950,122
80.	Tax liabilities	290,029	451,208	323,144	231,797	172,210	284,167
100.	Other liabilities	898,336	705,434	631,077	516,425	833,387	608,383
110.	Post-employment benefits	43,921	43,545	40,166	39,127	38,995	35,218
120.	Provisions for risks and charges:	49,554	60,828	58,488	59,854	60,520	39,133
	a) pension and similar obligations	1,114	1,052	1,061	1,083	1,083	-
130.+160.	b) other provisions  Share capital, share premiums, reserves, valuation	48,440	59,776	57,427	58,771	59,437	39,133
+170.+ 180.+190.	reserves and treasury shares	9,496,994	9,500,185	9,160,476	8,983,798	8,883,660	8,561,643
200.	Profit for the period/year	244,650	227,027	71,340	139,091	144,020	96,002
	Total liabilities and equity	74,506,075	75,199,613	73,914,645	73,203,469	75,491,903	71,569,676

From  $30^{th}$  June 2013 the figures show the effects of the merger of the former Centrobanca (effective from  $6^{th}$  May 2013).



# Reclassified income statement

igures in	thousands of euro	1H 2014 A	1H 2013 B	Changes A-B	%changes A/B	2nd Quarter 2014 C	2nd Quarter 2013 D	Changes C-D	% changes C/D	FY 2013 E
1020.	Net interest income (expense)	41,324	38,655	2,669	6.9%	16,386	51,166	(34,780)	(68.0%)	119,390
70.	Dividends and similar income	275,318	229,522	45,796	20.0%	38,760	63,705	(24,945)	(39.2%)	247,205
4050.	Net fee and commission income	3,892	6,404	(2,512)	(39.2%)	3,491	9,831	(6,340)	(64.5%)	5,239
80.+90. +100. +110.	Net income from trading, hedging and disposal/repurchase activities and from assets/liabilities designated at fair value	127,190	61,764	65,426	105.9%	69,470	65,469	4,001	6.1%	232,945
190.	Other net operating income/expense	53,608	55,578	(1,970)	(3.5%)	25,944	27,487	(1,543)	(5.6%)	108,317
	Operating income	501,332	391,923	109,409	27.9%	154,051	217,658	(63,607)	(29.2%)	713,096
150.a	Staff costs	(76,421)	(74,734)	1,687	2.3%	(38,660)	(42,684)	(4,024)	(9.4%)	(153,334
150.b	Other administrative expenses	(79,393)	(87,471)	(8,078)	(9.2%)	(40,699)	(48,699)	(8,000)	(16.4%)	(164,991
70.+180.	Depreciation, amortisation and net impairment losses on property, plant and equipment and intangible assets	(10,990)	(11,602)	(612)	(5.3%)	(5,458)	(6,040)	(582)	(9.6%)	(22,977
	Operating expenses	(166,804)	(173,807)	(7,003)	(4.0%)	(84,817)	(97,423)	(12,606)	(12.9%)	(341,302)
	Net operating income	334,528	218,116	116,412	53.4%	69,234	120,235	(51,001)	(42.4%)	371,794
130.a	Net impairment losses on loans	(52,867)	(55,242)	(2,375)	(4.3%)	(27,221)	(30,701)	(3,480)	(11.3%)	(188,115
130. b+c+d	Net impairment losses on other financial assets and liabilities	(1,377)	(34,067)	(32,690)	(96.0%)	(2,263)	(32,844)	(30,581)	(93.1%)	(40,367
160.	Net provisions for risks and charges	866	(991)	1,857	n.s.	1,868	(1,609)	3,477	n.s.	(1,354
210.+240.	Profits (losses) from the disposal of equity investments	(580)	-	(580)	n.s.	334	23	311	n.s.	(6,170
250.	Pre-tax profit from continuing operations	280,570	127,816	152,754	119.5%	41,952	55,104	(13,152)	(23.9%)	135,788
260.	Taxes on income for the period/year from continuing operations	(35,920)	17,105	(53,025)	n.s.	(24,329)	(7,086)	17,243	243.3%	246,813
	Profit for the period/year before expenses for leaving incentives and impairment losses/reversals on Group equity investments	244,650	144,921	99,729	68.8%	17,623	48,018	(30,395)	(63.3%)	382,601
150.a	Expenses for the leaving incentives programme net of taxes	-	-	-	-	-	-	-	-	(86
210.	Net impairment losses on Group equity investments net of taxes	-	(901)	(901)	(100.0%)	-	_	_	_	(311,175

#### Quarterly reclassified income statements

		20	114		20	013	
Figures in th	ousands of euro	2nd Quarter	1st Quarter	4th Quarter	3rd Quarter	2nd Quarter	1st Quarter
1020.	Net interest income (expense)	16,386	24,938	50,933	29,802	51,166	(12,511)
70.	Dividends and similar income	38,760	236,558	16,568	1,115	63,705	165,817
4050.	Net fee and commission income	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	69,470	57,720	121,023	50,158	65,469	(3,705)
190.	Other net operating income/expense	25,944	27,664	27,147	25,592	27,487	28,091
	Operating income	154,051	347,281	215,386	105,787	217,658	174,265
150.a	Staff costs	(38,660)	(37,761)	(40,788)	(37,812)	(42,684)	(32,050)
150.b	Other administrative expenses	(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	(5,458)	(5,532)	(5,692)	(5,683)	(6,040)	(5,562)
	Operating expenses	(84,817)	(81,987)	(82,675)	(84,820)	(97,423)	(76,384)
	Net operating income	69,234	265,294	132,711	20,967	120,235	97,881
130.a	Net impairment losses on loans	(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	(2,263)	886	(3,103)	(3,197)	(32,844)	(1,223)
160.	Net provisions for risks and charges	1,868	(1,002)	(523)	160	(1,609)	618
210.+240.	Profits (losses) from the disposal of equity investments	334	(914)	(6,152)	(18)	23	(23)
250.	Pre-tax profit from continuing operations	41,952	238,618	23,612	(15,640)	55,104	72,712
260.	Taxes on income for the period from continuing operations	(24,329)	(11,591)	218,997	10,711	(7,086)	24,191
280.	Post-tax profit (loss) from discontinued operations	-	-	-	-	-	-
	Profit (loss) for the period before expenses for leaving incentives						
	and impairment losses/reversals on Group equity investments	17,623	227,027	242,609	(4,929)	48,018	96,903
150.a	Expenses for the leaving incentives programme net of taxes	-	-	(86)	-	-	-
210.	Net impairment losses on Group equity investments net of taxes	_	-	(310,274)	-	-	(901)
290.	Profit (loss) for the period	17,623	227,027	(67,751)	(4,929)	48,018	96,002

From  $30^{th}$  June 2013 the figures show the effects of the merger of the former Centrobanca (effective from  $6^{th}$  May 2013).



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

1H 2014 net of non- recurring items	1H 2013 net of non- recurring items	Changes	% changes
41,324	38,655	2,669	6.9%
275,318	229,522	45,796	20.0%
3,892	6,404	(2,512)	(39.2%)
127,190	49,253	77,937	158.2%
53,608	55,578	(1,970)	(3.5%)
501,332	379,412	121,920	32.1%
(76,421)	(74,734)	1,687	2.3%
(79,393)	(83,861)	(4,468)	(5.3%)
(40,000)	(44,000)	(040)	(F.00()
(10,990)	(11,602)	(612)	(5.3%)
(166,804)	(170,197)	(3,393)	(2.0%)
334,528	209,215	125,313	59.9%
(52,867)	(55,242)	(2,375)	(4.3%)
(1,808)	(16,539)	(14,731)	(89.1%)
866	(991)	1,857	n.s.
311	-	311	n.s.
281,030	136,443	144,587	106.0%
(17,922)	9,495	(27,417)	n.s.
-	-	-	-
263,108	145,938	117,170	80.3%
	net of non-recurring items  41,324 275,318 3,892 127,190 53,608 501,332 (76,421) (79,393) (10,990) (166,804) 334,528 (52,867) (1,808) 866 311 281,030 (17,922)	net of non-recurring items         net of non-recurring items           41,324         38,655           275,318         229,522           3,892         6,404           127,190         49,253           53,608         55,578           501,332         379,412           (76,421)         (74,734)           (79,393)         (83,861)           (10,990)         (11,602)           (166,804)         (170,197)           334,528         209,215           (52,867)         (55,242)           (1,808)         (16,539)           866         (991)           311         -           281,030         136,443           (17,922)         9,495           -         -	net of non-recurring items         net of non-recurring items         Changes           41,324         38,655         2,669           275,318         229,522         45,796           3,892         6,404         (2,512)           127,190         49,253         77,937           53,608         55,578         (1,970)           501,332         379,412         121,920           (76,421)         (74,734)         1,687           (79,393)         (83,861)         (4,468)           (10,990)         (11,602)         (612)           (166,804)         (170,197)         (3,393)           334,528         209,215         125,313           (52,867)         (55,242)         (2,375)           (1,808)         (16,539)         (14,731)           866         (991)         1,857           311         -         311           281,030         136,443         144,587           (17,922)         9,495         (27,417)



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

		N	on-recurring ite	ems		ÌΓ			No	n-recurring ite	ems		_
Figures in thousands of euro	1H 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 BDG	Impact of the change in the IRAP tax rate on prior year deferred tax provisions	1H 2014  net of non-recurring items		1H 2013	Impairment losses on Group equity investments	Impairment losses on equity instruments and on 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	1H 2013  net of non-recurring items
Net interest income (expense)	41,324				41,324	_	38,655						38,655
Dividends and similar income	275,318				275,318		229,522						229,522
Net fee and commission income	3,892				3,892		6,404						6,404
Net income from trading, hedging and disposal/repurchase activities and from assets/liabilities designated at fair value	127,190				127,190		61,764			(11,974)		(537)	49,253
Other net operating income/expense	53,608				53,608		55,578						55,578
Operating income	501,332	-	-	-	501,332		391,923	-	-	(11,974)	-	(537)	379,412
Staff costs	(76,421)				(76,421)		(74,734)						(74,734)
Other administrative expenses	(79,393)				(79,393)		(87,471)				3,610		(83,861)
Depreciation, amortisation and net impairment losses on property, plant and equipment and intangible assets	(10,990)				(10,990)		(11,602)						(11,602)
Operating expenses	(166,804)	-	-	-	(166,804)	ļ.	(173,807)	-	-	-	3,610	-	(170,197)
Net operating income	334,528	-	-	-	334,528	_	218,116	-	-	(11,974)	3,610	(537)	209,215
Net impairment losses on loans	(52,867)				(52,867)		(55,242)						(55,242)
Net impairment losses on other financial assets and liabilities	(1,377)	(431)			(1,808)		(34,067)		17,528				(16,539)
Net provisions for risks and charges	866				866		(991)						(991)
Profits (losses) from the disposal of equity investments	(580)		891		311		-						-
Pre-tax profit from continuing operations	280,570	(431)	891		281,030	ļ.	127,816	-	17,528	(11,974)	3,610	(537)	136,443
Taxes on income for the period from continuing operations	(35,920)	132		17,866	(17,922)	_	17,105		(4,727)	(1,746)	(1,174)	37	9,495
Post-tax profit (loss) from discontinued operations	-				-		-						-
Profit for the period before expenses for leaving incentives and impairment losses/reversals on Group		(0)		4-6					40.65	//a =:		/=	445.6
equity investments  Expenses for the leaving incentives programme net of taxes	244,650	(299)	891	17,866	263,108	+ -	144,921	-	12,801	(13,720)	2,436	(500)	145,938
Net impairment losses on Group equity investments net of taxes		••••••••••••••••••••••••••••			_	1000 10	(901)	901					-
Profit for the period	244,650	(299)	891	17,866	263,108		144,020	901	12,801	(13,720)	2,436	(500)	145,938
Pro received	,,,,,	,,		,,,,,	/	+ -	,,		,,,,,	· · / =-/	,	,/	-,,



# Reconciliation schedule for the period ended 30th June 2014

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	RECLASSIFIED INCOME STATEMENT	1H 2014	Reclassificat	ions	1H 2014
Ite ms	Figures in thousands of euro	Separate mandatory financial statement	Tax recoveries for	epreciation leasehold provements	Reclassified financial statement
1020.	Net interest income (expense)	41,324			41,324
70.	Dividends and similar income	275,318			275,318
4050.	Net fee and commission income	3,892			3,892
80.+90.+ 100.+110.	Net income from trading, hedging and disposal/repurchase activities and from assets/liabilities designated at fair value	127,190		***************************************	127,190
190.	Other net operating income/expense	57,200	(3,655)	63	53,608
	Operating income	504,924	(3,655)	63	501,332
150.a	Staff costs	(76,421)			(76,421)
150.b	Other administrative expenses	(83,048)	3,655		(79,393)
170.+180.	Depreciation, amortisation and net impairment losses on property, plant and equipment and intangible assets	(10,927)		(63)	(10,990)
	Operating expenses	(170,396)	3,655	(63)	(166,804)
	Net operating income	334,528	-	-	334,528
130.a	Net impairment losses on loans	(52,867)			(52,867)
130. b+c+d	Net impairment losses on other financial assets and liabilities	(1,377)	× 2000000000000000000000000000000000000		(1,377)
160.	Net provisions for risks and charges	866			866
210.+240.	Losses from the disposal of equity investments	(580)			(580)
250.	Pre-tax profit from continuing operations	280,570		-	280,570
260.	Taxes on income for the period from continuing operations	(35,920)			(35,920)
280.	Post-tax profit (loss) from discontinued operations	-			-
290.	Profit for the period	244,650	<del>-</del>	-	244,650

### Reconciliation schedule for the period ended 30th June 2013

1H 2013  Reclassified financial statement  38,655
financial statement
38,655
229,522
6,404
61,764
55,578
391,923
(74,734)
(87,471)
(11,602)
(173,807)
218,116
(55,242)
(34,067)
(991)
-
127,816
17,105
-
144,921
(901)
144,020



# Reconciliation schedule for the full year 2013

	RECLASSIFIED INCOME STATEMENT	FY 2013	]		Reclass	ifications			FY 2013
lte ms	Figures in thousands of euro	Separate mandatory financial statement	Tax recover		Depreciation for leasehold improvements	Impairm losses on equit investm	Group y	Expenses for leaving incentives programme	Reclassified financial statement
1020.	Net interest income (expense)	119,390							119,390
70.	Dividends and similar income	247,205							247,205
4050.	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	(8,1	144)	127				108,317
	Operating income	721,113	(8,1	44)	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	0,220		(6,170)
250.	Pre-tax profit from continuing operations	(174,551)		-	-	310	0,220	119	135,788
260.	Taxes on income for the year from continuing operations	245,891					955	(33)	246,813
280.	Post-tax profit (loss) from discontinued operations	-							-
***************************************	Profit for the year before expenses for leaving incentives and net impairment losses on Group equity investments	71,340		-	_	31 ·	1,175	86	382,601
150.a	Expenses for the leaving incentives programme net of taxes	-						(86)	(86)
	Net impairment losses on Group equity investments net of							<u> </u>	(22)
210.	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  $22^{nd}$  December 2005 and subsequent updates. Therefore, as with the 2013 Annual Report, for the purposes of the preparation of these financial statements, the provisions of the second update of that document issued on  $21^{st}$  January 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;
- leaving incentives expenses (net of taxation), present in the fourth quarter of 2013, partially include item 150 in the mandatory financial statements.
- net impairment losses on Group equity investments (net of taxes), present in the first and fourth quarters of 2013, 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 following section of this financial report have also been prepared on that same basis.

As already reported, since the merger of Centrobanca Spa occurred on 6<sup>th</sup> May 2013, the first quarter of 2013 includes neither the balance sheet nor the income statement figures for the former corporate bank.

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:

#### First half 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);
- impact of the change in the IRAP (regional production tax) tax rate on prior year deferred tax provisions;

#### First half 2013:

- impairment losses on Group equity investments;
- impairment losses on equity instruments and on units in UCITS (AFS);
- partial disposal of Intesa Sanpaolo shares and A2A (AFS);
- service fee for the migration of the former Centrobanca onto the target system;
- Cerved Group (former Centrale Bilanci) earn-out on the disposal of the investment in 2008.



# Performance in the period

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 the preceding 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 changes that occurred in the first half of 2014 compared with the same period in 2013 and also those occurring in the second quarter of 2014 compared with the preceding first quarter (in the latter case the commentary is highlighted with a slightly different background colour).

#### The income statement

The first half of the year ended with a **profit** of €244.7 million, an appreciable improvement compared with €144 million in the first six months of 2013¹.

This increase in profit was caused above all by contributions from financial activities, dividends and, to a lesser extent, from net interest income, accompanied on the one hand by a further reduction in operating expenses and on the other by the absence (almost) of impairment losses on financial assets and liabilities.

The return to a situation of perfect comparability between the two periods (after the mergers completed in 2012 and 2013) has revealed not only growth in revenues (including net interest income, which was once negative due to the nature of the Parent as a holding company<sup>2</sup>), but also a fall at the same time in both operating expenses and loan losses.

As concerns quarterly performance, the second quarter of 2014 ended with a profit of  $\in 17.6$  million, compared with  $\in 48$  million earned in the same quarter of the previous year and with  $\in 227$  million in the first quarter of the year (which had of course benefited from the receipt of dividends from Group companies).

The income statement for the first half of the year showed growth in **operating income** – a measure of core banking operations – to €501.3 million (+€109.4 million), determined by the factors reported below.

*Dividends* received rose to €275.3 million (+€45.8 million), resulting almost entirely from Group equity investments (as shown in the table).

Of the total amount received €209.5 million was distributed by the network banks, up by €77.1 million. The growth was composed of €21.7 million from BPB, €14.2 million from BPCI, €11.2 million from Banca Carime and €4.1 million from BPA, as a consequence of the recovery, although modest, in banking business with customers. The dividend of €36.1 million from BRE, on the other hand, was distributed from the reserve pursuant to

#### Dividends and similar income

Figures in thousands of euro	1H 2014	1H 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
Altre partecipazioni (voce 100)	20,831	13,943
Dividends received from item 100 equity investments	268,301	221,888
Dividends received from item 40 AFS	5,626	6,914
Dividends received from item 20 for trading and item 30 fair value options	1,391	720
Total dividends and similar income	275,318	229,522

<sup>1</sup> Both periods recorded items of non-recurring expense. They amounted to €18.5 million in 2014 (primarily the result of changes in the rate for IRAP, a regional production tax) and to €1.9 million in 2013 (due mainly to impairment losses on equity investments, securities and funds and also to the service fee for the Centrobanca IT migration, although this was partially offset by the sale of Intesa Sanpaolo and A2A shares and by the earn out on the sale of the Cerved Group). Net of these items the result for the first half was €263.1 million compared with €145.9 million in 2013.

<sup>2</sup> UBI Banca's role as a holding company has not been weakened with its acquisition of commercial operations. The Parent continues to manage both the cash flows of all the Group banks and companies for which it guarantees the necessary finance and the ability to invest the accumulated surpluses and also the entire portfolio of financial assets (together with control, supervisory and risk oversight). In consideration of its role as coordinator and policymaker, reinforced also by the organisational configuration of the Group, UBI Banca holds investments in all the main consolidated companies and the profits that they distribute still constitute its primary source of income.



the Articles of Association (€40 million), resolved by a Shareholders' Meeting held on 25th March 2014, in view of the high level of capitalisation of that bank.

The trend for Banco di Brescia (-€10.2 million) and the product companies was in the opposite direction: Lombarda Vita (-€31.3 million), UBI Pramerica SGR (-€5.6 million) and UBI Factor (-2.3 million), which has not declared a dividend in the current year.

The securities portfolio generated total dividends of €7 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 €7.6 million had been received, driven by €3.9 million from the Intesa Sanpaolo shares.

#### Net trading income

Figures in thousands of euro	Gains (A)	Income from trading (B)	Losses (C)	Losses from trading (D)	Net income 1H 2014 [(A+B)-(C+D)]	1H 2013
Financial assets held for trading	13,655	15,175	(471)	(385)	27,974	14,506
1.1 Debt instruments	13,295	13,100	(372)	(3)	26,020	17,184
1.2 Equity instruments	343	54	(80)	(1)	316	1,473
1.3 Units in UCITS	17	2	(19)	(2)	(2)	(39)
1.4 Financing			(10)			(00)
1.5 Other		2.019	_	(379)	1.640	(4,112)
2. Financial liabilities held for trading		13,176		(3,117)	10,059	9,146
2.1 Debt instruments	-	13,176	_	(3,117)	10,059	9,146
2.2 Payables	_	-	-	(0,)	-	
2.3 Other	_					
3. Other financial liabilities: exchange rate differences	Х	X	Х	Х	(328)	4.071
4. Derivative instruments	240,010	186,162	(255,668)	(173,436)	(1,303)	(26,355)
4.1 Financial derivatives	240,010	186,162	(255,668)	(172,893)	(760)	(23,801)
- on debt instruments and interest rates	239,040	183,903	(254,443)	(170,550)	(2,050)	(25,531)
- on equity instruments and share indices	30	103	(257)	(171)	(295)	133
- on currencies and gold	X	X	(20 <i>1</i> )	X	1.629	1,490
- other	940	2,156	(968)	(2,172)	(44)	1,430
4.2 Credit derivatives	340	2,100	(300)	(543)	(543)	(2,554)
	_	-				
Total  Net hedging loss	253,665	214,513	(256,139)	(176,938)	36,402	
Total	253,665	214,513	(256,139)	(176,938)	1H 2014	1,368 1H 2013
Total Net hedging loss	253,665	214,513	(256,139)	(176,938)		1H 2013
Total  Net hedging loss  Figures in thousands of euro	253,665	214,513	(256,139)	(176,938)	1H 2014	1H 2013
Total  Net hedging loss  Figures in thousands of euro  Net hedging loss	253,665	214,513	(256,139)	(176,938)	1H 2014	1H 2013
Total  Net hedging loss  Figures in thousands of euro  Net hedging loss  Profit from disposal or repurchase	253,665	214,513			1H 2014 (3,475)	1H 2013 (2,350)
Total  Net hedging loss  Figures in thousands of euro  Net hedging loss  Profit from disposal or repurchase  Figures in thousands of euro	253,665	214,513			1H 2014 (3,475)	1H 2013 (2,350)
Total  Net hedging loss  Figures in thousands of euro  Net hedging loss  Profit from disposal or repurchase  Figures in thousands of euro  Financial assets	253,665	214,513			1H 2014 (3,475)	1H 2013 (2,350) 1H 2013
Total  Net hedging loss  Figures in thousands of euro  Net hedging loss  Profit from disposal or repurchase  Figures in thousands of euro  Financial assets  1. Loans and advances to banks	253,665	214,513	Profits	Losses	1H 2014 (3,475) Net profit 1H 2014	1H 2013 (2,350) 1H 2013
Total  Net hedging loss  Figures in thousands of euro  Net hedging loss  Profit from disposal or repurchase  Figures in thousands of euro  Financial assets  1. Loans and advances to banks  2. Loans and advances to customers	253,665	214,513	Profits	Losses	1H 2014 (3,475) Net profit 1H 2014	1H 2013 (2,350) 1H 2013
Total  Net hedging loss  Figures in thousands of euro  Net hedging loss  Profit from disposal or repurchase  Figures in thousands of euro  Financial assets  1. Loans and advances to banks 2. Loans and advances to customers 3. Available-for-sale financial assets	253,665	214,513	Profits	Losses - (915) (427)	1H 2014 (3,475) Net profit 1H 2014 - (262) 97,877	1H 2013 (2,350) 1H 2013 - 12 61,993
Total  Net hedging loss  Figures in thousands of euro  Net hedging loss  Profit from disposal or repurchase  Figures in thousands of euro  Financial assets  1. Loans and advances to banks  2. Loans and advances to customers  3. Available-for-sale financial assets  3.1 Debt instruments	253,665	214,513	Profits	Losses (915) (427) (367)	1H 2014 (3,475) Net profit 1H 2014 - (262) 97,877 78,215	1H 2013 (2,350) 1H 2013 
Net hedging loss  Figures in thousands of euro  Net hedging loss  Profit from disposal or repurchase  Figures in thousands of euro  Financial assets  1. Loans and advances to banks  2. Loans and advances to customers  3. Available-for-s ale financial assets  3.1 Debt instruments  3.2 Equity instruments	253,665	214,513	Profits	Losses (915) (427) (367)	1H 2014 (3,475) Net profit 1H 2014 - (262) 97,877 78,215 (60)	1H 2013 (2,350) 1H 2013 - 12 61,993 47,932
Figures in thousands of euro  Net hedging loss  Profit from disposal or repurchase  Figures in thousands of euro  Financial assets  1. Loans and advances to banks  2. Loans and advances to customers  3. Available-for-sale financial assets  3.1 Debt instruments  3.2 Equity instruments  3.3 Units in UCITS	253,665	214,513	Profits	Losses (915) (427) (367)	1H 2014 (3,475) Net profit 1H 2014 - (262) 97,877 78,215 (60)	1H 2013 (2,350) 1H 2013 - 12 61,993 47,932
Figures in thousands of euro  Net hedging loss  Profit from disposal or repurchase  Figures in thousands of euro  Financial assets  1. Loans and advances to banks 2. Loans and advances to customers 3. Available-for-sale financial assets 3.1 Debt instruments 3.2 Equity instruments 3.3 Units in UCITS 3.4 Financing 4. Held-to-maturity investments	253,665	214,513	Profits	Losses (915) (427) (367)	1H 2014 (3,475) Net profit 1H 2014 - (262) 97,877 78,215 (60)	1H 2013 (2,350) 1H 2013 
Figures in thousands of euro  Net hedging loss  Profit from disposal or repurchase  Figures in thousands of euro  Financial assets  1. Loans and advances to banks 2. Loans and advances to customers 3. Available-for-sale financial assets 3.1 Debt instruments 3.2 Equity instruments 3.3 Units in UCITS 3.4 Financing 4. Held-to-maturity investments  Total assets  Financial liabilities	253,665	214,513	Profits	Losses  (915) (427) (367) (60)	1H 2014 (3,475) Net profit 1H 2014  (262) 97,877 78,215 (60) 19,722	1H 2013 (2,350) 1H 2013 
Figures in thousands of euro  Net hedging loss  Profit from disposal or repurchase  Figures in thousands of euro  Financial assets  1. Loans and advances to banks 2. Loans and advances to customers 3. Available-for-sale financial assets 3.1 Debt instruments 3.2 Equity instruments 3.3 Units in UCITS 3.4 Financing 4. Held-to-maturity investments	253,665	214,513	Profits	Losses  (915) (427) (367) (60)	1H 2014 (3,475) Net profit 1H 2014  (262) 97,877 78,215 (60) 19,722	1H 2013 (2,350) 1H 2013 - - 12 61,993 47,932 14,061 - -
Figures in thousands of euro  Net hedging loss  Profit from disposal or repurchase  Figures in thousands of euro  Financial assets  1. Loans and advances to banks 2. Loans and advances to customers 3. Available-for-sale financial assets 3.1 Debt instruments 3.2 Equity instruments 3.3 Units in UCITS 3.4 Financing 4. Held-to-maturity investments  Total assets  Financial liabilities 1. Due to banks 2. Due to customers	253,665	214,513	Profits	Losses  - (915) (427) (367) (60) (1,342)	1H 2014 (3,475) Net profit 1H 2014 - (262) 97,877 78,215 (60) 19,722 - 97,615	1H 2013 (2,350)  1H 2013
Figures in thousands of euro  Net hedging loss  Profit from disposal or repurchase  Figures in thousands of euro  Financial assets  1. Loans and advances to banks 2. Loans and advances to customers 3. Available-for-sale financial assets 3.1 Debt instruments 3.2 Equity instruments 3.3 Units in UCITS 3.4 Financing 4. Held-to-maturity investments  Total assets  Financial liabilities 1. Due to banks	253,665	214,513	Profits	Losses  (915) (427) (367) (60)	1H 2014 (3,475) Net profit 1H 2014  (262) 97,877 78,215 (60) 19,722	1H 2013 (2,350) 1H 2013 - 12 61,993 47,932

#### Net profit (loss) on financial assets and liabilities designated at fair value

Total

1H 2014	1H 2013
(272)	1,582
127,190	61,764
	(272)

(4,448)

98.983



61,164

94,535

The *net result for financial activities* increased more than twofold to reach €127.2 million, up from €61.8 million in the first six months of 2013, as a result of the following:

- +€36.4 million from trading (+€1.4 million in 2013), attributable almost entirely to debt instruments, benefiting from approximately €13 million of net gains and from €23.1 million of profit/losses realised on the market, of which €10.1 million resulting from the close down of all uncovered short positions on debt securities. Foreign exchange business generated €2.9 million, while the close down of credit derivatives resulted in a loss of €0.5 million and the contribution from derivatives on debt securities and interest rates was also negative at approximately €2 million (profits, gains and accruals)<sup>3</sup>;
- -€3.5 million from hedging consisting of changes in the fair value of derivatives and the relative items hedged relating almost entirely to available-for-sale securities (-€2.4 million in 2013 in relation to bonds);
- +€94.5 million from the disposal of available-for-sale securities and the repurchase of financial liabilities, of which €78.2 million from the sale of €3.8 billion of Italian government securities, €19.7 million from the disposal of units in UCITS (ETFs, i.e. European equity funds that passively replicate benchmark indexes), -€0.3 million from the disposal of deteriorated positions (restructured and impaired of the former Centrobanca, together with a packet of non-performing loans of the former B@nca 24-7 and other ordinary mainly non-performing positions) and -€3.1 million from the repurchase of securities in issue as part of normal direct business with customers.

In the first half of 2013 profits of  $\[mathebox{\ensuremath{$\epsilon$}} 61.2$  million euro were recognised composed as follows:  $\[mathebox{\ensuremath{$\epsilon$}} 61.2$  million euro from Italian government securities and  $\[mathebox{\ensuremath{$\epsilon$}} 61.8$  million euro from the sale of other bonds mostly issued by banks);  $\[mathebox{\ensuremath{$+$}} 14.1$  from equity instruments ( $\[mathebox{\ensuremath{$\epsilon$}} 11.4$  million euro from the profit on Intesa Sanpaolo shares,  $\[mathebox{\ensuremath{$\epsilon$}} 0.6$  million euro on A2A shares and  $\[mathebox{\ensuremath{$\epsilon$}} 0.5$  million euro from an addition to the price for the disposal of the Cerved Group performed in 2008, all amounts subject to normalisation, in addition to  $\[mathebox{\ensuremath{$\epsilon$}} 1.6$  million euro from the full disposal of the interest held in Unione Fiduciaria); and finally  $\[mathebox{\ensuremath{$\epsilon$}} 0.8$  million euro from the repurchase of own bond issues.

• -€0.3 million from fair value movements on investments in Tages funds, from a residual position in hedge funds and from private equity investments of the former Centrobanca (+€1.6 million in 2013);

Other net operating income/expense amounted to €53.6 million (€55.6 million in the first six

months of 2013), a reflection of the amount and stability of the income, against slight changes in the underlying expenses.

Other net operating income

Detailed examination of the items, which do not show any significant changes, reveals the following: a reduction in prior year income (due to the presence in the first half of 2013 of an extraordinary refund of €1.5 million consisting of withholding taxes on the dividends of a foreign subsidiary) and an increase in expenses (including €2.4 million due to recognition of

Eigures in thousands of euro	1H 2014	1H 2013
Other operating income	56 070	57,017
Recovery of expenses and other income on current accounts	1	
Recovery of other expenses	4 904	5 3/17
Recoveries of taxes	3,655	3.840
Rents and other income for property management	16,704	16,153
Income for services to Group member companies	33,062	31,040
Other income and prior year income	2,308	4,477
Reclassification of "tax recoveries"	(3,655)	(3,840)
Other operating expenses	(3.371)	(1,439)
Depreciation of leasehold improvements	(63)	(63)
Costs relating to finance lease contracts	(/	(/
Other expenses and prior year expense	(3,371)	(1,439)
Depreciation on improved leaseholds for rented assets	63	63
Total other net operating income	53,608	55,578

reimbursements to Prestitalia customers).

"Income for services to Group member companies" rose to €33.1 million (+€2 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), growth in volumes of business in the finance area and greater provision of some services (these included money laundering and the finance of terrorism and commercial risks). These increases were only partially offset by the impacts of the Centrobanca merger.

**UBI><**Banca

<sup>3</sup> The latter item incorporates losses on interest rate derivatives in 2013 of €33.6 million, mainly the result of action taken to 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 impact 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.

#### Interest and similar income: composition

Figures in thousands of euro	Debt instruments	Financing	Other transactions	1H 2014	1H 2013
Financial assets held for trading	20,181	-	-	20,181	28,844
2. Available-for-sale financial assets	199,255	-	-	199,255	205,896
3. Held-to-maturity investments	53,026	-	-	53,026	54,258
4. Loans and advances to banks	25,768	15,427	-	41,195	24,080
5. Loans and advances to customers	7,615	241,584	-	249,199	298,704
6. Financial assets designated at fair value	-	-	-	-	-
7. Hedging derivatives	X	Х	23,822	23,822	705
8. Other assets	X	Х	14	14	14
Total interest income	305,845	257,011	23,836	586,692	612,501

#### Interest and similar expense: composition

Borrowings	Securities	Other liabilities	1H 2014	1H 2013
(14,417)	-	-	(14,417)	(40,833)
(49,929)	>	-	(49,929)	(112,191)
(14,789)	)	· -	(14,789)	(34,529)
X	(450,106)	-	(450,106)	(362,117)
(15,949)	-	-	(15,949)	(23,979)
-	-	-	-	-
X	X	(178)	(178)	(197)
Х	X	-	-	-
(95,084)	(450,106)	(178)	(545,368)	(573,846)
			41,324	38,655
	(14,417) (49,929) (14,789) X (15,949) - X	(14,417) (49,929)	(14,417) (49,929) X - (14,789) X - (450,106) - (15,949) (17,949) X X X X X X X X X - (178)	(14,417) (14,417) (49,929) X - (49,929) (14,789) X - (14,789) X (450,106) - (450,106) (15,949) (15,949)  X X X (178) (178) X X X (95,084) (450,106) (178) (545,368)

*Net interest income* improved to €41.3 million<sup>4</sup> (+€2.7 million compared with the first half of 2013), benefiting, amongst other things, from a moderate rise in the yield curve in the two periods<sup>5</sup>. In detail<sup>6</sup>:

- the securities portfolio generated interest income of €207.7 million (€201.5 million in 2013), due to growth in investments in debt instruments over twelve months of approximately €0.8 billion. Italian government securities continued to make a substantial contribution to net interest income (€199.3 million from the AFS portfolio and €53 million from the HTM portfolio), although these investments incorporate the costs of hedges on fixed interest rate bonds (the differentials paid on the derivatives amounted to €48.8 million, down compared with €63.6 million before);
- business on the interbank market, focused mainly on intragroup activities, generated a loss of €23.2 million, a marked improvement on the loss of €128.9 million previously. This is due to both a fall in funding from banks (-€4.3 billion over twelve months), while loans grew (+€1.7 billion), and also to a vertical drop in interest expense paid on the LTRO financing (down from €40.8 million to €14.4 million, following progressive reductions in the rate for principal refinancing operations down from 0.75% at the beginning of 2013 to the current 0.15% (since 11th June 2014);
- business with customers recorded expense of €143.1 million (-€33.7 million in 2013), due to the trend for the cost of debt securities issued, which UBI Banca issues now for all the ordinary and institutional customers of the Group. This item, which includes interest paid to subscribers, rose from -€362.1 million to -€450.1 million, in parallel with growth in the amount outstanding (+€7.9 billion over twelve months, correlated above all with bonds subscribed by network bank customers and with covered bonds).

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).



<sup>4</sup> Net interest income also includes the financial expense that UBI Banca incurs against investments in Group subsidiaries, while the related financial income is fuelled by the item dividends.

<sup>5</sup> The average one month Euribor rate did in fact rise in the two half-year periods from 0.119% in 2013 to 0.229% in the current year.
6 The calculation of net balances was performed by allocating interest income and expense on hedging derivatives within the different

The reduction in volumes of business over twelve months continued on the other hand to affect flows of interest from retail and corporate lending (down by €49.5 million in the two periods).

The net balance also includes the differentials received on hedges of own issue bonds (€72.6 million, compared with €64.3 million in the comparative period).

#### Fee and commission income: composition

Figures in thousands of euro	1H 2014	1H 2013
a) guarantees granted	3,728	3,561
c) management, trading and advisory services:	9,109	9,916
trading in financial instruments	5,641	4,027
foreign exchange trading	485	466
3. portfolio management	-	-
custody and administration of securities	160	114
5. depository banking	-	-
6. placement of securities	26	1,617
7. receipt and transmission of orders	5	1
8. advisory activities	2,226	3,183
8.1 on investments	2,226	3,183
distribution of third party services	566	508
9.1. portfolio management	-	-
9.2. insurance products	205	146
9.3 other products	361	362
d) collection and payment services	764	879
e) servicer activities for securitisation transactions	-	6
i) current account administration	11	11
j) other services	25,738	36,123
Total fee and commission income	39,350	50,496

Fee and commission expense: composition

Figures in thousands of euro	1H 2014	1H 2013
a) guarantees received	(15,909)	(23,074)
c) management and trading services:	(11,570)	(12,632)
trading in financial instruments	(1,240)	(1,603)
2. foreign exchange trading	(3)	(4)
3. portfolio management	-	-
custody and administration of securities	(722)	(568)
5. placement of financial instruments	-	-
6. financial instruments, products and services distributed		
through indirect networks	(9,605)	(10,457)
d) collection and payment services	(3,090)	(2,497)
e) other services	(4,889)	(5,889)
Total fee and commission expense	(35,458)	(44,092)
Net fee and commission income	3,892	6,404

*Net fee and commission income* fell to €3.9 million, down by €2.5 million compared with the first half of 2013, reflecting a parallel fall in both income and expense items.

Fee and commission income recorded the following: an increase in trading and financial instruments and reductions in the placement of securities and in investment advisory services, but above all a decrease in the item "other services" (- $\epsilon$ 10.4 million), which comprises commissions on lending activities (down by  $\epsilon$ 9 million due precisely to a reduction in volumes of business) and on credit cards (down by  $\epsilon$ 1.4 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) placed by the network banks, but above all a reduction in the cost for the Italian government guarantee. The latter, down from  $\[mathbb{c}23.1$  million to  $\[mathbb{c}15.7$  million, partly incorporated the effects of the early redemption (on  $\[mathbb{T}^{th}$  March 2014) for  $\[mathbb{c}3$  billion nominal of bonds issued in the first months of 2012 backed by that guarantee. UBI Banca had in fact issued bonds for a nominal amount of  $\[mathbb{c}6$  billion designed to increase assets eligible for refinancing with the ECB and the expense recognised represents an annual percentage of the nominal amount of the outstanding bonds.

Because these were issued by the Parent, subscribed by the former Centrobanca and then repurchased entirely by UBI Banca, on the basis of IFRS international accounting standards, these liabilities are not recognised in the accounts, nor is the interest income and expense attributable to them. They are nevertheless included within the assets eligible for refinancing that form part of the collateral pool available to the European Central Bank.

From a quarterly viewpoint, operating income of  $\[mathebox{\ensuremath{\mathfrak{e}}}154.1$  million compares with  $\[mathebox{\ensuremath{\mathfrak{e}}}217.7$  million in the same quarter of 2013 and with  $\[mathebox{\ensuremath{\mathfrak{e}}}347.3$  million in the first three months of the year. The change compared with the previous quarter (- $\[mathebox{\ensuremath{\mathfrak{e}}}193.2$  million) is explained primarily by the different timing of the receipt of dividends. In detail:

- dividends (€38.8 million compared with €236.6 million), which as a result of putting forward the date of the general meeting that allowed most consolidated banks and companies to distribute profits before 31st March 2014, were penalised in the comparison with the previous period. Notwithstanding this, it must be underlined that significant amounts were received in the second quarter mainly from the insurance companies (€14.1 million from Lombarda Vita, €7.3 million from UBI Assicurazioni, €6 million from Aviva Vita and €5 million from Aviva Assicurazioni Vita), but also from other equity investments (above all €3.1 million from SIA);
- financial activities (€69.5 million compared with €57.7 million before) recorded another positive result, due primarily to: €44.1 million realised on the sale of government securities held in portfolio; €19.7 million on the sale of ETF European equities funds; and €9.8 million generated by trading in



financial instruments (largely debt securities). On the other hand, the result for both hedging and fair value movements on assets designated at fair value incurred an overall loss of €2.7 million;

other net operating income/expense (€25.9 million compared with €27.7 presented no significant million) changes in the two quarters, a particular reflection of in performance for prior year expense which rose from €0.4 million to €3.4 million, partly in relation to recognition the reimbursements already mentioned made customers;

Quarterly performance by financial activities

	00	4.4
	2014	
Figures in thousands of euro	2nd Quarter	1st Quarter
Financial assets held for trading	9,381	18,593
Financial liabilities held for trading	3,595	6,464
Other financial liabilities: exchange rate differences	(1,340)	1,012
Derivative instruments	(1,859)	556
Net trading income	9,777	26,625
Net hedging loss	(1,827)	(1,648)
Financial assets	64,194	33,421
Financial liabilities	(1,803)	(1,277)
Profit from disposal or repurchase	62,391	32,144
Net income (loss) on financial assets and		
liabilities designated at fair value	(871)	599
Net income	69,470	57,720

- net interest income (€16.4 million compared with €24.9 million before) was affected primarily by the effects of the cost of securities issued (+€16.2 million), a result largely of changes in average volumes issued, which explains most of the quarterly decrease for business with customers (-€17.5 million). This performance was only partially offset by the improvement in the contribution, although still negative, from interbank business, while the securities portfolio furnished net interest income of €104.7 million;
- net fee and commission income (€3.5 million compared with €0.4 million before) is starting to benefit from the partial redemption (on 7<sup>th</sup> March 2014 for €3 billion) of government backed issues, the cost of which recognised within guarantees received did in fact fall from €10.1 million recorded in the first three months to €5.6 million in the second quarter.

Quarterly net interest income

	2014	
Figures in thousands of euro	2nd Quarter	1st Quarter
Banking business with customers	(80,314)	(62,767)
Financial activities	104,736	102,984
Interbank business	(7,965)	(15,186)
Other items	(71)	(93)
Net interest income	16,386	24,938

On the costs front **operating expenses** totalled  $\in 166.8$  million in the first half, down by  $\in 7$  million compared with 2013, the result of the following performances:

• staff costs amounted to €76.4 million, up by €1.7 million, the aggregate result of different phenomena. On the one hand, Staff costs: composition

total staff numbers (-43 on average) and the relative wages decreased (-€1.8 million), which easily offset normal growth in incomes. On the other hand, the release of a provision in 2013 generated technical accounting effect. The table also shows an increase (+€10.9 million) in recoveries of expenses for employees "on secondment" at other companies. These are effects of the "transfer of contracts" relating to staff on secondment between the Parent and UBI.S, as provided the trade union by agreement of 29th November

Figures in thousands of euro	1H 2014	1H 2013
1) Employees	(100,845)	(88,526)
a) Wages and salaries	(70,245)	(61,554)
b) Social security charges	(19,151)	(16,881)
c) Post-employment benefits	(3,806)	(3,564)
d) Pension expense	-	_
e) Provision for post-employment benefits	(288)	(211)
f) Pensions and similar obligations	(13)	(15
- defined benefit	(13)	(15
g) Payments to external supplementary pension plans:	(3,220)	(3,146
- defined contribution	(3,220)	(3,146)
i) Other employee benefits	(4,122)	(3,155
2) Other staff in service	(125)	(118)
- Expenses for agency staff on staff leasing contracts	-	-
- Other expenses	(125)	(118
3) Directors	(3,206)	(3,571)
4) Expenses for retired staff	-	-
5) Recoveries of expenses for staff on secondment to other companies	43,255	32,336
6) Reimbursements of expenses for staff on secondment at the Bank	(15,500)	(14,855)
Total	(76,421)	(74,734)

2012, which in reality are fully offset by an expense item recognised within expenses for employee staff;

• other administrative expenses fell to €79.4 million (-€8.1 million), as a result of the trend for current expenses (-€7.8 million), while indirect taxation remained almost unchanged (approximately -€0.3 million).

The table shows the main reductions in expenses which involved the following: rents payable (-€1.2 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 (- $\in$ 4.2 million, partly due to the absence of costs connected with the validation of capital requirements using advanced internal models); the tenancy of premises (- $\in$ 0.4 million, related to decreased accounts for heating and electricity due to the mild winter); and advertising (- $\in$ 0.7 million, in relation to the sponsorship of the 2013 Assiom Forex event). These actions to contain costs which also continued in relation to the remaining items, were partially offset by higher association membership fees (+ $\in$ 0.6 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 (+ $\in$ 0.9 million, from the adoption of a new payment card system, despite lower costs incurred for the 2014 Shareholders' Meeting).

Furthermore, the first half of 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 (recognised within the service fees paid to UBI.S):

• depreciation, amortisation and net impairment losses on property, plant and equipment and intangible assets came to €11 million compared with €11.6 million in the same period of 2013.

In quarterly terms, operating expenses of €84.8 million in the second quarter compared with €97.4 million in the same period of 2013 and and with approximately €82 million in the first three months of the year. The item was up by €2.8 million compared with the previous quarter due mainly to the trend for other administrative expenses (+€2 million), explained partly by the different timing of invoices in the two periods, given the continuation of the rigorous spending policies pursued, but also as a result of the start of a new advertising campaign entitled "Flexible involved Mortgages", which conventional and new innovative media and the launch of new projects (the "New Digital

#### Other administrative expenses: composition

A. Other administrative expenses   (75,940)   (83,771)     Rent payable   (3,691)   (4,849)     Professional and advisory services   (10,198)   (14,364)     Rentals on hardware, software and other assets   (270)   (356)     Tenancy of premises   (3,349)   (3,751)     Property and equipment maintenance   (1,281)   (1,576)     Counting, transport and management of valuables   0   (1)     Membership fees   (1,752)   (1,141)     Information services and land registry searches   (338)   (278)     Books and periodicals   (208)   (297)     Postal   (985)   (1,341)     Insurance premiums   (2,075)   (2,734)     Advertising   (1,962)   (2,696)     Entertainment expenses   (420)   (518)     Telephone and data transmission expenses   (5,371)   (5,369)     Services in outsourcing   (4,172)   (3,308)     Travel expenses   (1,669)   (2,012)     Fees for services provided by Group companies (UBLS)   (30,594)   (30,418)     Credit recovery expenses   (462)   (511)     B. Indirect taxes   (3,453)   (3,700)     Indirect taxes and duties   (389)   (422)     Stamp duty   (3,272)   (3,185)     IMU/ICI (municipal property taxes)   (79,393)   (87,471)			
Rent payable         (3,691)         (4,849)           Professional and advisory services         (10,198)         (14,364)           Rentals on hardware, software and other assets         (1,873)         (1,978)           Maintenance of hardware, software and other assets         (270)         (356)           Tenancy of premises         (3,349)         (3,751)           Property and equipment maintenance         (1,281)         (1,576)           Counting, transport and management of valuables         0         (1)           Membership fees         (1,752)         (1,141)           Information services and land registry searches         (338)         (278)           Books and periodicals         (208)         (297)           Postal         (985)         (1,341)           Insurance premiums         (2,075)         (2,734)           Advertising         (1,962)         (2,696)           Entertainment expenses         (420)         (518)           Telephone and data transmission expenses         (5,371)         (5,369)           Services in outsourcing         (4,172)         (3,308)           Travel expenses         (1,669)         (2,012)           Fees for services provided by Group companies (UBLS)         (30,594)         (30,418)	Figures in thousands of euro	1H 2014	1H 2013
Professional and advisory services         (10,198)         (14,364)           Rentals on hardware, software and other assets         (1,873)         (1,978)           Maintenance of hardware, software and other assets         (270)         (356)           Tenancy of premises         (3,349)         (3,751)           Property and equipment maintenance         (1,281)         (1,576)           Counting, transport and management of valuables         0         (1)           Membership fees         (1,752)         (1,141)           Information services and land registry searches         (338)         (278)           Books and periodicals         (208)         (297)           Postal         (985)         (1,341)           Insurance premiums         (2,075)         (2,734)           Advertising         (1,962)         (518)           Telephone and data transmission expenses         (5,371)         (5,369)           Services in outsourcing         (4,172)         (3,308)           Travel expenses         (1,669)         (2,012)           Fees for services provided by Group companies (UBLS)         (30,594)         (30,418)           Credit recovery expenses         (4,059)         (4,836)           Forms, stationery and consumables         (245)	A. Other administrative expenses	(75,940)	(83,771)
Rentals on hardware, software and other assets         (1,873)         (1,978)           Maintenance of hardware, software and other assets         (270)         (356)           Tenancy of premises         (3,349)         (3,751)           Property and equipment maintenance         (1,281)         (1,576)           Counting, transport and management of valuables         0         (1)           Membership fees         (1,752)         (1,141)           Information services and land registry searches         (338)         (278)           Books and periodicals         (208)         (297)           Postal         (985)         (1,341)           Insurance premiums         (2,075)         (2,734)           Advertising         (1,962)         (2,696)           Entertainment expenses         (420)         (518)           Telephone and data transmission expenses         (5,371)         (5,369)           Services in outsourcing         (4,172)         (3,308)           Travel expenses         (1,669)         (2,012)           Fees for services provided by Group companies (UBLS)         (30,594)         (30,418)           Credit recovery expenses         (4,059)         (4,836)           Forms, stationery and consumables         (245)         (532)<	Rent payable	(3,691)	(4,849)
Maintenance of hardware, software and other assets         (270)         (356)           Tenancy of premises         (3,349)         (3,751)           Property and equipment maintenance         (1,281)         (1,576)           Counting, transport and management of valuables         0         (1)           Membership fees         (1,752)         (1,141)           Information services and land registry searches         (338)         (278)           Books and periodicals         (208)         (297)           Postal         (985)         (1,341)           Insurance premiums         (2,075)         (2,734)           Advertising         (1,962)         (2,696)           Entertainment expenses         (420)         (518)           Telephone and data transmission expenses         (5,371)         (5,369)           Services in outsourcing         (4,172)         (3,308)           Travel expenses         (1,669)         (2,012)           Fees for services provided by Group companies (UBLS)         (30,594)         (30,418)           Credit recovery expenses         (4,059)         (4,836)           Forms, stationery and consumables         (245)         (532)           Transport and removals         (193)         (242)	Professional and advisory services	(10,198)	(14,364)
Tenancy of premises         (3,349)         (3,751)           Property and equipment maintenance         (1,281)         (1,576)           Counting, transport and management of valuables         0         (1)           Membership fees         (1,752)         (1,141)           Information services and land registry searches         (338)         (278)           Books and periodicals         (208)         (297)           Postal         (985)         (1,341)           Insurance premiums         (2,075)         (2,734)           Advertising         (1,962)         (2,696)           Entertainment expenses         (420)         (518)           Telephone and data transmission expenses         (5,371)         (5,369)           Services in outsourcing         (4,172)         (3,308)           Travel expenses         (1,669)         (2,012)           Fees for services provided by Group companies (UBLS)         (30,594)         (30,418)           Credit recovery expenses         (4,059)         (4,836)           Forms, stationery and consumables         (245)         (532)           Transport and removals         (193)         (242)           Security         (773)         (663)           Other expenses         (3	Rentals on hardware, software and other assets	(1,873)	(1,978)
Property and equipment maintenance         (1,281)         (1,576)           Counting, transport and management of valuables         0         (1)           Membership fees         (1,752)         (1,141)           Information services and land registry searches         (338)         (278)           Books and periodicals         (208)         (297)           Postal         (985)         (1,341)           Insurance premiums         (2,075)         (2,734)           Advertising         (1,962)         (2,696)           Entertainment expenses         (420)         (518)           Telephone and data transmission expenses         (5,371)         (5,369)           Services in outsourcing         (4,172)         (3,308)           Travel expenses         (1,669)         (2,012)           Fees for services provided by Group companies (UBLS)         (30,594)         (30,418)           Credit recovery expenses         (4,059)         (4,836)           Forms, stationery and consumables         (245)         (532)           Transport and removals         (193)         (242)           Security         (773)         (663)           Other expenses         (462)         (511)           B. Indirect taxes         (3,453)<	Maintenance of hardware, software and other assets	(270)	(356)
Counting, transport and management of valuables         0         (1)           Membership fees         (1,752)         (1,141)           Information services and land registry searches         (338)         (278)           Books and periodicals         (208)         (297)           Postal         (985)         (1,341)           Insurance premiums         (2,075)         (2,734)           Advertising         (1,962)         (2,696)           Entertainment expenses         (420)         (518)           Telephone and data transmission expenses         (5,371)         (5,369)           Services in outsourcing         (4,172)         (3,308)           Travel expenses         (1,669)         (2,012)           Fees for services provided by Group companies (UBLS)         (30,594)         (30,418)           Credit recovery expenses         (4,059)         (4,836)           Forms, stationery and consumables         (245)         (532)           Transport and removals         (193)         (242)           Security         (773)         (663)           Other expenses         (462)         (511)           B. Indirect taxes         (3,453)         (3,700)           Indirect taxes and duties         (389)	Tenancy of premises	(3,349)	(3,751)
Membership fees         (1,752)         (1,141)           Information services and land registry searches         (338)         (278)           Books and periodicals         (208)         (297)           Postal         (985)         (1,341)           Insurance premiums         (2,075)         (2,734)           Advertising         (1,962)         (2,696)           Entertainment expenses         (420)         (518)           Telephone and data transmission expenses         (5,371)         (5,369)           Services in outsourcing         (4,172)         (3,308)           Travel expenses         (1,669)         (2,012)           Fees for services provided by Group companies (UBI.S)         (30,594)         (30,418)           Credit recovery expenses         (4,059)         (4,836)           Forms, stationery and consumables         (245)         (532)           Transport and removals         (193)         (242)           Security         (773)         (663)           Other expenses         (462)         (511)           B. Indirect taxes         (3,453)         (3,700)           Indirect taxes and duties         (3,872)         (3,185)           IMU/ICI (municipal property taxes)         (2,869)	Property and equipment maintenance	(1,281)	(1,576)
Information services and land registry searches   (338) (278)	Counting, transport and management of valuables	0	(1)
Books and periodicals         (208)         (297)           Postal         (985)         (1,341)           Insurance premiums         (2,075)         (2,734)           Advertising         (1,962)         (2,696)           Entertainment expenses         (420)         (518)           Telephone and data transmission expenses         (5,371)         (5,369)           Services in outsourcing         (4,172)         (3,308)           Travel expenses         (1,669)         (2,012)           Fees for services provided by Group companies (UBI.S)         (30,594)         (30,418)           Credit recovery expenses         (4,059)         (4,836)           Forms, stationery and consumables         (245)         (532)           Transport and removals         (193)         (242)           Security         (773)         (663)           Other expenses         (462)         (511)           B. Indirect taxes         (3,453)         (3,700)           Indirect taxes and duties         (389)         (422)           Stamp duty         (3,272)         (3,185)           IMU/ICI (municipal property taxes)         (578)         (1,064)           Reclassification of "tax recoveries"         3,655         3,840	Membership fees	(1,752)	(1,141)
Postal         (985)         (1,341)           Insurance premiums         (2,075)         (2,734)           Advertising         (1,962)         (2,696)           Entertainment expenses         (420)         (518)           Telephone and data transmission expenses         (5,371)         (5,369)           Services in outsourcing         (4,172)         (3,308)           Travel expenses         (1,669)         (2,012)           Fees for services provided by Group companies (UBLS)         (30,594)         (30,418)           Credit recovery expenses         (4,059)         (4,836)           Forms, stationery and consumables         (245)         (532)           Transport and removals         (193)         (242)           Security         (773)         (663)           Other expenses         (462)         (511)           B. Indirect taxes         (3,453)         (3,700)           Indirect taxes and duties         (389)         (422)           Stamp duty         (3,272)         (3,185)           IMU/ICI (municipal property taxes)         (2,869)         (2,869)           Other taxes         (578)         (1,064)           Reclassification of "tax recoveries"         3,655         3,840	Information services and land registry searches	(338)	(278)
Insurance premiums   (2,075)   (2,734)     Advertising   (1,962)   (2,696)     Entertainment expenses   (420)   (518)     Telephone and data transmission expenses   (5,371)   (5,369)     Services in outsourcing   (4,172)   (3,308)     Travel expenses   (1,669)   (2,012)     Travel expenses   (1,669)   (30,594)   (30,418)     Credit recovery expenses   (4,059)   (4,836)     Forms, stationery and consumables   (245)   (532)     Transport and removals   (193)   (242)     Security   (773)   (663)     Other expenses   (462)   (511)     B. Indirect taxes   (3,453)   (3,700)     Indirect taxes and duties   (389)   (422)     Stamp duty   (3,272)   (3,185)     IMU/ICI (municipal property taxes)   (2,869)   (2,869)     Other taxes   (578)   (1,064)     Reclassification of "tax recoveries"   3,655   3,840	Books and periodicals	(208)	(297)
Advertising         (1,962)         (2,696)           Entertainment expenses         (420)         (518)           Telephone and data transmission expenses         (5,371)         (5,369)           Services in outsourcing         (4,172)         (3,308)           Travel expenses         (1,669)         (2,012)           Fees for services provided by Group companies (UBLS)         (30,594)         (30,418)           Credit recovery expenses         (4,059)         (4,836)           Forms, stationery and consumables         (245)         (532)           Transport and removals         (193)         (242)           Security         (773)         (663)           Other expenses         (462)         (511)           B. Indirect taxes         (3,453)         (3,700)           Indirect taxes and duties         (389)         (422)           Stamp duty         (3,272)         (3,185)           IMU/ICI (municipal property taxes)         (2,869)         (2,869)           Other taxes         (578)         (1,064)           Reclassification of "tax recoveries"         3,655         3,840	Postal	(985)	(1,341)
Entertainment expenses         (420)         (518)           Telephone and data transmission expenses         (5,371)         (5,369)           Services in outsourcing         (4,172)         (3,308)           Travel expenses         (1,669)         (2,012)           Fees for services provided by Group companies (UBLS)         (30,594)         (30,418)           Credit recovery expenses         (4,059)         (4,836)           Forms, stationery and consumables         (245)         (532)           Transport and removals         (193)         (242)           Security         (773)         (663)           Other expenses         (462)         (511)           B. Indirect taxes         (3,453)         (3,700)           Indirect taxes and duties         (389)         (422)           Stamp duty         (3,272)         (3,185)           IMU/ICI (municipal property taxes)         (2,869)         (2,869)           Other taxes         (578)         (1,064)           Reclassification of "tax recoveries"         3,655         3,840	Insurance premiums	(2,075)	(2,734)
Telephone and data transmission expenses         (5,371)         (5,369)           Services in outsourcing         (4,172)         (3,308)           Travel expenses         (1,669)         (2,012)           Fees for services provided by Group companies (UBI.S)         (30,594)         (30,418)           Credit recovery expenses         (4,059)         (4,836)           Forms, stationery and consumables         (245)         (532)           Transport and removals         (193)         (242)           Security         (773)         (663)           Other expenses         (462)         (511)           B. Indirect taxes         (3,453)         (3,700)           Indirect taxes and duties         (389)         (422)           Stamp duty         (3,272)         (3,3185)           IMU/ICI (municipal property taxes)         (2,869)         (2,869)           Other taxes         (578)         (1,064)           Reclassification of "tax recoveries"         3,655         3,840	Advertising	(1,962)	(2,696)
Services in outsourcing         (4,172)         (3,308)           Travel expenses         (1,669)         (2,012)           Fees for services provided by Group companies (UBI.S)         (30,594)         (30,418)           Credit recovery expenses         (4,059)         (4,836)           Forms, stationery and consumables         (245)         (532)           Transport and removals         (193)         (242)           Security         (773)         (663)           Other expenses         (462)         (511)           B. Indirect taxes         (3,453)         (3,700)           Indirect taxes and duties         (389)         (422)           Stamp duty         (3,272)         (3,185)           IMU/ICI (municipal property taxes)         (2,869)         (2,869)           Other taxes         (578)         (1,064)           Reclassification of "tax recoveries"         3,655         3,840	Entertainment expenses	(420)	(518)
Travel expenses         (1,669)         (2,012)           Fees for services provided by Group companies (UBI.S)         (30,594)         (30,418)           Credit recovery expenses         (4,059)         (4,836)           Forms, stationery and consumables         (245)         (532)           Transport and removals         (193)         (242)           Security         (773)         (663)           Other expenses         (462)         (511)           B. Indirect taxes         (3,453)         (3,700)           Indirect taxes and duties         (389)         (422)           Stamp duty         (3,272)         (3,185)           IMU/ICI (municipal property taxes)         (2,869)         (2,869)           Other taxes         (578)         (1,064)           Reclassification of "tax recoveries"         3,655         3,840	Telephone and data transmission expenses	(5,371)	(5,369)
Fees for services provided by Group companies (UBI.S)         (30,594)         (30,418)           Credit recovery expenses         (4,059)         (4,836)           Forms, stationery and consumables         (245)         (532)           Transport and removals         (193)         (242)           Security         (773)         (663)           Other expenses         (462)         (511)           B. Indirect taxes         (3,453)         (3,700)           Indirect taxes and duties         (389)         (422)           Stamp duty         (3,272)         (3,185)           IMU/ICI (municipal property taxes)         (2,869)         (2,869)           Other taxes         (578)         (1,064)           Reclassification of "tax recoveries"         3,655         3,840	Services in outsourcing	(4,172)	(3,308)
Credit recovery expenses         (4,059)         (4,836)           Forms, stationery and consumables         (245)         (532)           Transport and removals         (193)         (242)           Security         (773)         (663)           Other expenses         (462)         (511)           B. Indirect taxes         (3,453)         (3,700)           Indirect taxes and duties         (389)         (422)           Stamp duty         (3,272)         (3,185)           IMU/ICI (municipal property taxes)         (2,869)         (2,869)           Other taxes         (578)         (1,064)           Reclassification of "tax recoveries"         3,655         3,840	Travel expenses	(1,669)	(2,012)
Forms, stationery and consumables         (245)         (532)           Transport and removals         (193)         (242)           Security         (773)         (663)           Other expenses         (462)         (511)           B. Indirect taxes         (3,453)         (3,700)           Indirect taxes and duties         (389)         (422)           Stamp duty         (3,272)         (3,185)           IMU/ICI (municipal property taxes)         (2,869)         (2,869)           Other taxes         (578)         (1,064)           Reclassification of "tax recoveries"         3,655         3,840	Fees for services provided by Group companies (UBI.S)	(30,594)	(30,418)
Transport and removals         (193)         (242)           Security         (773)         (663)           Other expenses         (462)         (511)           B. Indirect taxes         (3,453)         (3,700)           Indirect taxes and duties         (389)         (422)           Stamp duty         (3,272)         (3,185)           IMU/ICI (municipal property taxes)         (2,869)         (2,869)           Other taxes         (578)         (1,064)           Reclassification of "tax recoveries"         3,655         3,840	Credit recovery expenses	(4,059)	(4,836)
Security         (773)         (663)           Other expenses         (462)         (511)           B. Indirect taxes         (3,453)         (3,700)           Indirect taxes and duties         (389)         (422)           Stamp duty         (3,272)         (3,185)           IMU/ICI (municipal property taxes)         (2,869)         (2,869)           Other taxes         (578)         (1,064)           Reclassification of "tax recoveries"         3,655         3,840	Forms, stationery and consumables	(245)	(532)
Other expenses         (462)         (511)           B. Indirect taxes         (3,453)         (3,700)           Indirect taxes and duties         (389)         (422)           Stamp duty         (3,272)         (3,185)           IMU/ICI (municipal property taxes)         (2,869)         (2,869)           Other taxes         (578)         (1,064)           Reclassification of "tax recoveries"         3,655         3,840	Transport and removals	(193)	(242)
B. Indirect taxes         (3,453)         (3,700)           Indirect taxes and duties         (389)         (422)           Stamp duty         (3,272)         (3,185)           IMU/ICI (municipal property taxes)         (2,869)         (2,869)           Other taxes         (578)         (1,064)           Reclassification of "tax recoveries"         3,655         3,840	Security	(773)	(663)
Indirect taxes and duties	Other expenses	(462)	(511)
Stamp duty         (3,272)         (3,185)           IMU/ICI (municipal property taxes)         (2,869)         (2,869)           Other taxes         (578)         (1,064)           Reclassification of "tax recoveries"         3,655         3,840	B. Indirect taxes	(3,453)	(3,700)
IMU/ICI (municipal property taxes)         (2,869)         (2,869)           Other taxes         (578)         (1,064)           Reclassification of "tax recoveries"         3,655         3,840	Indirect taxes and duties	(389)	(422)
Other taxes         (578)         (1,064)           Reclassification of "tax recoveries"         3,655         3,840	Stamp duty	(3,272)	(3,185)
Reclassification of "tax recoveries" 3,655 3,840	IMU/ICI (municipal property taxes)	(2,869)	(2,869)
	Other taxes	(578)	(1,064)
Total (79,393) (87,471)	Reclassification of "tax recoveries"	3,655	3,840
	Total	(79,393)	(87,471)

Bank", "Single European Supervision" and "Cost Optimisation"). As concerns other expense items on the other hand, staff costs increased by €0.9 million (mainly due to an increase in reimbursements to other companies for employees on secondment at UBI Banca), while depreciation, amortisation and net impairment losses on property, plant and equipment and intangible assets remained stable at €5.5 million.

As a result of the performance reported above, **net operating income** increased to €334.5 million (+53.4% compared with 2013).

On a quarterly basis, ordinary operations in the second quarter gave rise to net operating income of  $\in$ 69.2 million, compared with  $\in$ 120.2 million in the same period of 2013 and of  $\in$ 265.3 million in the first three months of the current year.

The following was also recognised in the first half of 2014:

• €52.9 million (down by €2.4 million compared with 2013) of *net impairment losses on loans* relating to the former B@nca 24-7 and former Centrobanca portfolios. As shown in the table, the amount was composed of €66 million of specific net impairment losses (which benefited from reversals – not including present value discounts – amounting to €24.2 million, that included €5.6 million relating to the second quarter from the closure of positions relating to United States companies in the Lehman Group<sup>7</sup>) and of €13.1 million of net reversals on the performing portfolio (partly due to a fall in volumes of lending business);

<sup>7</sup> See in this respect the information reported in the section "Financial activities" of the Interim management report on consolidated operations.



#### Net impairment losses on loans: composition

	Impairment losses/reversals of impairment losses, net		1H 2014
Figures in thousands of euro	Specific	Portfolio	
A Loans and advances to banks	-	-	-
B. Loans and advances to customer:	(65,999)	13,132	(52,867)
C. Total	(65,999)	13,132	(52,867)

2nd Quarter		Impairment loss impairment l
2014	Portfolio	Specific
-	-	-
(27,221)	4,776	(31,997)
(27,221)	4,776	(31,997)

	Impairment losses/reversals of impairment losses, net		1H 2013	
Figures in thousands of euro	Specific	Portfolio		
A. Loans and advances to banks	-	217	217	
B. Loans and advances to customer:	(69,096)	13,637	(55,459)	
C. Total	(69,096)	13,854	(55,242)	

2nd Quarter	Impairment losses/reversals of impairment losses, net					
2013	Portfolio	Specific				
217	217	-				
(30,918)	14,975	(45,893)				
(30,701)	15,192	(45,893)				

- €1.4 million of *net impairment losses on other financial assets/liabilities* (compared with €34.1 million before<sup>8</sup>) consisting of -€1.8 million of impairment losses on guarantees and of
  - +€0.4 million (non-recurring) of reversals on securities and funds held in the AFS portfolio (-€0.8 million relating to impairment losses, mainly on units in UCITS, and +€1.2 million to the recovery in value of a bond held in portfolio);

#### Net provisions for risks and charges

Figures in thousands of euro	1H 2014	1H 2013
Net provisions for revocation clawback risks	(600)	-
Net provisions for litigation	(887)	(284)
Other net provisions for risks and charges	2,353	(707)
Total	866	(991)

- €0.9 million as the aggregate result of Total growing provisions for revocation (clawback) actions and litigation, due to legal action taken by different types of counterparty, more than offset by the release of a *provision for risks and charges* made in prior years amounting to €2.4 million, due to the conclusion of the relative litigation.
  - In 2013 the item included -£1.5 million of provisions connected with the liquidation of an equity investment and +£0.8 million for the release of a provision of a tax nature, set aside in relation to old litigation with a banking counterparty, which now no longer exists.
- €0.6 million of *net losses on equity investments*, as a result of the settlement of the balance on the price made necessary by the subsequent disposal of the Swiss subsidiary BDG (-0.9 million normalised), partially offset by the profit realised on the winding up of the Delaware companies that had been formed for the issuance of preference shares (+€0.3 million).

**Profit on continuing operations before tax** more than doubled to  $\leq 280.6$  million, compared with  $\leq 127.8$  million in the first half of 2013.

On a quarterly basis, profit in the second quarter came to approximately  $\leq$ 42 million compared with the  $\leq$ 55.1 million in the same period of 2013 and  $\leq$ 238.6 million in the first three months of the year.

In line with the trend for the tax base, the first half recorded *taxes on income for the period* from continuing operations of  $\in$ 35.9 million, attributable to the positive performance of pre-tax profit, although it was net of dividends which benefit from a partial non-taxation regime for both corporate income tax (IRES) and regional production tax (IRAP) purposes.

The amount nevertheless includes a non-recurring expense item of €17.9 million.

The conversion into law of Decree Law No. 66/2014 finally reduced (from 4.65% to 4.20%) the IRAP rate from the financial year 2014, nevertheless without effect on the surtax of 0.92% on some companies, including banks (the rate for UBI Banca therefore fell from 5.57% to 5.12%). This change had positive impacts on the amount of taxation due for the year, but at same time it reduced assets for prepaid taxes ("deferred tax assets") already recognised in the financial

<sup>8</sup> The amount consisted of €17.5 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 Centrobanca portfolio, €3.9 million relating to the Centrobanca Sviluppo Impresa fund, €4 million to units in UCITS and the remainder to equity instruments. It also included impairment losses of €16.5 million recognised on unsecured guarantees (item 130d "impairment losses on other financial transactions"), of which €17.3 million due to the enforcement in June 2013 of a guarantee that had been issued by the Parent to UBI Banca International on the Pescanova position.



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statements for the year ended 31<sup>st</sup> December 2013 on the basis of the previous higher rate<sup>9</sup>. The surplus thereby created (€17.9 million) was therefore charged to the income statement in the second quarter.

In the first half of 2013, *net impairment losses on Group equity investments* (€0.9 million, non-recurring) were stated separately after tax under a separate item and relate entirely to the interest held in BY YOU (mortgage distribution), for which the carrying amount was written-off in view of the liquidation of the company still in progress.

<sup>9</sup> In 2013 a positive non-recurring item for €212.6 million was recognised in the UBI Banca financial statements, resulting from a reassessment of IRAP deferred tax assets for which provision had not been made in prior years on realigned goodwill.



#### The balance sheet

The comments that follow are based on items in the balance sheet contained in the reclassified financial statements on which the relative tables furnishing details are also based.

UBI Banca **direct funding** from customers stood at €38.1 billion as at 30<sup>th</sup> June 2014, presenting growth overall (+€3.9 billion year-on-year and +€0.7 billion approximately in the first half), although with different trends for the short-term and medium to long-term components.

As concerns the total for DUE TO CUSTOMERS, detailed examination shows stability for the item between June and December 2013 with a subsequent significant reduction to €3.4 billion (-€4 billion year-on-year and -€3.8 billion since December).

The reduction which occurred in the first half of 2014 is attributable primarily to less recourse to *repurchase agreements with the Cassa di Compensazione e Garanzia* (a central counterparty clearing house) ( $\[ \in \] 2.3$  billion at the end of period compared with  $\[ \in \] 5.4$  billion in June 2013 and  $\[ \in \] 5.5$  billion at the end of year) as a consequence of greater liquidity available to the Group, partly as a result of a recovery for institutional issuances.

In the first quarter subordinated deposits  $^{10}$  were withdrawn which guaranteed three issuances of preference shares redeemed early between February and March 2014: the operation involved a decrease of 0.6 billion in the item financing – other.

Volumes of current accounts, on the other hand, held steady at €0.7 billion.

#### Direct funding from customers

	30.6.2014	%	31.12.2013	%	Change	s A/B	30.6.2013	%	Change	s A/C
Figures in thousands of euro	Α	,,,	В	,,,	amount	%	С		amount	%
Current accounts and deposits	697,047	1.9%	671,987	1.8%	25,060	3.7%	794,246	2.4%	-97,199	-12.2%
Term deposits	-	-	-	-	-	-	-	-	-	-
Financing	2,675,836	7.0%	6,535,873	17.5%	-3,860,037	-59.1%	6,504,010	19.0%	-3,828,174	-58.9%
- repurchase agreements	2,255,084	5.9%	5,499,671	14.7%	-3,244,587	-59.0%	5,475,176	16.0%	-3,220,092	-58.8%
of which: repos with the CCG	2,255,084	5.9%	5,499,671	14.7%	-3,244,587	-59.0%	5,367,793	15.7%	-3,112,709	-58.0%
- other	420,752	1.1%	1,036,202	2.8%	-615,450	-59.4%	1,028,834	3.0%	-608,082	-59.1%
Other payables	50,533	0.1%	16,053	0.0%	34,480	214.8%	143,433	0.4%	-92,900	-64.8%
Total amounts due to customers	3,423,416	9.0%	7,223,913	19.3%	-3,800,497	-52.6%	7,441,689	21.8%	-4,018,273	-54.0%
Bonds	34,623,012	90.9%	30,161,233	80.6%	4,461,779	14.8%	26,659,591	78.0%	7,963,421	29.9%
- bonds subscribed by institutional customers	13,093,605	34.4%	11,865,463	31.7%	1,228,142	10.4%	12,128,689	35.5%	964,916	8.0%
of which: EMTNs (*)	4,273,586	11.2%	4,157,406	11.1%	116,180	2.8%	5,837,196	17.1%	-1,563,610	-26.8%
Covered bonds	8,820,019	23.2%	7,708,057	20.6%	1,111,962	14.4%	6,291,493	18.4%	2,528,526	40.2%
- bonds subscribed by ordinary customers	19,750,629	51.9%	16,420,296	43.9%	3,330,333	20.3%	13,865,777	40.6%	5,884,852	42.4%
of which: non-captive customers (former Centrobanca)	3,426,319	9.0%	3,683,725	9.8%	-257,406	-7.0%	3,805,851	11.1%	-379,532	-10.0%
- bonds subscribed by Group banks (intragroup)	1,778,778	4.6%	1,875,474	5.0%	-96,696	-5.2%	665,125	1.9%	1,113,653	167.4%
Other certificates	39,133	0.1%	49,859	0.1%	-10,726	-21.5%	57,599	0.2%	-18,466	-32.1%
Total debt securities issued	34,662,145	91.0%	30,211,092	80.7%	4,451,053	14.7%	26,717,190	78.2%	7,944,955	29.7%
Total funding from customers	38,085,561	100.0%	37,435,005	100.0%	650,556	1.7%	34,158,879	100.0%	3,926,682	11.5%
of which:										
sub ordinated liabilities	4,029,242	10.6%	4,955,561	13.2%	-926,319	-18.7%	5,354,509	15.7%	-1,325,267	-24.8%
of which: sub ordinated deposits	-	-	572,479	1.5%	-572,479	-100.0%	572,424	1.7%	-572,424	-100.0%
subordinated securities	4,029,242	10.6%	4,383,082	11.7%	-353,840	-8.1%	4,782,085	14.0%	-752,843	-15.7%
of which: EMTNs (*)	-	-	-	-	-	-	181,590	0.5%	-181,590	-100.0%

<sup>(\*)</sup> The corresponding nominal amounts were €4,219 million as at 30th June 2014, €4,125 million as at 31st December 2013 and €5,771 million (of which €182 million subordinated) as at 30th June 2013. The figures shown in the table do not include private placements of an intragroup nature, which were therefore eliminated in the consolidation (€8 million as at 30th June 2013).

Opposits 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.



#### Direct funding from customers

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Figures in thousands of euro	30.6.2014 A	%	31.3.2014 D	%	Change: amount	s A/D %
Current accounts and deposits	697,047	1.9%	769,552	2.1%	-72,505	-9.4%
Term deposits	-	-	-	-	-	-
Financing	2,675,836	7.0%	1,876,068	5.1%	799,768	42.6%
- repurchase agreements	2,255,084	5.9%	1,410,227	3.8%	844,857	59.9%
of which: repos with the CCG	2,255,084	5.9%	1,410,227	3.8%	844,857	59.9%
- other	420,752	1.1%	465,841	1.3%	-45,089	-9.7%
Other payables	50,533	0.1%	13,269	0.0%	37,264	280.8%
Total amounts due to customers	3,423,416	9.0%	2,658,889	7.2%	764,527	28.8%
Bonds	34,623,012	90.9%	34,444,917	92.7%	178,095	0.5%
- bonds subscribed by institutional customers	13,093,605	34.4%	13,862,114	37.3%	-768,509	-5.5%
of which: EMTNs (*)	4,273,586	11.2%	5,147,408	13.9%	-873,822	-17.0%
Covered bonds	8,820,019	23.2%	8,714,706	23.4%	105,313	1.2%
- bonds subscribed by ordinary customers	19,750,629	51.9%	18,703,855	50.3%	1,046,774	5.6%
of which: non-captive customers (former Centrobanca)	3,426,319	9.0%	3,535,010	9.5%	-108,691	-3.1%
- bonds subscribed by Group banks (intragroup)	1,778,778	4.6%	1,878,948	5.1%	-100,170	-5.3%
Other certificates	39,133	0.1%	44,782	0.1%	-5,649	-12.6%
Total debt securities issued	34,662,145	91.0%	34,489,699	92.8%	172,446	0.5%
Total funding from customers	38,085,561	100.0%	37,148,588	100.0%	936,973	2.5%
of which:						
sub ordinated liabilities	4,029,242	10.6%	4,265,480	11.5%	-236,238	-5.5%
sub ordinated securities	4,029,242	10.6%	4,265,480	11.5%	-236,238	-5.5%
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(\*) The corresponding nominal amounts were €4,219 million as at 30<sup>th</sup> June 2014 and €5,090 million as at 31<sup>st</sup> March 2014.

DEBT SECURITIES ISSUED, on the other hand, recorded a significant increase (+€8 billion year-on-year and +€4.5 billion over six months) rising to €34.7 billion.

The increase in the item was driven by volumes of bonds subscribed by ordinary customers, while although institutional issues grew overall as result of issuances in October 2013 and then in January and February 2014, they were affected by large amounts of EMTN securities maturing over the twelve month period and which were not renewed due to the positive liquidity position and structural balance of the Group.

In detail, UBI Banca's institutional funding at the end of the first half was composed as follows:

- €4.3 billion of EMTN securities issued as part of a programme for a maximum issuance of €15 billion.
  - Two issuances were made over twelve months for  $\[mathebox{\ensuremath{\mathfrak{e}}}\]$ 1.750 billion nominal ( $\[mathebox{\ensuremath{\mathfrak{e}}}\]$ 50 million in October 2013 and  $\[mathebox{\ensuremath{\mathfrak{e}}}\]$ 1 billion in February 2014), against maturities, redemptions and repurchases for a total of  $\[mathebox{\ensuremath{\mathfrak{e}}}\]$ 3.302 billion nominal occurring mostly in the second half of 2013 which explains the decrease in the total year-on-year (- $\[mathebox{\ensuremath{\mathfrak{e}}}\]$ 1.6 billion) and its stability compared with December;
- covered bonds amounting to €8.8 billion, increased in the two comparative periods due to placements totalling €2.5 billion nominal (€1.25 billion in October 2013, subsequently reopened for €0.25 billion in December and €1 billion in January 2014), against marginal decreases (€50.5 million over twelve months), relating to annual amortisation instalments on two of the "amortising" securities.
  - UBI Banca has ten covered bonds in issue under the first "multioriginator" programme backed by residential mortgages with a €15 billion ceiling for a nominal amount of €8.14 billion (net of amortisation instalments totalling €109.9 million)<sup>11</sup>, against a segregated portfolio which stood at €14.6 billion as at  $30^{th}$  June  $2014^{12}$ .

A second programme, again "multioriginator", is also operational with a ceiling of  $\in$ 5 billion, backed by commercial mortgages and by residential mortgages not used in the first programme (a segregated portfolio of  $\in$ 3.2 billion at the end of period). So far this programme has only been used for self-retained issuances<sup>13</sup>.

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<sup>11</sup> Two self-retained issuances for a total €1.7 billion nominal were made to back that programme, an issue for €1 billion in December 2013 and one for €0.7 billion in March 2014. Because these were repurchased by UBI Banca, these liabilities have not been recognised, in accordance with IFRS.

Detailed information on the composition of the segregated portfolio of residential mortgages held by UBI Finance is given in the Interim consolidated management report on operations, which may be consulted.

<sup>13</sup> Two issuances in 2012 for a total of €1.94 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.

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 approximately  $\[ \in \] 19.8$  billion (+ $\[ \in \] 5.9$  billion year-on-year, + $\[ \in \] 3.3$  billion in the first half): in the first six months of the year alone, placements involved 70 bonds for  $\[ \in \] 5.2$  billion nominal (offset by maturities of  $\[ \in \] 1.8$  billion nominal and repurchases of  $\[ \in \] 0.1$  billion).

Finally, intragroup bond funding ( $\in$ 1.8 billion), consisting of debt subscribed by banks or companies in the Group in order to invest their liquidity, increased year-on-year by  $\in$ 1.1 billion – attributable to new issuances totalling  $\in$ 1.3 billion nominal, concentrated almost totally in the second half of 2013, only partially offset by maturities/redemptions of  $\in$ 0.2 billion. On the other hand, the total outstanding fell slightly in the first half ( $\in$ 0.1 billion), due to the maturity of a security for  $\in$ 0.2 billion nominal against issuances of  $\in$ 0.1 billion nominal.

#### Composition of loans to customers

	30.6.2014	%	of which	31.12.2013	%	of which	Change	s A/B	30.6.2013	%	of which	Changes	s A/C
Figures in thousands of euro	Α	/0	deteriorated	В	76	deteriorated	amount	%	С	76	deteriorated	amount	%
Current account overdrafts	948,620	4.1%	2,321	1,297,643	5.2%	2,306	-349,023	-26.9%	1,101,084	4.2%	3,243	-152,464	-13.8%
Reverse repurchase agreements	1,280,769	5.5%	-	1,053,956	4.2%	-	226,813	21.5%	1,201,154	4.5%	-	79,615	6.6%
Mortgage loans and other medium to long- term financing	10,935,646	46.8%	1,086,870	11,334,202	45.0%	1,161,847	-398,556	-3.5%	11,660,652	44.0%	1,194,115	-725,006	-6.2%
Credit cards, personal loans and salary- backed loans	1,009,462	4.3%	105,752	1,209,478	4.8%	117,507	-200,016	-16.5%	1,387,347	5.2%	112,104	-377,885	-27.2%
Factoring	6,121	0.0%	-	6,054	0.0%	-	67	1.1%	4,563	0.0%	-	1,558	34.1%
Other transactions	9,060,177	38.8%	105,966	9,926,369	39.4%	111,946	-866,192	-8.7%	10,848,012	40.9%	60,455	-1,787,835	-16.5%
Debt instruments	111,353	0.5%	-	341,211	1.4%	-	-229,858	-67.4%	324,491	1.2%	1,045	-213,138	-65.7%
of which: structured securities	110,100	0.5%	-	339,944	1.4%	-	-229,844	-67.6%	323,228	1.2%	-	-213,128	-65.9%
other debt instruments	1,253	0.0%	-	1,267	0.0%	-	-14	-1.1%	1,263	0.0%	1,045	-10	-0.8%
Total loans and advances to customers	23,352,148	100.0%	1,300,909	25,168,913	100.0%	1,393,606	-1,816,765	-7.2%	26,527,303	100.0%	1,370,962	-3,175,155	-12.0%

#### Composition of loans to customers

	30.6.2014	%	of which	31.3.2014	%	of which	Changes	A/D
Figures in thousands of euro	Α	%	deteriorated	D	%	deteriorated	amount	%
Current account overdrafts	948,620	4.1%	2,321	971,014	4.0%	2,319	-22,394	-2.3%
Reverse repurchase agreements	1,280,769	5.5%	-	1,152,982	4.8%	-	127,787	11.1%
Mortgage loans and other medium to long- term financing	10,935,646	46.8%	1,086,870	11,180,069	46.7%	1,143,806	-244,423	-2.2%
Credit cards, personal loans and salary- backed loans	1,009,462	4.3%	105,752	1,081,354	4.5%	113,119	-71,892	-6.6%
Factoring	6,121	0.0%	-	6,121	0.0%	-	-	-
Other transactions	9,060,177	38.8%	105,966	9,459,465	39.5%	111,454	-399,288	-4.2%
Debt instruments	111,353	0.5%	-	111,356	0.5%	-	-3	0.0%
of which: structured securities	110,100	0.5%	-	110,106	0.5%	-	-6	0.0%
other debt instruments	1,253	0.0%	-	1,250	0.0%	-	3	0.2%
Total loans and advances to customers	23,352,148	100.0%	1,300,909	23,962,361	100.0%	1,370,698	-610,213	-2.5%

As at 30<sup>th</sup> June 2014, Parent **loans** amounted to approximately  $\[ \in \]$ 23.4 billion, down on all the comparative periods ( $\[ \in \]$ 0.6 billion compared with March,  $\[ \in \]$ 1.8 billion since the beginning of the year;  $\[ \in \]$ 3.2 billion year-on-year).

The downward trend for the total reflects firstly a year-on-year fall in financing to Group companies (-€0.5 billion in the second quarter; -€1.2 billion since the beginning of the year; -1.7 billion year-on-year), to be interpreted, amongst other things, in relation to the impact of the difficult economic context on volumes of business.

More specifically we report less financing by the Parent to UBI Leasing and UBI Factor, which received loans amounting to €6.8 billion and €1.9 billion respectively, accounting for  $37.1\%^{14}$  of the total (€6.9 billion and €1.9 billion in March; €7.1 billion and €2.2 billion in December; €7.4 billion and €2.1 billion in June 2013).

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Financial 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).

Similarly loans to Prestitalia – a subsidiary operating in the salary and pension-backed loan sector – had also fallen in June to approximately  $\[ \in \] 2.4$  billion consisting of  $\[ \in \] 1.4$  billion of "mortgage loans and other medium to long-term financing" and  $\[ \in \] 1$  billion of short-term transactions 15. The reduction compared with December ( $\[ \in \] 0.3$  billion) relates entirely to the second quarter and to "other transactions" in particular. The trend over twelve months ( $\[ \in \] 0.6$  billion), on the other hand, presents a partial change in the composition out of short-term financing ( $\[ \in \] 0.8$  billion) and into "mortgage loans and other medium to long-term financing" ( $\[ \in \] 0.8$  billion)

The year-on-year reduction in total Parent loans was affected to an equally significant extent, although with a lessening impact in recent months, by changes in the former B@nca 24-7 and former Centrobanca portfolios.

In detail, outstanding former B@nca 24-7 loans amounted to €5.7 billion at the end of the first half – a natural progressive reduction given the residual nature of the business – of which:

- €4.6 billion attributable to the item "mortgage loans and other medium to long-term financing" (-€72.6 million compared with March; -€143 million since the beginning of the year; -€278.9 million over twelve months);
- €1 billion relating to different types of consumer credit (-€71.9 million; -€200 million; -€377.9 million);
- €84.7 million included within other transactions (-€2.7 million; -€20.1 million; -€67.2 million).

At the end of June the former Centrobanca loan portfolio – merged in May 2013 – had fallen to €5.1 billion (-€142.9 million in the second quarter 2014; -€234.2 million since the beginning of the year; -€625.6 million over twelve months), of which:

- €4.6 billion attributable to the item "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 also includes particular types of lending to counterparties outside the Group, although marginal in amount, subject to a degree of variation during the year because of their nature:

- ordinary business with the *Cassa di Compensazione e Garanzia* (a central counterparty clearing house) totalled €0.5 billion at the end of June (up by €0.2 billion in the quarter, but more or less stable compared with December and June 2013). After falling practically to zero in 2013, the first six months of the year saw a recovery in reverse repurchase agreements with Italian government securities as the underlying (+€0.4 billion), entered into as an investment of liquidity. On the other hand margin deposits required to guarantee repurchase agreements on Italian government securities unchanged in the second half of 2013 decreased by €0.3 billion in 2014, in parallel with a decrease in the use of this type of financing;
- margin deposits on derivatives business, only partially attributable to swaps to hedge the covered bond programme and internal securitisations, amounted at the end of the first half to €0.7 billion, with no significant changes over twelve months. They consisted entirely of current accounts.

Finally debt securities were affected by the early redemption of preference shares carried out between February and March of the current year. This item included an amount recognised (€229.8 million in December; €212.9 million in June 2013) relating to repurchases carried out previously.

Deteriorated assets gross of write-downs had fallen further at the end of June to €1.9 billion (-99.3 million compared with March; -€123.9 million compared with December; -€77.6 million year-on-year).

Changes in the different categories benefited also from disposals of deteriorated loans carried out by the Parent in the first half of 2014 totalling €70.4 million. They were composed as follows:

- €55.2 million of non-performing loans, of which €54.1 million relating to the former B@nca 24-7 portfolio and €1.1 million relating to the former Centrobanca;
- €2.8 million of impaired loans;
- €12.4 million of restructured loans.

As shown in the table reporting migrations of gross deteriorated exposures for the first six months of the year, total new classifications from performing loans (€105.2 million) decreased



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

Inclusive of the €200 million from the Centrobanca merger.

significantly compared with 2013 and total transfers between the various categories were equally reduced. Non-performing loans continue to be driven almost entirely by transfers from other categories of deteriorated exposures (mainly impaired loans), while transfers from performing loans and from other deteriorated categories into exposures past due and/or in arrears decreased substantially.

Net of impairment losses, deteriorated loans amounted to €1.3 billion, of which 83.5% relating to "mortgage loans and other medium to long-term financing".

A reversal of the trend was recorded in the second quarter of 2014 for deteriorated loans as a percentage of the total - which had grown progressively between June 2013 and March 2014 down 8.06% in gross terms (8.25% in March, 7.96% in December and 7.40% in June 2013) and to 5.57% in net terms (5.72% in March, 5.54% in December and 5.17% in June 2013). Coverage as a whole improved to 32.92% (32.76% in March, 32.45% in December and 32.03% in June 2013).

#### Loans and advances to customers as at 30th June 2014

Figures in thousands of euro	Gross e	Gross exposure In		Carrying amount			Coverage (*)
Deteriorated loans	(8.06%)	1,939,312	638,403	(5.57%)	1,300,909		32.92%
- Non-performing loans	(2.82%)	679,369	390,644	(1.24%)	288,725	_	57.50%
- Impaired loans	(4.05%)	975,751	197,007	(3.33%)	778,744	-	20.19%
- Restructured loans	(0.93%)	224,115	47,587	(0.76%)	176,528	_	21.23%
- Past due Ioans	(0.26%)	60,077	3,165	(0.24%)	56,912	-	5.27%
Performing loans	(91.94%)	22,132,015	80,776	(94.43%)	22,051,239	_	0.36%
Total loans and advances to customers		24,071,327	719,179		23,352,148		2.99%

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

#### Loans and advances to customers as at 31st March 2014

Figures in thousands of euro	thousands of euro Gross exposure Impairment losses Carrying amo			Carrying amount			Coverage (*)
Deteriorated loans	(8.25%)	2,038,654	667,956	(5.72%)	1,370,698	-	32.76%
- Non-performing loans	(2.88%)	711,885	423,373	(1.20%)	288,512		59.47%
- Impaired loans	(4.09%)	1,010,867	189,343	(3.43%)	821,524		18.73%
- Restructured loans	(0.97%)	239,477	51,555	(0.78%)	187,922		21.53%
- Past due Ioans	(0.31%)	76,425	3,685	(0.31%)	72,740		4.82%
Performing loans	(91.75%)	22,677,588	85,925	(94.28%)	22,591,663		0.38%
Total loans and advances to customers		24,716,242	753,881		23,962,361		3.05%

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 Im		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 Ioans	(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.

#### Loans and advances to customers as at 30th June 2013

Figures in thousands of euro	Gross e	xposure	Impairment losses	Carrying amount			Coverage (*)
Deteriorated loans	(7.40%)	2,016,918	645,956	(5.17%)	1,370,962		32.03%
- Non-performing loans	(3.10%)	845,381	486,211	(1.35%)	359,170	-	57.51%
- Impaired loans	(2.75%)	751,049	111,674	(2.41%)	639,375	-	14.87%
- Restructured loans	(0.72%)	197,589	41,154	(0.59%)	156,435	-	20.83%
- Past due loans	(0.83%)	222,899	6,917	(0.82%)	215,982		3.10%
Performing loans	(92.60%)	25,246,539	90,198	(94.83%)	25,156,341		0.36%
Total loans and advances to customers		27,263,457	736,154		26,527,303		2.70%

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

<sup>(\*)</sup> 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



#### Loans to customers: changes in gross deteriorated exposures in the first half of 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	64,530	107,256	22,531	88,617	282,934
transfers from performing exposures	1,201	16,233	-	87,760	105,194
transfers from other classes of deteriorated exposures	57,786	73,811	20,471	227	152,295
business combination transactions	-	-	-	-	-
other increases	5,543	17,212	2,060	630	25,445
Decreases	-127,006	-155,019	-26,219	-98,563	-406,807
transfers into performing exposures	-271	-53,075	-	-33,858	-87,204
write-offs	-102,774	-869	-3,089	-	-106,732
payments received	-21,028	-22,747	-11,241	-2,175	-57,191
disposals	-2,471	-	-	-	-2,471
losses on the disposal	-209	-200	-505	-	-914
transfers to other classes of deteriorated exposure	-253	-78,128	-11,384	-62,530	-152,295
business combination transactions	-	-	-	-	-
other decreases	-	-	-	-	-
Final gross exposure as at 30th June 2014	679,369	975,751	224,115	60,077	1,939,312

#### Loans to customers: changes in gross deteriorated exposures in the first quarter of 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	18,581	61,460	21,361	75,164	176,566
transfers from performing exposures	1,177	6,060	-	74,854	82,091
transfers from other classes of deteriorated exposures	14,110	46,692	20,471	-	81,273
business combination transactions	-	-	-	-	-
other increases	3,294	8,708	890	310	13,202
Decreases	-48,541	-74,107	-9,687	-68,762	-201,097
transfers into performing exposures	-70	-26,651	-	-20,853	-47,574
write-offs	-38,532	-869	-519	-	-39,920
payments received	-9,910	-12,056	-9,168	-1,196	-32,330
disposals	-	-	-	-	-
losses on the disposal	-	-	-	-	-
transfers to other classes of deteriorated exposure	-29	-34,531	-	-46,713	-81,273
business combination transactions	-	-	-	-	-
other decreases	-	-	-	-	-
Final gross exposure as at 31st March 2014	711,885	1,010,867	239,477	76,425	2,038,654

#### 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



#### Interbank market: quarterly trends

	30.6.2014	31.3.2014	Change	s A/B	31.12.2013	Change	s A/C	30.6.2013
Figures in tho usands of euro	Α	В	amount	amount %		amount	%	D
Loans and advances to banks	15,450,016	14,460,750	989,266	6.8%	13,487,366	1,962,650	14.6%	13,717,646
of which:								
- loans to central banks	600,376	239,831	360,545	150.3%	776,842	-176,466	-22.7%	737,251
- intragroup	13,097,318	12,198,864	898,454	7.4%	10,880,101	2,217,217	20.4%	10,401,624
of which: intragroup securities	4,562,111	4,254,091	308,020	7.2%	3,094,120	1,467,991	47.4%	1,647,346
Due to banks	24,223,696	25,086,834	-863,138	-3.4%	24,285,811	-62,115	-0.3%	28,531,411
of which:								
- due to central banks	12,180,750	12,173,833	6,917	0.1%	12,166,333	14,417	0.1%	12,139,750
- intragroup	9,495,713	10,863,627	-1,367,914	-12.6%	10,295,663	-799,950	-7.8%	14,179,303
of which: sub ordinated deposits	-	-	-	-	-	-	-	200,319
Net interbank position	-8,773,680	-10,626,084	-1,852,404	-17.4%	-10,798,445	-2,024,765	-18.8%	-14,813,765
of which: intragroup	3,601,605	1,335,237	2,266,368	169.7%	584,438	3,017,167	516.3%	-3,777,679
non-Group banks	-12,375,285	-11,961,321	413,964	3.5%	-11,382,883	992,402	8.7%	-11,036,086
Net interbank position excluding central banks and intragroup business	-794,911	-27,319	767,592	n.s.	6,608	-801,519	n.s.	366,413

As a reflection of the outstanding LTRO finance of €12 billion from the European Central Bank, at the end of the first half the UBI Banca interbank balance continued to remain one of net debt of €8.8 billion, consisting of a positive intragroup balance of €3.6 billion and a negative net balance with the market of approximately €12.4 billion.

The net position compared with 31st December 2013 had improved by €2 billion, as a result of a significant increase in the intragroup balance (+€3 billion), which more than offset the deterioration in the balance of net debt to external counterparties (+€1 billion). At the end of June 2014 this gave a net debt position (excluding central banks and transactions internal to the Group) of €795 million.

As a result of the mergers of Banca 24-7 (in the third quarter of 2012) and of Centrobanca (in the second quarter of 2013), UBI Banca's intragroup balance became increasingly one of debt due to a decrease in the volume of lending to the merged subsidiaries (which was supported with grants of various types of loan). Nevertheless, this effect gradually started to disappear because the predominant centralisation at UBI Banca of bond issues for ordinary customers of the network banks partially modified the Parent's capital structure. Since the second half of 2013 it has included subscriptions - new and growing - of securities issued by subsidiary banks (mainly BBS, BPB and BPA) within lending to banks (under the item intragroup securities) and at the same time it has recorded a fall in intragroup funding from the network banks 17, as a result of a change in the policy for the management of bond funding and liquidity.

Moreover, the overall half yearly performance recorded growth in loans to banks (+€2 billion) and a certain stability for borrowings (-€62 million), as illustrated below.

Loans and advances to banks totalled €15.5 billion as at 30th June 2014, composed of approximately €0.6 billion of liquidity held with central banks in the compulsory reserve account (-€0.2 billion) and of €14.9 billion of loans to other banks.

The latter is the aggregate result of overall growth of €2.1 billion, resulting from following:

- debt instruments (+€1.5 billion), due to the network bank issuances already mentioned, subscribed by the Parent (and used to finance their activities), following the centralisation at UBI Banca of bond issuances for the customers of those banks;
- current accounts and term deposits (+€1.3 billion), originating mainly from cash flows to internal counterparties with only €0.3 billion attributable to external banks.

These increases were offset by a fall in reverse repurchase agreements, down by €0.7 billion, of which a decrease of €0.4 billion in business with counterparties on the market. In fact business with the latter fell from €959 million to €574 million, after the closure of uncovered short positions relating to European government securities in the second quarter (reverse repos relating to on-balance sheet financial liabilities held for trading - uncovered short positions).



<sup>17</sup> Growth in intragroup funding seen in the first three months of the year reflected the cash flows from UBI Banca International.

As concerns funding from banks, which totalled  $\[ \]$ 24.2 billion at the end of the first half, this remained almost unchanged (- $\[ \]$ 62 million) as the aggregate result of opposing trends for the intragroup component (- $\[ \]$ 0.8 billion) and the market component (+ $\[ \]$ 738 million).

More specifically, volumes of business with Group banks ( $\in$ 9.5 billion) saw a slight contraction in current accounts ( $\in$ 0.5 billion), in repurchase agreements ( $\in$ 0.1 billion, almost entirely attributable to the closure of a transaction with UBI Banca International) and in term deposits ( $\in$ 0.2 billion).

The latter item (the most significant of the different types of funding at  $\[ \in \]$ 7.3 billion) shows on the one hand a decrease in network bank liquidity ( $\[ \in \]$ 0.9 billion, in relation to the new funding policy) and on the other hand an increase in liquidity from other banking subsidiaries (IW Bank and UBI Banca International,  $\[ \in \]$ 0.7 billion).

Transactions on the market recorded slight growth in the first half to €2.5 billion, with increases in current accounts (+€0.7 billion) and term deposits (+€0.1 billion) offset by reductions in "financing – other" (-€56 million, attributable to amortisations of funding from the EIB used for medium and long-term lending to SMEs, down to €854 million from €910 million last December) and other payables (-€26 million, mainly with regard to the relationship for the settlement of credit cards with the Istituto Centrale Banche Popolari, down to €187 million).

Exposure to central banks at the end of period amounted to €12.2 billion (inclusive of interest expense accruing), almost unchanged compared to 31st December 2013.

Finally, as concerns disclosures on liquidity reserves, consisting of assets eligible for refinancing with the European Central Bank, details are given in the interim management report on the consolidated financial statements, contained in another part of this publication.



#### Financial assets/liabilities

		3	0.6.2014				31	1.12.2013			Changes (	(A) / (B)	30.6.20
Figures in thousands of euro	L1	L 2	L 3	Carrying amount (A)	%	L 1	L 2	L 3	Carrying amount (B)	%	amount	%	Carrying amount (C)
Financial assets held for trading	1,659,484	619,929	1,336	2,280,749	10.6%	2,584,378	605,001	1,701	3,191,080	15.0%	-910,331	-28.5%	4,858,058
of which: financial derivatives contracts	270	619,922	-	620, 192	2.9%	158	604, 993	-	605, 151	2.8%	15,041	2.5%	740,620
Financial assets designated at fair value	120,469	927	71,012	192,408	0.9%	117,129	927	90,087	208,143	1.0%	-15,735	-7.6%	206,860
Available-for-sale financial assets	14,940,581	928,676	126,784	15,996,041	74.3%	13,726,705	895,804	130,767	14,753,276	69.5%	1,242,765	8.4%	12,813,746
Held-to-maturity investments	-	-	-	3,049,841	14.2%	-	-	-	3,086,815	14.5%	-36,974	-1.2%	3,122,272
Financial assets (a)	16,720,534	1,549,532	199,132	21,519,039	100.0%	16,428,212	1,501,732	222,555	21,239,314	100.0%	279,725	1.3%	21,000,936
of which:													
- debt instruments	16,582,415	876, <b>4</b> 20	290	20,508,966	95.3%	16,050,828	845,785	4,668	19,988,096	94.1%	520,870	2.6%	19,729,124
of which: Italian government securities	16,093,834	454,015	-	19,597,690	91.1%	15,543,833	428, 129	-	19,058,777	89.7%	538,913	2.8%	18,591,657
- equity instruments	9,403	927	191,988	202,318	0.9%	5,290	927	210,178	216,395	1.0%	-14,077	-6.5%	310,660
- units in UCITS.	128, <i>44</i> 6	52,263	6,854	187,563	0.9%	371,936	50,027	7,709	429,672	2.0%	-242,109	-56.3%	218,426
Financial liabilities held for trading (b)	316	599,701	-	600,017	100.0%	979,014	551,777	645	1,531,436	100.0%	-931,419	-60.8%	1,787,611
of which: financial derivatives contracts	316	599, 701	-	600,017	100.0%	52	551,777	-	551,829	36.0%	48,188	8.7%	683, 638
Net financial assets (a-b)	16,720,218	949,831	199,132	20,919,022		15,449,198	949,955	221,910	19,707,878		1,211,144	6.1%	19,213,325

The fair value has not been shown for held-to-maturity investments, because they are recognised at amortised cost.

#### Financial assets/liabilities

		3	0.6.2014				3	1.3.2014			Changes	(A) / (D)
Figures in thousands of euro	L1	L 2	L 3	Carrying amount (A)	%	L 1	L 2	L 3	Carrying amount (D)	%	amount	%
Financial assets held for trading	1.659.484	619,929	1,336	2,280,749	10.6%	3,433,897	575,789	1.338	4,011,024	17.7%	-1,730,275	-43.1%
of which: financial derivatives contracts	1,009,404	619,929	1,336	620,192	2.9%	204	575,783	1,330	575,987	2.5%	44,205	7.7%
Financial assets designated at fair value	120,469	927	71,012	192,408	0.9%	117,148	927	75,617	193,692	0.9%	-1,284	-0.7%
Available-for-sale financial assets	14,940,581	928,676	126,784	15,996,041	74.3%	14,228,262	920,081	133,613	15,281,956	67.6%	714,085	4.7%
Held-to-maturity investments	-	-	-	3,049,841	14.2%	-	-	-	3,113,263	13.8%	-63,422	-2.0%
Financial assets (a)	16,720,534	1,549,532	199,132	21,519,039	100.0%	17,779,307	1,496,797	210,568	22,599,935	100.0%	-1,080,896	-4.8%
of which:												
- debt instruments	16,582,415	876,420	290	20,508,966	95.3%	17,393,788	869,856	4,379	21,381,286	94.6%	-872,320	-4.1%
of which: Italian government securities	16,093,834	454,015	-	19,597,690	91.1%	16,880,910	447,046	-	20,441,219	90.4%	-843,529	-4.1%
- equity instruments	9,403	927	191,988	202,318	0.9%	5, 762	927	198,676	205, 365	0.9%	-3,047	-1.5%
- Units in UCITS.	128,446	52,263	6,854	187,563	0.9%	379,553	50,231	7,513	437,297	1.9%	-249,734	-57.1%
Financial liabilities held for trading (b)	316	599,701	_	600,017	100.0%	965,788	547,736	-	1,513,524	100.0%	-913,507	-60.4%
of which: financial derivatives contracts	316	599,701	-	600,017	100.0%	112	547,736	-	547,848	36.2%	52,169	9.5%
Net financial assets (a-b)	16.720.218	949,831	199.132	20.919.022		16.813.519	949.061	210,568	21,086,411		-167,389	-0.8%

The fair value has not been shown for held-to-maturity investments, because they are recognised at amortised cost.

**Financial assets** held by UBI Banca as at  $30^{th}$  June 2014 amounted to €21.5 billion (€20.9 billion if calculated net of financial liabilities), slightly up by approximately €0.3 billion over six months, but down by €1.1 billion compared with the total at the end of March.

While on the one hand the total for the AFS portfolio grew during the first half due above all to new investments made in the period April-June, but also to appreciations in prices, on the other hand financial assets held for trading fell substantially following sales made mainly during the second half.

The table shows that in the second quarter in particular changes in the total continued to be caused by trends for Italian government securities for which the book value fell by over 0.8 billion in the period April-June.

While a full and detailed discussion is given in the interim consolidated management report on operations contained in the earlier pages of this publication, the main changes that affected the principal types of financial asset in the first half of the year are as follows:

- available-for-sale financial assets amounted to €16 billion, an increase of €1.2 billion in the first half (+€0.7 billion over three months), attributable primarily to changes in Italian government securities which performed as follows:
  - an increase of €0.5 billion in the first three months of the year due to an increase in the fair value of the securities in the portfolio;



- total growth of €1 billion in the second quarter, the result of sales of €0.6 billion nominal of BTPs with maturity in 2016 (a gross gain of €15 million), purchases of BTPS with maturity in 2019 for €1.5 billion nominal and a further increase in prices.

As already reported, two switching operations were carried out in the first half for a total nominal value of  $\mathfrak{C}3.2$  billion. The first, carried out in January on  $\mathfrak{C}1.55$  billion of BTPs, resulted in a lengthening of the maturities and a gross gain of  $\mathfrak{C}34$  million, while the second, carried out in May, with the sale of BTPs amounting to  $\mathfrak{C}1.65$  billion and purchases of BOTs and CTZs amounting to  $\mathfrak{C}1.6$  billion generated a gross gain of approximately  $\mathfrak{C}29$  million.

A partial hedge on the AFS securities portfolio was carried out in May, involving  $\in$ 3.6 billion nominal of BTPs with maturity in 2018, and led to a reduction in the sensitivity of the portfolio.

With regard to other debt instruments, corporate bonds were sold or redeemed in the second quarter for  $\[ \in \] 24.2$  million ( $\[ \in \] 21.7$  million in fair value level one and  $\[ \in \] 2.5$  million in level three).

Finally, a reduction occurred within the category, again in the period April-June, of approximately €250 million of units in UCITS, which stood at €64 million as a result of the sale of three ETFs classified within fair value level one, which generated a gross gain of €19.7 million;

- *held-to-maturity investments*, amounting to €3.050 billion, continued to consist solely of government securities purchased in the first quarter of 2012 (BTPs for a nominal amount of €3 billion with maturity in November 2014);
- financial assets held for trading fell to €2.3 billion, down by €0.9 billion in the first half and by €1.7 billion compared with the end of March. The changes that occurred in this portfolio are related to Italian government securities which recorded net investments of €0.8 billion nominal in the first three months of the year following net disinvestments of €1.8 billion nominal in the second quarter;
- financial assets designated at fair value, consisting of investments in funds and in equity instruments (the latter held in relation to merchant banking and private equity business) amounted to €192.4 million (€208.1 million at the end of 2013 and €193.7 million at the end of March).

The main transactions in the first half regarded the following: the partial disposal in March of the stake held in Humanitas Spa (3.75% of the share capital for consideration of €15 million) and the entire disposal in May of the investment – classified within fair value level three – held in Manisa Srl (28.66% of the share capital for a price of approximately €4 million as at  $31^{\rm st}$  March) with the related subscription, by using the consideration received, of "Development shares" issued by Isagro SpA¹8 for €3.6 million classified, on the other hand, in fair value level one.

The fair value of units in UCITS fell slightly in the first half, down by €1 million to €123 million. They included €117 million of listed Tages funds in level one and €6.2 million of hedge funds in level three (the latter are also recognised in the HFT class amounting to €0.6 million).

• financial liabilities held for trading saw the reduction to zero in the second quarter of onbalance sheet financial liabilities classified within fair value level one, following the close down of uncovered short positions on French, German and Italian government securities held in both December 2013 (€979 million) and in March 2014 (€966 million).

**UBI><** Banca

With a view to simplifying and shortening the control structure of Isagro, the shares of Manisa Srl were acquired by the majority shareholder BasJes Holding Srl by means of a purchase offer made to the non-controlling shareholders of Manisa (including UBI Banca), against the commitment by those non-controlling shareholders to use the proceeds of the sale to subscribe new "Development" shares of Isagro Spa, listed on the MTA (electronic stock exchange).

# Separate interim financial statements as at and for the period ended the 30<sup>th</sup> June 2014

# **Balance sheet**

Figures in th	nousands of euro	30.6.2014	31.12.2013	30.6.2013
ASSETS				
10.	Cash and cash equivalents	122,196	151,927	115,362
20.	Financial assets held for trading	2,280,749	3,191,080	4,858,058
30.	Financial assets designated at fair value	192,408	208,143	206,860
40.	Available-for-sale financial assets	15,996,041	14,753,276	12,813,746
50.	Held-to-maturity investments	3,049,841	3,086,815	3,122,272
60.	Loans and advances to banks	15,450,016	13,487,366	13,717,646
70.	Loans and advances to customers	23,352,148	25,168,913	26,527,303
80.	Hedging derivatives	447,010	215,310	246,075
90.	Fair value change in hedged financial assets (+/-)	5,751	5,418	5,961
100.	Equity investments	10,625,008	10,608,614	10,975,983
110.	Property, plant and equipment	642,485	650,742	633,267
120.	Intangible assets	410	410	410
130.	Tax assets	1,538,252	1,727,626	1,552,572
	a) current	213,130	322,536	296,890
	b) deferred	1,325,122	1,405,090	1,255,682
	- of which pursuant to Law No. 214/2011	1,215,474	1,238,386	985,958
140.	Non-current assets and disposal groups held for sale	82,063	2,329	2,329
150.	Other assets	721,697	656,676	714,059
TOTAL A	SSETS	74,506,075	73,914,645	75,491,903

Figures in t	nousands of euro	30.6.2014	31.12.2013	30.6.2013
- igaroo iira	iodalido V. Garo			
LIABILIT	ES AND EQUITY			
10.	Due to banks	24,223,696	24,285,811	28,531,411
20.	Due to customers	3,423,416	7,223,913	7,441,689
30.	Debt securities issued	34,662,145	30,211,092	26,717,190
40.	Financial liabilities held for trading	600,017	1,531,436	1,787,611
60.	Hedging derivatives	573,317	377,702	881,210
80.	Taxliabilities	290,029	323,144	172,210
•	a) current	128,968	232,645	111,363
	b) deferred	161,061	90,499	60,847
100.	Other liabilities	898,336	631,077	833,387
110.	Post-employment benefits	43,921	40,166	38,995
120.	Provisions for risks and charges:	49,554	58,488	60,520
	a) pension and similar obligations	1,114	1,061	1,083
	b) other provisions	48,440	57,427	59,437
130.	Valuation reserves	177,559	-142,564	-418,573
160.	Reserves	2,354,319	2,337,924	2,337,119
170.	Share premiums	4,716,866	4,716,866	4,716,864
180.	Share capital	2,254,371	2,254,371	2,254,371
190.	Treasury shares (-)	-6,121	-6,121	-6,121
200.	Profit (loss) for the period/year (+/-)	244,650	71,340	144,020
TOTAL L	IABILITIES AND EQUITY	74,506,075	73,914,645	75,491,903



# **Income statement**

Figures in	thousands of euro	1H 2014	1H 2013	FY 2013
10.	Interest and similar income	586,692	612,501	1,229,614
20.	Interest and similar expense	(545,368)	(573,846)	(1,110,224)
30.	Net interest income	41,324	38,655	119,390
40.	Fee and commission income	39,350	50,496	94,789
50.	Fee and commission expense	(35,458)	(44,092)	(89,550)
60.	Net fee and commission income	3,892	6,404	5,239
70.	Dividends and similar income	275,318	229,522	247,205
80.	Net trading income	36,402	1,368	44,949
90.	Net hedging loss	(3,475)	(2,350)	(4,182)
100.	Income from disposal or repurchase of:	94,535	61,164	189,015
	a) loans and receivables	(262)	12	(2,338)
	b) available-for-sale financial assets	97,877	61,993	188,192
	d) financial liabilities	(3,080)	(841)	3,161
110.	Net income (loss) on financial assets and liabilities designated at fair value	(272)	1,582	3,163
120.	Gross income	447,724	336,345	604,779
130.	Net impairment losses on:	(54,244)	(89,309)	(228,482)
	a) loans and receivables	(52,867)	(55,242)	(188,115)
	b) available-for-sale financial assets	431	(17,528)	(21,768)
	d) other financial transactions	(1,808)	(16,539)	(18,599)
140.	Net financial income	393,480	247,036	376,297
150.	Administrative expenses	(159,469)	(166,045)	(326,588)
	a) staff costs	(76,421)	(74,734)	(153,453)
	b) other administrative expenses	(83,048)	(91,311)	(173,135)
160.	Net provisions for risks and charges	866	(991)	(1,354)
170.	Depreciation and net impairment losses on property, plant and equipment	(10,927)	(11,539)	(22,850)
180.	Amortisation and net impairment losses on intangible assets		<u>-</u>	<u>-</u>
190.	Other net operating income/expense	57,200	59,355	116,334
200.	Operating expenses	(112,330)	(119,220)	(234,458)
210.	Losses of equity investments	(571)	(902)	(316,397)
240.	Profits (losses) on disposal of investments	(9)	1	7
250.	Pre-tax profit (loss) from continuing operations	280,570	126,915	(174,551)
260.	Taxes on income for the period/year from continuing operations	(35,920)	17,105	245,891
270.	Post-tax profit from continuing operations	244,650	144,020	71,340
280.	Post-tax profit (loss) from discontinued operations	-	-	-
290.	Profit for the period/year	244,650	144,020	71,340

# Statement of comprehensive income

Figures	in thousands of euro	1H 2014	1H 2013	FY 2013
10.	PROFIT FOR THE PERIOD/YEAR	244,650	144,020	71,340
	Other comprehensive income, net of taxes, without transfer to the income statement			
40.	Defined benefit plans	-1,073	528	-565
	Other comprehensive income, net of taxes, with transfer to the income statement			
100.	Available-for-sale financial assets	321,196	111,001	388,089
130.	Total other comprehensive income net of taxes	320,123	111,529	387,524
140.	COMPREHENSIVE INCOME (item 10 + 130)	564,773	255,549	458,864



# Statement of changes in equity for the period ended 30th June 2014

				Allocation of a	orior year profit				Changes Janua	ary - June 201	4			
		Restate-		Allocation of p	orior year profit				Equity trans	actions				
Figures in thousands of euro	at 31.12.2013	ment of opening balances	Balances as at 1.1.2014	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	Equity as at 30.6.2014
Share capital:	2,254,371	_	2,254,371	_	_	_	_	_	_	_	_	_	_	2,254,371
a) ordinary shares	2,254,371	-		-	-	_		-	_	-	-	-	_	2,254,371
b) other shares	-	-		-	-	-	-	-	-	-	-	-	_	-
Share premiums	4,716,866	-	4,716,866	-	-	-	-	-	-	_	-	-	-	4,716,866
Reserves	2,337,924	-	2,337,924	16,395	-	-	-	-	-	-	-	-	-	2,354,319
a) retained earnings	1,661,654	-	1,661,654	16,395	-	-	-	-	-	-	-	-	-	1,678,049
b) other	676,270	_	676,270	_	_	_	_	_	_	_	_	_	_	676,270
Valuation reserves	-142,564	-	-142,564	-	-	-	-	-	-	-	-	_	320,123	177,559
Equity instruments	-	_	-	-	-	-	-	-	_	-	-	_	-	-
Treasury shares	-6,121	-	-6,121	-	-	-	-		-	-	-	-	-	-6,121
Profit for the period	71,340	-	71,340	-16,395	-54,945	-	-	-	-	-	-	-	244,650	244,650
Equity	9,231,816	_	9,231,816	-	-54,945	-	_	-	_	-	-	-	564,773	9,741,644



# Statement of changes in equity for the period ended 30th June 2013

				Allocation of	orior year profit				Changes Janu	ary - June 201	13			
		Restate-		Allocation of	allocation of prior your profit		Equity transactions							
Figures in thousands of euro	Balances as at 31.12.2012	1.12.2012 opening at 1.1.2013	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	Equity as at 30.6.2013	
Share capital:	2,254,368	_	2,254,368	_	_	_	3	-	_	_	_	-	_	2,254,371
a) ordinary shares	2,254,368	-		-	-	-	3	-	-	-	-	-	-	2,254,371
b) other shares		_	_	_	_	-	-	-	-	_	_	_		
Share premiums	4,716,861	-	4,716,861	_	_	-	3	-	-	_	-	-	-	4,716,864
Reserves	1,919,945	-	1,919,945	177,842	-	239,332	-	-	-	-	-	-	-	2,337,119
a) retained earnings	1,483,812	-	1,483,812	177,842	-	-	-	-	-	-	-	-	-	1,661,654
b) other	436,133	-	436,133	-	-	239,332	-	-	-	-	-	-	-	675,465
Valuation reserves	-502,574	-	-502,574	_	_	-27,528	_	_	-	-	_	-	111,529	-418,573
Equity instruments	-	-	-	-	-	-	-	-	-	-	-	-	-	
Treasury shares	-4,375	-	-4,375	-	-	-	-	-1,746	-	-	-	-	-	-6,121
Profit for the period	223,496	-	223,496	-177,842	-45,654	-	-	-	-	-	-	-	144,020	144,020
Equity	8,607,721	_	8,607,721	_	-45,654	211,804	6	-1,746	_	_	_	_	255,549	9,027,680



# Cash flow statement (indirect method)

	1H 2014	1H 2013
Figures in thousands of euro		
A. OPERATING ACTIVITIES	45.044	54004
1. Ordinary activities	45,644	<b>54,03</b> 1
- profit for the period (+/-)	244,650	
- gains/losses on financial assets held for trading and on financial assets/liabilities at fair value (+/-)	1,125 3.475	-30,162
- gains/losses on hedging activities (-/+) - net impairment losses on loans (+/-)	54,243	2,350 89,309
- depreciation, amortisation and net impairment losses on property, plant and equipment and intangible assets (+	10.927	11,539
- net provisions for risks and charges and other expense/income (+/-)	-866	99
- outstanding taxes and duties	35,920	-17,10
- other adjustments (+/-)	-303,830	-146,911
2. Net cash flows from/used by financial assets	-26,092	7,627,946
- financial assets held for trading	935,035	488,746
- financial assets designated at fair value	14,840	1,666
- available-for-sale financial assets	-596,076	-546,334
- loans and advances to banks	-1,957,061	4,304,251
- loans and advances to customers	1,754,798	2,281,45
- other assets	-177,628	1,098,162
3. Net cash flows from/used by financial liabilities	-161,945	-7,517,002
- due to banks	-75,068	-1,914,497
- due to customers	-3,796,941	-463,939
- debt securities issued	4,165,072	-2,911,247
- financial liabilities held for trading	-906,714	-1,251,348
- other liabilities	451,706	-975,971
Net cash flows from/used in operating activities	-142,393	164,975
B. INVESTING ACTIVITIES		
1. Cash flows from	268,348	221,893
- disposals of equity investments	28	
- dividends received on equity investments	268,301	221,888
- disposals of held-to-maturity investments	-	
- disposals of property, plant and equipment	19	ξ
- disposals of intangible assets	-	407.57
Cash flows used in     purchases of equity investments	<b>-100,742</b> -100,483	- <b>427,570</b> -426,927
- purchases of equity investments - purchases of held-to-maturity investments	-100,463	-420,921
- purchases of property, plant and equipment	-259	-643
- purchases of intangible assets	-259	-040
- purchases of lines of business	-	
Net cash flows from/used in investing activities	167,606	-205,677
C. FINANCING ACTIVITIES	21,220	,3.
- issues/purchases of treasury shares	_	-1,739
- distribution of dividends and other uses	-54.944	-45,654
Net cash flows from/used in financing activities	-54,944	-47,393
NET CASH GENERATED/USED DURING THE PERIOD	-29,731	-88,095
NET CASH GENERATED/USED DUKING THE PERIOD	-28,131	-00,093

#### Reconciliation

Figures in tho usands of euro	1H 2014	1H 2013
Cash and cash equivalents at beginning of period	151,927	203,442
Business combination transactions	-	15
Total liquidity generated/used	-29,731	-88,095
Cash and cash equivalents at the end of the period	122,196	115,362





# DE JURE AND DELEGATED POWERS OF THE CORPORATE BODIES

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





In compliance with recommendation No. 97001574 issued by the Italian securities market authority (Consob) on 20<sup>th</sup> February 1997, the *de jure* and delegated powers of the corporate bodies and General Management of Unione di Banche Italiane Scpa are set out below.

## The Supervisory Board

The Supervisory Board is assigned responsibilities pursuant to Art. 46 of the Articles of Association.

The **Chairman** of the Supervisory Board convenes on his own initiative and, in any event, in the cases prescribed by Law or the Articles of Association and chairs and co-ordinates the meetings of the Board itself, setting the agendas, taking account of the proposals formulated by the Senior Deputy Chairman and the other Deputy Chairmen, if appointed, and ensuring that adequate information on the items contained on the agenda are provided to all the members of the Supervisory Board.

The Chairman of the Supervisory Board also performs the functions pursuant to Art. 47 of the Articles of Association compatible with the exercise of the responsibilities of the Board.

The following Internal Committees have been formed from among the members of the Supervisory Board.

#### **Appointments Committee**

The Appointments Committee (members of which pursuant to Art. 49 of the Articles of Association include the Chairman of the Supervisory Board with the functions of Chairman and the Senior Deputy Chairman) is composed of the following members of the Supervisory Board:

Andrea Moltrasio – as the Chairman

Mario Cera

Alberto Folonari

Mario Mazzoleni

Enrico Minelli

Armando Santus.

The committee is governed by special regulations – published on the Bank's website in the Corporate Governance section - the Supervisory Board – which determine its responsibilities and its functioning.

In compliance with the Articles of Association, the Appointments Committee's duties include the following:

- a) it carries out fact-finding functions to establish qualitative and quantitative career profiles for appointments to the Supervisory Board. It proposes a list of candidates to the Supervisory Board to the position of Member of the Supervisory of the Parent Bank to be submitted to a Shareholders' Meeting, including senior positions and that is those of Chairman and Senior Deputy Chairman of the Supervisory Board. It proposes candidates for appointment by the Supervisory Board to the position of Deputy Chairman of the Supervisory Board where these are to be appointed;
- b) it proposes, for appointment by the Supervisory Board, candidates to the position of Member of the Management Board of the Parent Bank, including candidates to the positions of Chairman and Deputy Chairman of the Management Board;
- c) it puts forward a name for the formulation of a non-binding proposal to be submitted by the Supervisory Board to the Management Board for the appointment of the Chief Executive Officer;
- d) it assesses, including during the functioning of the bodies, the adequacy of the succession plans at senior management level for the Management Board and for Senior Management as well as career profiles and requirements for senior managers in office and potential succession candidates;
- e) it defines processes to assess the work of the Management Board and Senior Management;
- f) it carries out appropriate fact-finding activities:
  - for the purposes of the self-assessment of the Supervisory Board;
  - in observance of the responsibilities of the Internal Control Committee, it identifies managers for appointment to internal control functions;
- g) it carries out fact-finding activities for the purposes of issuing a non-binding opinion that the Supervisory Board pursuant to Art. 46, paragraph 1, letter n) of the Articles of Association is responsible for expressing on the candidates proposed by the Management Board to the position of Director and Statutory Auditor of the subsidiaries listed by Art. 36, paragraph 2, letter b) of the Articles of Association and that is: Banco di Brescia Spa, Banca Regionale Europea Spa, Banca Popolare di Bergamo Spa, Banca Popolare Commercio e Industria Spa, Banca Popolare di Ancona Spa and Banca Carime Spa;
- h) it formulates opinions and proposals on the corporate governance and regulatory policies of the Parent Bank and the Group which fall within the exclusive scope of the remit of the Supervisory Board:
- j) it oversees the update of corporate governance rules and principles of conduct which may be adopted by the Parent Bank and its subsidiaries, even with regard to developments on the matter at national and transnational level;
- k) it assesses the adequacy of commitments made on issues of corporate social responsibility.



#### **Remuneration Committee**

The Remuneration Committee is composed of the following members of the Supervisory Board: Mario Cera – as the Chairman

Marina Brogi

Alessandra Del Boca

Andrea Cesare Resti

Armando Santus.

The Remuneration Committee is governed by special regulations – published on the Bank's website in the Corporate Governance section - the Supervisory Board – which determine its responsibilities and its functioning, in compliance with the provisions of the law, regulations and the Articles of Association.

The Remuneration Committee formulates the following:

- recommendations for decisions which the Supervisory Board must submit to the shareholders for approval concerning the following: setting the remuneration for members of the Supervisory Board; setting policies for the remuneration of the Management Board; remuneration and incentive policies for the corporate bodies of Group companies and for company officers, employees and associate workers not bound to companies by employee contracts;
- opinions on the consistency of resolutions on remuneration and incentives with policy as approved by the Supervisory Board.

The Committee performs advisory functions and makes recommendations concerning remuneration for senior management as specified by Art. 26 of the Consolidated Banking Act and the relative regulations to implement it and for the officers of the internal control functions. It also has advisory duties with regard to setting the remuneration criteria for key personnel, which in the UBI Banca Group comprises "top management" and the "highest management level of the control functions" as defined in the remuneration and incentive policies of the UBI Banca Group.

The Committee also carries out those duties assigned to it by the provisions of the supervisory authority with regard to the remuneration and incentive policies and practices of banks and banking groups. The remuneration committee was provided with the information and gained access to corporate functions needed for the performance of its duties. The Committee is permitted to retain outside consultants to assist it in determining matters as required by the regulations.

#### **Internal Control Committee**

The Internal Control Committee is composed of the following Supervisory Board Members:

Sergio Pivato – as the Chairman (\*)

Pierpaolo Camadini

Carlo Garavaglia (\*)

Gianluigi Gola (\*)

Alfredo Gusmini (\*).

(\*) Enrolled on the Register of External Statutory Auditors.

The purpose of the Committee, which is governed by special regulations - published on the Bank's website in the Corporate Governance section - the Supervisory Board - which determine its duties and how it functions, is to support the Supervisory Board by performing assessments, furnishing advice and submitting proposals in those areas overseen by the Board as a Supervisory Body in accordance with regulatory requirements in force at the time.

The Committee's duties also include supporting the Supervisory Board with its supervisory functions pursuant to Art. 149, paragraphs one and three, of Legislative Decree No. 58 of 24<sup>th</sup> February 1998, having regard to the internal control system and other activities connected with the functions of the Supervisory Body and the following activities in particular:

Internal control system

- assessment of the efficiency and adequacy of the internal control system as a whole;
- assessment of the basic elements of the general architecture of the internal control system (powers, responsibilities, resources, information, and management of conflicts of interest);
- supervision of the adequacy of the system for managing and monitoring risk and of the compliance of the Internal Capital Adequacy Assessment Process (ICAAP) with the regulatory requirements;
- non-binding opinion regarding the appointment and removal of the officer responsible for the internal control function and the officer responsible for the compliance function (pursuant to Art. 46 letter Q of the Articles of Association), by submitting its own assessment of the identified candidates to the Supervisory Board;
- approval of the activities plan of the corporate control functions and examination of their reports on the activities carried out;
- verification of the proper performance of strategic control and management activities by the Parent in relation to Group member companies.

Other activities in support of the Supervisory Board oversight activities:

- assessment of the adequacy of the organisational and accounting structures of the Bank;
- communication to the Bank of Italy of events or facts which might constitute a management



irregularity or an infringement of banking regulations pursuant to Art. 52 of the Consolidated Banking Act. Should the Committee become aware of circumstances that may be relevant pursuant to Art. 52 of the Consolidated Banking Act in the course of its activities, it shall inform the Supervisory Board of this immediately;

- reporting of management irregularities and violations of the regulations governing the provision of investment services;
- assessment of proposals formulated by the independent auditors for their engagement;
- opinion regarding the appointment and removal of the person in charge of preparing the financial reporting documents pursuant to Art. 154-bis of Legislative Decree No. 58 dated 24<sup>th</sup> February 1998, (and pursuant to Art. 46 letter L of the Articles of Association), by submitting its own assessment of the identified candidates to the Supervisory Board;
- preparation of the report on supervisory activity performed, on omissions and on irregularities observed on the occasion of the Shareholders' Meeting called pursuant to Art. 2364-bis of the Italian Civil Code as well as for any other ordinary or extraordinary Shareholders' Meeting called.

The Committee performs its internal control and audit functions in accordance with Art. 19 of Legislative Decree No. 39 of 27th January 2010, specifically including the following:

- financial reporting processes;
- effectiveness of the system of internal control, internal audit and risk management;
- the external statutory audit of separate and consolidated accounts;
- the independence of the auditor, particularly with respect to the provision of non-audit services, assessing its professionalism and experience in order to ascertain its adequacy in relation to the size and operational complexity of the Bank.

The Committee normally performs its duties using the information provided to the Supervisory Board in compliance with the relevant regulations and any additional information provided by the Chief Audit Executive, the Chief Risk Officer, the Compliance Officer, the Money Laundering and Financing of Terrorism Risks Officer, the Senior Officer Responsible for the preparation of corporate accounting documents and the external statutory auditor, as well as the results of the activities performed by the Supervisory Body pursuant to Legislative Decree No. 231/2001. In particular, for matters relating to accounting issues the Committee makes use of the investigations carried out by the Accounts Committee and the joint presence of all the members of both committees in the Supervisory Board ensures that they are co-ordinated adequately. There are also appropriate forms of liaison between the Internal Control Committee and the entity responsible for auditing the accounts.

The committee, by employing the services of the appropriate organisational units of the Bank, can proceed to inspections and controls at any time and exchange information with the control bodies of the companies of the Group with regard to the management and control systems and to corporate activity. In particular, the Committee, when it considers it necessary, asks the Internal Audit Function to perform checks on specific areas. In accordance with Art. 43 of the Articles of Association, the Committee also activates the Internal Audit Function in response to extraordinary requests for inspections and/or investigations made by the Chief Executive Officer. The Committee reports on the activities and investigations it has carried out, including the tasks assigned to the Internal Audit Function, at meetings of the Supervisory Board, which its members (being members of the Supervisory Board) attend on a regular basis.

In order to carry out its activities, the Committee may identify and make use of external consultants, at the Bank's expense.

The Committee works in close liaison with the corresponding bodies of the subsidiaries.

At least one member of the Internal Control Committee attends meetings of the Management Board on a rotating basis in compliance with regulations in force.

The Management Board at its meeting of 9th July 2013 and the Supervisory Board at its meeting of 13th July 2013, approved the proposal, for the membership of the Supervisory Body of the Parent UBI Banca, pursuant to Legislative Decree No. 231/2001, to be the same as that of the Internal Control Committee - already formed within the Supervisory Board, pursuant to Art. 49 of the Articles of Association - and that, for the subsidiaries, the role of Supervisory Body should be conferred on the Board of Statutory Auditors

The Supervisory Body reports to the corporate bodies on the adoption and effective implementation of the model, on the oversight of the functioning of that Model and on supervision of updates to the Model. It employs two separate lines of reporting to achieve this. The first is on a continuous basis directly to the Chief Executive Officer and the General Manager and the second consists of periodic reporting to the Management Board and the Supervisory Board.

## **Accounts Committee**

The Accounts Committee is composed of the following members of the Supervisory Board: Lorenzo Renato Guerini – as the Chairman Dorino Mario Agliardi Marina Brogi Federico Manzoni.



The purpose of the Committee (whose activity is governed by special regulations – published on the Bank's website in the Corporate Governance section - the Supervisory Board – which determine its responsibilities and its functioning) is to support the Supervisory Board by performing assessments, furnishing advice and submitting proposals in accordance with regulatory requirements, as may be in force from time to time, relating to the approval of financial statements and periodic reports. It expresses opinions designed to allow the Board itself to make decisions in a knowledgeable and informed manner.

The committee is, in that particular respect, required to provide the Supervisory Board with a factual and analytical understanding of such statements and reports. This is done through fact finding activities performed on the accounts prior to the preparation of annual separate and consolidated financial statements or half year and quarterly reports. The committee then oversees the preparation of accounting documentation through the examination of figures and other relevant information as and when they become available.

In order to do this the Committee:

- discusses accounting issues common to all Group member companies;
- examines accounting issues relating to individual Group member companies;
- acquires detailed knowledge of issues concerning the measurement of items in the accounts;
- acquires detailed knowledge of issues concerning the presentation of accounts;
- studies issues concerning supervisory regulations for banks, acquiring knowledge of technical and discretionary aspects.

The Supervisory Board may also ask the Committee to study specific issues within the scope of its responsibilities.

The Committee performs its duties using the information provided to the Supervisory Board in compliance with the relevant regulations and any additional information provided by the Senior Officer Responsible for the Preparation of Corporate Accounting Documents.

#### **Related and Connected Parties Committee**

The Related and Connected Parties Committee is composed of the following members of the Supervisory Board:

Marco Giacinto Gallarati - as the Chairman

Antonella Bardoni

Enrico Minelli.

The Related and Connected Parties Committee is required to perform the duties assigned to it by: (i) the "Regulations for UBI Banca Scpa related-party transactions" adopted in implementation of Art. 2391-bis of the Italian Civil Code and Consob requirements with respect to related parties adopted with Resolution No. 17221/2010 and subsequent amendments; (ii) "Regulations for operations with parties connected to the UBI Group", adopted in implementation of Title V, Chapter 5 of Bank of Italy Circular No. 263 of 27th December 2006 - 9th amendment of 12th December 2011, "New regulations for the prudential supervision of banks", containing measures concerning "risk assets and conflicts of interest with connected parties". The "Regulations for UBI Banca Scpa related-party transactions" – published on the Bank's website in the section Corporate Governments - Supervisory Board – govern rules relating to the identification, approval and implementation of related-party transactions performed by Unione di Banche Italiane S.c.p.A., either directly or through its subsidiaries, in order to ensure their transparency and substantive and procedural fairness.

The Supervisory Board oversees compliance of the Regulations with the principles recommended in the Consob Regulation and also observance of the procedural and substantive rules contained in them and it reports in this respect to shareholders in accordance with Art. 153 of Legislative Decree No. 58 of 24th February 1998 (the "Consolidated Finance Act"). To achieve this, the Management Board provides the Supervisory Board, at least every quarter, with a list of all the related-party transactions completed in the preceding quarter, including those not subject to a prior opinion from the Committee in accordance with these regulations.

The "Regulations for operations with parties connected to the UBI Group" – published on the Bank's website in the section Corporate Governments - Supervisory Board – govern procedures for maintaining the integrity of decision-making processes in transactions with connected parties performed by Unione di Banche Italiane S.c.p.A., and by the members (banking and non-banking) of the banking group controlled by it.

The corporate bodies of UBI Group member companies that perform a strategic supervisory function supervise the proper application of the provisions of these regulations by the respective companies on a separate company basis, with the support of the relevant functions. To achieve this, each of these bodies updates, at least every quarter, the list of all the connected-party transactions completed in the preceding quarter, including those not subject to a prior opinion from the Committee in accordance with these regulations.

In order, amongst other things, to enable the Parent to maintain constant compliance with the consolidated limit on risk assets, the Supervisory Board oversees compliance of these Regulations with the principles recommended in the Supervisory Provisions and also observance, at consolidated level, of the procedural and substantive rules contained in them and it reports to shareholders in accordance with Art. 153 of the Consolidated Finance Act. To achieve this the corporate bodies that perform a strategic supervisory function for the other UBI Group member companies send the Supervisory Board of



the Parent the lists of all the connected-party transactions completed in the preceding quarter, including those not subject to a prior opinion from the Committee in accordance with these regulations, on a quarterly basis.

# The Management Board

The functions of the Management Board are given in Art. 37 of the Articles of Association.

The Chief Risk Officer attends meetings of the Management Board in a consultative capacity only, unless supervisory regulations provide otherwise.

The **Chairman** of the Management Board, who acts as the legally authorised representative and authorised signatory of the Bank, performs the tasks that are typically carried out by the chairman of a company's management body, which he performs by liaising appropriately with the other bodies regulated by the Articles of Association.

The Chairman of the Management Board exercises powers pursuant to Art. 39 of the Articles of Association.

The powers of the **Chief Executive Officer** are conferred and revoked by the Management Board.

The Management Board, in compliance with the Articles of Association, has conferred the following powers on the Chief Executive Officer:

- to supervise the management of the Bank and the Group;
- to perform strategic co-ordination and operational control for the Bank and the Group;
- to supervise the implementation of the organisational, administrative and accounting structure decided by the Management Board and approved by the Supervisory Board;
- to determine the operating guidelines for the General Management;
- to supervise the integration of the Group;
- to submit proposals to the Management Board for the formulation of the general plans and strategic policies of the Bank and the Group and to draw up the business and/or financial plans and budgets of the Bank and the Group to be submitted for the approval of the Supervisory Board and to supervise implementation through the General Management;
- to propose budgetary policy and policies on the optimisation of the use and enhancement of human resources and to submit financial statements and periodic financial reports to the Management Board for approval;
- to propose appointments to the senior operational and executive management of the Bank and Group member companies to the Management Board, in agreement with the Chairman and Deputy Chairman of the Management Board and after consultation with the General Manager;
- to promote integrated risk management.
- to make extraordinary requests for inspections and/or investigations to the internal control function through the Internal Control Committee.

In accordance with the Articles of Association, the Chief Executive Officer reports quarterly to the Management Board on foreseeable developments and on the most important transactions performed by the Bank and its subsidiaries. The Chief Executive Officer reports monthly to the Management Board on the results of the Bank and the main subsidiaries of the Group as a whole.

Furthermore, the Management Board has assigned duties to the Chief Executive Officer pursuant to Art. 43 *bis* of the Articles of Association, with the support of the General Manager, with regard to the design of the overall architecture of internal control systems.

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As concerns the General Management, the Articles of Association provide for the appointment, by the Management Board, of a General Manager and, if nominated, one or more Deputy General Managers, in accordance with the organisation chart established by the Management Board itself, which will determine their powers.

The Management Board can assign senior functions to one of the Deputy General Managers.

The Management Board, in compliance with the Articles of Association, has appointed Francesco Iorio to the position of General Manager with the following functions and responsibilities:

- chief operating officer;
- chief of personnel;
- ensuring (unless otherwise specified by the competent management bodies), that the resolutions of the Management Board and of the Chief Executive Officer are implemented;
- managing day-to-day business in compliance with the policies set by management bodies;
- unless not already a Member of the Management Board, attends Management Board meetings with a consultative vote;
- supervision of the operational co-ordination of the Bank and the Group.

The Management Board appointed Elisabetta Stegher, who is the current Chief Financial Officer of the Bank, with the favourable opinion of the Supervisory Board, as the Senior Officer Responsible for the preparation of corporate accounting documents pursuant to Article 154-bis of the Consolidated Finance Act.



Branch Network of the UBI Banca Group



# Branch Network of the UBI Banca Group



#### www.ubibanca.it

#### Bergamo

Via Crispi, 4 Via Stoppani, 15 Brescia Via Cefalonia, 74 Milano Corso Europa, 16



www.bpb.it

## **LOMBARDIA**

## Provincia di Bergamo

#### Bergamo

Piazza Vittorio Veneto, 8

Via dei Caniana, 2 (c/o Università)

Via Borgo Palazzo, 51

Via Borgo Santa Caterina, 6

Via Gombito, 6

Via Borgo Palazzo, 135

Via Gleno, 49

Via Mattioli, 69

Piazza Risorgimento, 15

Piazza Pontida, 39

Via Corridoni, 56

Via San Bernardino, 96

Piazzale della Repubblica, 4

Via Stezzano, 87 (c/o Kilometrorosso)

Adrara San Martino Via Madaschi, 103

Adrara San Rocco P.zza Papa Giovanni XXIII, 6

Albano Sant'Alessandro Via Cavour, 2 Albino

Via Mazzini, 181

Via Lunga, 1 (Fraz. Fiobbio)

Almè Via Torre d'Oro. 2

Almenno San Bartolomeo Via Falcone, 2

Almenno San Salvatore Via Marconi. 3

Alzano Lombardo Piazza Garibaldi, 3

Arcene Corso Europa, 7

Ardesio Via Locatelli, 8

Azzano San Paolo Piazza IV Novembre, 4

Bagnatica Via Marconi, 6 E

Bariano Via A. Locatelli. 12

Barzana Via San Rocco

#### Berbenno

Via Stoppani, 102 (Fraz. Ponte Giurino)

Piazza Roma, 2

Boltiere Piazza IV Novembre, 14

Bonate Sopra Piazza Vittorio Emanuele II, 20

Bossico Via Capitan Rodari, 2

Brembilla Via Libertà, 25

Brignano Gera d'Adda Via Mons. Donini, 2

Calcinate Via Coclino, 8/c

Calcio Via Papa Giovanni XXIII. 153

Calusco d'Adda Via Vittorio Emanuele II, 7

Camerata Cornello Via Orbrembo. 23

Capriate San Gervasio Via Trieste, 46

Caprino Bergamasco Via Roma, 10

Caravaggio Piazza G. Garibaldi, 1

Carvico Via Europa Unita, 3

Casazza Via Nazionale del Tonale, 92

Casirate d'Adda Piazza Papa Giovanni XXIII, 1

#### Castione della Presolana

Via Donizetti, 2 (Fraz. Bratto - Dorga)

Via A. Manzoni. 20

Cazzano Sant'Andrea Via A. Tacchini. 18

Cenate Sopra Via Giovanni XXIII, 16

Cenate Sotto Via Verdi, 5

Cene Via Vittorio Veneto, 9

Cerete Via Moscheni, 44 (Fraz. Cerete Basso)

Chiuduno Via Cesare Battisti. 1

Cisano Bergamasco Via Pascoli, 1

Ciserano

Via Borgo San Marco ang. Via Garibaldi, 7

Cividate al Piano Via Papa Giovanni XXIII, 3

Clusone Via Verdi, 3

Colere

Via Tortola, 58

Via Papa Giovanni XXIII, 33

(Fraz. Dezzo di Scalve)

Comun Nuovo Via Cesare Battisti, 5

Costa Volpino Via Nazionale, 150

Curno Largo Vittoria, 31

#### Dalmine

Via Buttaro, 2

P.zza Caduti 6 luglio 1944 (c/o Tenaris Spa)

Dossena Via Carale, 9

Entratico Piazza Aldo Moro, 18

Fontanella Via Cavour, 156

Foresto Sparso Via Tremellini, 63

Gandino Via C. Battisti, 5

Gazzaniga Via Marconi, 14

Gorlago Piazza Gregis, 12

Gorle Piazzetta del Donatore, 5

Grassobbio Viale Europa, 8/b

## Grumello del Monte

Via Martiri della Libertà, 10

Leffe Via Mosconi. 1

Lovere Via Tadini, 30

## Lovere-Lovere Sidermeccanica Spa

Via Paglia, 45

Madone Via Papa Giovanni XXIII, 44

Mapello Piazza del Dordo, 5

Martinengo Via Pinetti, 20

Monasterolo del Castello Via Monte Grappa, 27

Nembro Piazza della Libertà

Onore Via Sant'Antonio, 98

Orio al Serio Via Aeroporto, 13

Osio Sopra Via XXV Aprile, 29

Osio Sotto Via Cavour, 2

Paladina Via IV Novembre, 13

Palosco Piazza A. Manzoni, 16 Parre Via Duca d'Aosta, 20/a

Piario Via Mazzini. 1/a

Piazza Brembana Via B. Belotti, 10

Ponte Nossa Via Frua, 24 Ponteranica Via Pontesecco, 32

Ponte San Pietro Piazza SS Pietro e Paolo, 19

Pontida Via Lega Lombarda, 161

Presezzo Via Capersegno, 28

Ranica Piazza Europa, 2

Riva di Solto Via Porto, 24

Romano di Lombardia Via Tadini, 2

Roncola Via Roma, 10

Rota Imagna Via Calchera, 1

Rovetta Via Tosi, 13

San Giovanni Bianco

Via Martiri di Cantiglio, 19

San Pellegrino Terme Via S. Carlo, 3

Sant'Omobono Terme Viale alle Fonti. 8

Sarnico Piazza Umberto I

#### Scanzorosciate

Via Roma, 27

Via Collina Alta, 3 (Fraz. Tribulina)

Schilpario Via Torri, 8

Sedrina Via Roma, 14

Selvino Via Monte Rosa - angolo Via Betulle

Seriate Viale Italia, 24

Songavazzo Via Vittorio Veneto

Sovere Via Roma, 36

Spirano Via Dante, 9/b

Stezzano Via Bergamo, 1

Suisio Via Carabello Poma, 31

Taleggio Via Roma, 837 (Fraz. Olda)

Tavernola Bergamasca Via Roma, 12

Telgate Via Morenghi, 17

Torre Boldone Via Carducci, 12

Torre de Roveri Piazza Conte Sforza, 3

Trescore Balneario Via Locatelli, 45

Treviglio Viale Filagno, 11

Ubiale Clanezzo Via Papa Giovanni XXIII, 1

Urgnano Via Matteotti, 157

Valbrembo Via J.F.Kennedy, 1B Verdello Via Castello, 31

Vertova Via S. Rocco, 45

Viadanica Via Pietra, 4

Vigolo Via Roma, 8

Villa d'Adda Via Fossa, 8 Villa d'Almè Via Roma - ang. Via Locatelli, 1

Villongo Via Bellini, 20

Vilminore di Scalve Piazza Giovanni XXIII, 2 Zandobbio Via G. Verdi, 2

Zogno Viale Martiri della Libertà, 1

Provincia di Brescia

Brescia Via Gramsci, 39 Chiari Via Bettolini, 6

Concesio Viale Europa, 183

Darfo Boario Terme Piazza Col. Lorenzini. 6

Desenzano del Garda Viale Andreis. 74

Esine Via Manzoni. 97

Manerbio Via Dante. 5

Orzinuovi Piazza Vittorio Emanuele II, 31/33

Ospitaletto Via Martiri della Libertà, 27 Palazzolo sull'Oglio Piazza Roma, 1

Paratico Via Don G. Moioli, 17

Rezzato Via Europa, 5

San Paolo Via Mazzini. 62 San Zeno Naviglio Via Tito Speri, 1

# Provincia di Como

## Como

Via Giovio, 4

Via Badone, 48 (Fraz. Camerlata)

Via Gallio - ang. Via Bossi

Via Cattaneo, 3

Viale Giulio Cesare, 26/28

#### Cantù

Piazza Marconi, 9

Via Enrico Toti, 1/a (Fraz. Vighizzolo)

Casnate con Bernate S.S. dei Giovi, 5

Cermenate Via Matteotti, 28

Via Leopardi, 7/e Via Mazzini, 12

Guanzate Via Roma, 24

Lomazzo Via Monte Generoso, 11

Lurago D'Erba Via Manara, 4

Lurate Caccivio Via Varesina, 88

Olgiate Comasco Via Roma, 75

Oltrona San Mamette Piazza Europa, 6

#### Mariano Comense

Corso Brianza, 20

Viale Lombardia, 54-54/a

Rovellasca Via Volta, 1

#### Provincia di Lecco

Corso Matteotti, 3

Via Amendola, 6

Bulciago Via Don Canali, 33/35

Calco Via Italia. 8

Calolziocorte Piazza Vittorio Veneto, 18/a

Carenno Via Roma, 36

Casatenovo Via G. Mameli, 16

Cernusco Lombardone Via S. Caterina, 4

Costa Masnaga Via Cadorna, 18

Erve Via G. Cabaggio, 42

Merate Via Alessandro Manzoni, 56

Monte Marenzo Piazza Municipale, 5

Olginate Via S. Agnese, 38

Valmadrera Via Fatebenefratelli, 23

## Provincia di Milano

#### Milano

Via Manzoni, 7

Piazza Cinque Giornate, 1

Via Foppa, 26

Corso Italia, 22

Assago Via del Mulino, 6 (c/o Nestlè Spa)

Cassano d'Adda Via Milano, 14

## Cornaredo

Via Tolomeo, 1

(c/o St Microelectronics Spa)

Grezzago Piazza Aldo Moro

Trezzo sull'Adda Via A. Sala, 11

Vaprio d'Adda Piazza Caduti, 2

## Provincia di Monza-Brianza

#### Monza

Via Borgazzi, 83

Piazza Giuseppe Cambiaghi, 1

Via San Rocco, 44

Via Boito, 70

Via Vittor Pisani, 2

Via Manzoni, 22/30

Via Carlo Rota, 50

Piazza Duomo, 5

#### Agrate Brianza

Via C. Olivetti, 2 (c/o St Microelectronics Spa)

Via Marco d'Agrate, 61

Arcore Via Casati, 45

Bernareggio Via Prinetti, 43

Biassono Via Libertà, 1

Brugherio Via de Gasperi, 58/62/64

Carate Brianza Via Cusani, 49/51

Carnate Via Don Minzoni

#### Cesano Maderno

Via Conciliazione, 29 (Fraz. Binzago)

#### Cornate d'Adda

Via Circonvallazione, 10/12/14 Via Silvio Pellico, 10 (Fraz. Colnago)

Desio Via Matteotti, 10

Giussano Via IV Novembre, 80 (Fraz. Brugazzo)

Limbiate Via dei Mille, 32

Lissone Via San Carlo, 4

Meda Via Indipendenza, 111

Mezzago Via Concordia, 22

Muggiò Via Cavour, 11/15

Nova Milanese Via Brodolini, 1

## Seregno

Via S. Vitale, 17

Via Medici da Seregno, 29/31

Sulbiate Via Mattavelli, 2

Vedano al Lambro Largo della Repubblica, 7

Villasanta Via Confalonieri, 1

#### Vimercate

Via B. Cremagnani, 20/a

Via Torri Bianche, 3

Via Garibaldi 12

Via Trento, 30 (c/o Alcatel - Lucent Spa)

#### Provincia di Varese

#### Varese

Via Vittorio Veneto, 2

Via Dalmazia, 63

Piazza IV Novembre,1 (Fraz. Biumo Inferiore)

Via Valle Venosta, 4

(Fraz. Biumo Inferiore - c/o Ascom Varese)

Viale Luigi Borri, 155

Viale Borri, 237 (c/o Bassani Ticino Spa)

Via Pasubio 2

Via Caracciolo, 24

Via Virgilio, 27

Piazza Battistero, 2

Via S. Sanvito, 55

Angera Via M. Greppi, 33

Azzate Via Vittorio Veneto, 23

Besozzo Via XXV Aprile, 77

Biandronno Piazza Cavour, snc

Bisuschio Via Mazzini, 28

Bodio Lomnago Via Risorgimento, 23

## **Busto Arsizio**

Piazza S. Giovanni, 3/a

Corso Italia, 54

Via Magenta, 64 Viale Alfieri, 26

Viale Cadorna, 4 - Via Cattaneo, 9

Via Foscolo, 10

## Cairate

Via Mazzini, 13

Via Genova, 1 (Fraz. Bolladello)

Cantello Via Turconi, 1

Caravate Via XX Settembre, 22

Cardano al Campo

Via Gerolamo da Cardano, 19

Caronno Pertusella Via Roma, 190

Casale Litta Via Roma, 4

Casorate Sempione Via Milano, 17 Cassano Magnago Via Aldo Moro, 6

Castellanza Piazza Soldini (c/o Libero Istituto

Universitario Carlo Cattaneo) Castelseprio Via San Giuseppe, 14

# Castiglione Olona

Via Papa Celestino, 22

Via Cesare Battisti, 13

Castronno Via Roma, 51 Cavaria con Premezzo

Via Scipione Ronchetti, 1318 Cislago Via IV Novembre, 250

Cittiglio Via Valcuvia, 19

Clivio Via Ermizada, 10

Comerio Via al Lago, 2

Cunardo Via Luinese, 1/a

Cuveglio Via Battaglia di S. Martino, 50

Cuvio Via Giuseppe Maggi, 20

Daverio Via Giovanni XXIII, 1

Fagnano Olona Piazza Cavour, 11

Ferno Piazza Dante Alighieri, 7

#### Gallarate

Via A. Manzoni, 12

Via Buonarroti, 20

Via Marsala, 34

Via Varese, 7/a (Fraz. Cascinetta)

Via Raffaello Sanzio, 2

Gavirate Piazza della Libertà, 2

Gazzada Schianno Via Roma, 47/b

Gemonio Via Giuseppe Verdi. 24

Gerenzano Via G.P. Clerici, 124 Germignaga Piazza XX Settembre, 51

Gorla Maggiore Via Verdi, 2

Gornate Olona Piazza Parrocchetti, 1

Induno Olona Via Porro, 46 Ispra Via Mazzini, 59

Jerago con Orago Via Matteotti, 6

Laveno Mombello Via Labiena, 53

#### Laveno Ponte Tresa

Piazza A. Gramsci, 8 (Fraz. Ponte Tresa)

Lonate Ceppino Via Don Albertario, 3

Lonate Pozzolo Piazza Mazzini, 2 Lozza Piazza Roma, 1

Luino Via Piero Chiara, 7

Leggiuno Via Bernardoni, 9

Malnate P.zza Repubblica - ang. Via Garibaldi

Maccagno Viale Garibaldi, 13

Marchirolo Strada Statale 233, 27

Marnate Via Diaz, 12 - angolo Via Genova

Mercallo Via Prandoni, 1 Mesenzana Via Provinciale, 11

Monvalle Piazza Marconi, 1

Mornago Via Cellini, 3 - angolo Via Carugo Olgiate Olona Via G. Mazzini, 56

Origgio

Via Repubblica, 10

S.S. Varesina, 233 (c/o Novartis Italia Spa) Porto Ceresio Via Roma, 2

Porto Valtravaglia Piazza Imbarcadero, 17

## Samarate Via N. Locarno, 19 (Fraz. Verghera)

Saronno

Saltrio Via Cavour. 27

Via P. Micca, 10

Via Giuseppe Garibaldi, 5 Piazza Borella, 4

Somma Lombardo

Sesto Calende Via XX Settembre, 35

Solbiate Arno Via A. Agnelli, 7

Corso della Repubblica - ang. Via Rebaglia Sumirago Via Brioschi, 2

#### Ternate Piazza Libertà, 14 Tradate

Via XXV Aprile. 1

angolo Corso Ing. Bernacchi Via Vittorio Veneto, 77

(Fraz. Abbiate Guazzone)

Travedona Monate Via Roma, 1 Uboldo Via R. Sanzio, 46

Varano Borghi Via Vittorio Veneto, 6 Vedano Olona Piazza S. Rocco, 8

Venegono Inferiore Via Mauceri, 16 Venegono Superiore Piazza Monte Grappa, 8

Viggiù Via A. Castagna, 1

#### **LAZIO**

#### Provincia di Roma

#### Roma

Via dei Crociferi, 44

Corso Vittorio Emanuele II, 295

Via S. Silverio, 57

Largo Salinari, 24 - ang. Via B. Croce 82/84

Viale Gorizia, 34

Via di Porta Castello, 32

Via Val Maira, 125/131

Via Tiburtina, 604

Via dell'Aeroporto, 14/16

Via Pietro Boccanelli, 30

(c/o Sviluppo Italia Spa - Campo Elba)

Via Calabria, 46 (c/o Sviluppo Italia Spa)

Via Gattamelata, 109

Via Donna Olimpia, 128

Largo di Vigna Stelluti, 25

Via dello Statuto, 20

Ciampino Via Kennedy, 163

Monterotondo Via Salaria, 204

Pomezia Via dei Castelli Romani. 22 Velletri Via U. Mattoccia, 6

#### **SARDEGNA**

#### Provincia di Cagliari

Cagliari Via Mameli, 120



#### www.bancodibrescia.it

#### **LOMBARDIA**

## Provincia di Brescia

## Brescia

Piazza della Loggia, 5

Corso Magenta, 73 - ang. Via Tosio

Via Lecco, 1

Via Trento, 7

Via San Martino, 2 - ang. Corso Zanardelli

Contrada del Carmine, 67

Via Valle Camonica, 6/b

Via Santa Maria Crocifissa di Rosa, 67

Piazzale Spedali Civili, 1

Corso Martiri della Libertà, 13

Via Trieste, 8

Via Vittorio Veneto, 73 - ang. Tofane

Via San Giovanni Bosco, 15/c

Via Bettole, 1 (Fraz. San Polo)

Via Repubblica Argentina, 90

- ang. Via Cremona

Via della Chiesa, 72

Via Prima, 50 - Villaggio Badia

Piazzale Nava, 7 (Fraz. Mompiano)

Via Masaccio, 29 (Fraz. San Polo)

Via Bissolati, 57

Corso Martiri della Libertà, 45

Via Milano. 21/b

Via Indipendenza, 43

Via Solferino, 30/a

Via Trento, 25/27

Viale Duca d'Aosta, 19

Via Ambaraga, 126

Via Chiusure, 333/a

Via Cefalonia, 76

Via Orzinuovi, 9/11

Via Lamarmora, 230 (c/o A2A)

Via Triumplina, 179/b

Via Vittorio Emanuele II, 60

Acquafredda Via della Repubblica, 52

Adro Via Roma, 1

Bagnolo Mella Via XXVI Aprile, 69/71

Bagolino Via San Giorgio, 66

Bedizzole Via Trento, 3/5

Borgosatollo Via IV Novembre, 140

**Botticino** 

Via Valverde, 1 (Fraz. Botticino Sera)

Via Don Milani, 3

Bovegno Via Circonvallazione. 5

Bovezzo Via Dante Alighieri, 8/d

Breno Via Giuseppe Mazzini, 72

Calcinato Via Guglielmo Marconi, 51

Calvisano Via Dante Alighieri, 1

Capriano del Colle Via Morari, 26

Carpenedolo Piazza Martiri della Libertà, 1

Castegnato Piazza Dante Alighieri, 1

Castelcovati Via Alcide De Gasperi, 48

Castel Mella Via Caduti del lavoro, 56/a

Castenedolo Piazza Martiri della Libertà, 4

Castrezzato Piazza Mons. Zammarchi, 1

Cedegolo Via Nazionale, 105

Cellatica Via Padre Cesare Bertulli, 8

Chiari Piazza Giuseppe Zanardelli, 7

Collio Piazza Giuseppe Zanardelli, 32

Comezzano - Cizzago

Via Giuseppe Zanardelli, 31

#### Concesio

Via Europa, 203

Via Europa, 8 (c/o centro comm. Valtrumpino)

Darfo Boario Terme Via Roma, 2

Dello Piazza Roma, 36

#### Desenzano del Garda

Via G. Marconi. 18

Via G. Marconi, 97

Via G. Di Vittorio, 17 (Fraz. Rivoltella)

Edolo Via G. Marconi. 36/a

Fiesse Via Antonio Gramsci, 25

Flero Via XXV aprile, 110

Gardone Riviera Via Roma, 8 Gardone Val Trompia Via G. Matteotti, 212

Gargnano Piazza Feltrinelli, 26

Gavardo Via Suor Rivetta, 1

Ghedi Piazza Roma, 1

Gottolengo Piazza XX Settembre, 16

Gussago Via IV Novembre, 112/a

Idro Via Trento, 60

## Iseo

Via Dante Alighieri, 10

Via Risorgimento, 51/c (Fraz. Clusane)

Isorella Via A. Zanaboni, 2

Leno Via Dossi, 2

Limone del Garda Via Don Comboni. 24

Lograto Piazza Roma, 11

Lonato Via Guglielmo Marconi

## Lumezzane

Via Alcide De Gasperi, 91 (Fraz. Pieve) Via M. D'Azeglio, 4 (Fraz. S. Sebastiano)

Mairano Piazza Europa, 1

Manerba del Garda Via Vittorio Gassman, 17/19

Manerbio Via XX Settembre, 21

Marone Via Roma, 59

Moniga del Garda Piazza San Martino Monte Isola Via Peschiera Maraglio, 156

Monticelli Brusati Via IV Novembre, 5/a

Montichiari

Via Trieste, 71 Via Felice Cavallotti, 25

Nave Piazza Santa Maria Ausiliatrice, 19

Nuvolento Via Trento, 17

Nuvolera Via Italia, 3/a

Odolo Via Praes, 13/bis

Offlaga Via Giuseppe Mazzini, 2

Orzinuovi Piazza Vittorio Emanuele II, 18

Ospitaletto Via Padana Superiore, 56

Paderno Franciacorta Via Roma, 32

#### Palazzolo sull'Oglio

Via XX Settembre, 22

Via Brescia, 1

Passirano Via Libertà, 36

Pavone del Mella Piazza Umberto I, 1

Pisogne Piazza Umberto I, 11

Poncarale Via Fiume, 8/a

Ponte di Legno Corso Milano, 34

Pontevico Piazza Giuseppe Mazzini, 15

Pralboino Via Martiri Libertà, 52

Prevalle Piazza del Comune, 7

Quinzano d'Oglio Via C. Cavour, 29/31

Remedello Via Roma, 60

#### Rezzato

Via IV Novembre, 98

Via Zanardelli, 5a/b (Fraz. Virle Treponti)

Rodengo Saiano Via Ponte Cigoli, 12

Roè Volciano Via San Pietro, 119

## Roncadelle

Via Martiri della Libertà, 119/a

Via Guglielmo Marconi (c/o c.c. Auchan)

Rovato Corso Bonomelli, 52/54

Sabbio Chiese Via XX Settembre, 83

Sale Marasino Via Roma, 23/ Bis Salò

Via Pietro da Salò - Loc. Rive

Piazza Vittorio Emanuele II, 20

San Felice del Benaco Viale Italia, 9

San Gervasio Bresciano

Piazza Antica Piazzola, 5 San Paolo Piazza Aldo Moro, 9

Sarezzo

Via Roma, 8

Via G. Carducci, 2 (Fraz. Ponte Zanano) Seniga Via San Rocco, 15

Sirmione

Via Colombare - ang. Via G. Garibaldi

Piazza Castello, 58 Sulzano Via Cesare Battisti, 85

Tavernole sul Mella Via IV Novembre, 40/42

Tignale Piazzale Francesco d'Assisi Torbole Casaglia Piazza Caduti, 8

Toscolano Maderno

Via Statale Toscolano, 114/a (Fraz. Toscolano)

Travagliato Piazza Libertà

Verolanuova Piazza Libertà, 1 Vestone Via Perlasca, 5

Villa Carcina Via G. Marconi, 39/c

Visano Via Gugliemo Marconi, 11 Vobarno Via Migliorini - ang. Via San Rocco

Zone Via Monte Guglielmo, 44

# Provincia di Bergamo

Bergamo Via Palma il Vecchio, 113

Via Tremana, 13

Via Camozzi, 101

Via Don Luigi Palazzolo, 89 Albano Sant'Alessandro Via Tonale, 29

Alzano Lombardo Via Roma, 31

Brembate Sopra

Via B. Locatelli ang. Via Sorte

Cologno al Serio Via San Martino, 2

Grumello del Monte Via Roma, 63 Medolago Via Europa, 19/b

Seriate Via Paderno, 25

**Trescore Balneario** Via Lorenzo Lotto, 6/a **Treviolo** Piazza Mons, Benedetti, 10

#### Provincia di Cremona

#### Cremona

Viale Po, 33/35 Via Dante, 241 Piazza Stradivari, 19 Via Mantova, 137

**Casalmaggiore** Via Porzio - ang. Via Nino Bixio **Castelleone** Via Roma, 69

**Crema** Viale Repubblica, 79 **Soncino** Via IV Novembre, 25

#### Provincia di Lodi

Lodi Via Incoronata, 12 Codogno Via Vittorio Emanuele II, 35 Lodi Vecchio Piazza Vittorio Emanuele, 48

S. Angelo Lodigiano Piazza Libertà, 10

#### Provincia di Mantova

#### Mantova

V.le Risorgimento, 33 - ang. Valsesia Via Madonna dell'orto, 6 Viale Divisione Acqui, 14 Piazza Guglielmo Marconi, 7

Asola Viale della Vittoria, 17

#### Bagnolo San Vito

Via Di Vittorio, 35 (Fraz. San Biagio)

## Borgofranco sul Po

Via Martiri della Libertà, 64

Castel Goffredo Via Europa, 27

Castiglione delle Stiviere Via C. Cavour, 36

Magnacavallo Via Roma, 23
Marmirolo Via Ferrari, 66/d

Moglia Piazza della Libertà, 19

Ostiglia Via Vittorio Veneto, 14

Poggio Rusco Via Trento e Trieste, 9

**Quistello** Via G. Marconi, 12

Sermide Via Cesare Battisti, 4

Villa Poma Piazza Mazzali, 7

#### Provincia di Milano

#### Milano

Piazza XXIV Maggio, 7 Piazza XXV Aprile, 9

Via Antonio Rosmini, 17

Via Ponchielli, 1

Via Giorgio Washington, 96

Via Monte Rosa, 16

Via Mac Mahon, 19

Via Saffi 5/6 - ang. via Monti

Via Silvio Pellico, 10/12

Piazza Sant'Agostino, 7

Via Feltre, 30/32

Via Giovanni da Procida, 8

Piazza Borromeo, 1

Viale Monza, 139/b

Via Lomellina, 14

Via Lecco, 22

Corso Indipendenza, 5

Via Porpora, 65

Largo Scalabrini, 1

Via Bertolazzi, 20 (Zona Lambrate)

Bresso Via Vittorio Veneto, 57

Cernusco sul Naviglio Via Monza, 15

Cologno Monzese Viale Lombardia, 52

Corsico Via G. Di Vittorio, 10

Legnano C.so Magenta, 127 - ang. Via Beccaria

Melegnano Viale Predabissi, 12

Melzo Via Antonio Gramsci, 23

Novate Milanese Via G. Di Vittorio, 22

Paderno Dugnano Via Erba, 36/38

Paullo Piazza E. Berlinguer, 14

Pioltello Via Roma, 92

Rho Viale Europa, 190

Trezzano Rosa Piazza San Gottardo, 14

Trezzo sull'Adda Via Bazzoni

#### FRIULI VENEZIA GIULIA

#### Provincia di Pordenone

Pordenone Via Santa Caterina, 4
Fiume Veneto Via Piave, 1 (Fraz . Bannia)
Prata di Pordenone Via Cesare Battisti, 1

#### Provincia di Udine

Udine Via F. di Toppo, 87

Ampezzo Piazzale ai Caduti, 3

Majano Piazza Italia, 26

Paularo Piazza Nascimbeni, 5

Prato Carnico Via Pieria, 91/d

Sutrio Piazza XXII Luglio 1944, 13

Tolmezzo Piazza XX Settembre, 2

#### LAZIO

#### Provincia di Latina

#### Latina

Via Isonzo, 3

Via della Stazione, 187

#### Provincia di Roma

#### Roma

Via Ferdinando di Savoia, 8

Via Simone Martini, 5

Piazza Eschilo, 67

Via Bevagna, 58/60

Largo Colli Albani, 28

Via Vittorio Veneto, 108/b - Via Emilia

Via Fabio Massimo, 15/17

Via Crescenzio Conte di Sabina, 23

Via Portuense, 718

Via Fucini, 56

Via Boccea, 211/221

Via Camillo Sabatini, 165

Viale Val Padana, 34

Via Ugo Ojetti, 398

Via Aurelia, 701/709

Via A. Pollio, 50 (c/o c.c. Casalbertone)

Viale Guglielmo Marconi, 3/5

Piazza San Silvestro, 6

Piazza dei Tribuni, 58

#### Provincia di Viterbo

## Viterbo

Corso Italia, 36

Via Saragat - ang. Via Polidori

Via Monte San Valentino

Via Venezia Giulia, 20/22

Acquapendente Via del Rivo, 34

Bassano in Teverina Via Cesare Battisti, 116

Bolsena Via Antonio Gramsci, 28

Bomarzo Piazza B. Buozzi, 5

Canepina Via Giuseppe Mazzini, 61

Capodimonte Via Guglielmo Marconi, 84

**Civita Castellana** Via della Repubblica **Corchiano** Via Roma, 45

Fabrica di Roma Viale degli Eroi

Gradoli Piazza Vittorio Emanuele II, 10

Marta Via Laertina, 35/39

## Montalto di Castro

Via Aurelia Tarquinia, 5/7

P.za delle mimose, 13 (Fraz. Pescia Romana)

Montefiascone Piazzale Roma

Monterosi Via Roma, 36

Orte Via Le Piane

Ronciglione Corso Umberto I, 78

Soriano nel Cimino Piazza XX Settembre, 1/2

Tarquinia Piazzale Europa, 4

Tuscania Via Tarquinia

### Vetralla

Via Roma, 21/23

Via Cassia, 261 (Fraz. Cura)

Vignanello Via Vittorio Olivieri, 1/a

Vitorchiano Via Borgo Cavour, 10

#### **VENETO**

## Provincia di Padova

Padova Via G. Matteotti, 23

Camposampiero Piazza Castello, 43

Noventa Padovana

Via Giovanni XXIII, 2 - ang. Via Risorgimento

Ponte San Nicolò Via Padre M. Kolbe, 1/a

## Provincia di Venezia

Mestre Piazza XXVII Ottobre, 29

Mira Via Nazionale, 193

## Provincia di Verona

#### Verona

Via Città di Nimes, 6

Via XXIV Maggio, 16

Via Albere, 18

Via Murari Brà, 12/b

Via Campagnol di Tombetta, 30

Corte Farina, 4

Via Galvani, 7

Bussolengo Via Verona, 43

Caldiero Via Strà, 114-114/a

Grezzana Viale Europa, 13

Isola della Scala Via Spaziani, 19
Monteforte d'Alpone Viale Europa, 30

Negrar Via Strada Nuova, 17 (Fraz. S. Maria)

Peschiera del Garda Via Venezia, 4

San Bonifacio Via Camporosolo,16

San Martino Buon Albergo Via Nazionale, 21

Sant'Ambrogio Valpolicella

Via Giacomo Matteotti, 2

**Sona** Via XXVI Aprile, 19 (Fraz. Lugagnano) **Villafranca di Verona** Via della Pace, 58

# Provincia di Vicenza

## Vicenza

Viale San Lazzaro, 179

Via IV Novembre, 60

Bassano del Grappa Viale San Pio X 85

Montecchio Maggiore Via Madonnetta, 231

# **Schio** Via Battaglion Val Leogra, 6

Provincia di Treviso
Treviso Piazza Vittoria. 14

Castelfranco Veneto Via Forche, 2

**Conegliano** Via XI Febbraio, 1 **Montebelluna** Via Dante Alighieri

Oderzo Via degli Alpini, 30/32

# TRENTINO ALTO ADIGE

Provincia di Trento Pieve di Bono Via Roma, 28



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## **LOMBARDIA**

#### Provincia di Milano

#### Milano

Via della Moscova, 33

Via Salasco, 31

Via Bocchetto, 13

Via Borgogna, 2/4

Via Buonarroti, 22

Via Boccaccio, 2

Via Canonica, 54

Viale Coni Zugna, 71

Corso Lodi, 111

Piazzale de Agostini, 8

Piazza Firenze, 14

Largo Gelsomini, 12

Via G.B. Grassi, 89

Via Gian Galeazzo - ang. Via Aurispa

Corso Indipendenza, 14

Via La Spezia, 1

Viale Lombardia, 14/16

Corso Magenta, 87 - Porta Vercellina

Viale Marche, 56

Piazzale Nigra, 1

Via Olona, 11

Via Padova, 21

Viale Piave, 15

Corso di Porta Romana, 57

Via del Torchio, 4

Via Eugenio Pellini, 1 - ang. Via Cagliero

Via Vitruvio, 38 - Via Settembrini

Via Solari, 19

Via Spartaco, 12

Viale Monte Santo. 2

Piazzale Zavattari, 12

Via Pellegrino Rossi, 26

Via Melchiorre Gioia, 28

Piazzale Susa, 2

Via Biondi, 1

Via Friuli, 16/18

Via C. Menotti, 21 - ang. Via G. Modena

Viale delle Rimembranze di Lambrate, 4

Viale L. Sturzo, 33/34

Via A. Trivulzio, 6/8

Via Palestrina, 12 - ang. Viale A. Doria

Via Bignami, 1 (c/o C.T.O.)

Via Macedonio Melloni, 52 (c/o I.O.P.M.)

Via della Commenda, 12 (c/o Istituti Clinici)

Corso Porta Nuova, 23

(c/o Ospedale Fatebenefratelli)

Via Francesco Sforza, 35

(c/o Osp. Maggiore)

Piazza Ospedale Maggiore, 3 (c/o Niguarda)

Via Pio II, 3 (c/o Ospedale San Carlo)

Via Castelvetro, 32 (c/o Ospedale Buzzi)

Corso Italia, 17

Via Lomellina, 50

Via Pisanello, 2

Corso Lodi, 78

Piazza Gasparri, 4

Via Panizzi, 15

Via dei Missaglia - angolo Via Boifava

Via Secchi, 2

Via Meda, angolo Via Brunacci, 13

Corso XXII Marzo, 22

Via Ampère, 15

Piazzale Lagosta, 6

Via Padova, 175

Viale Certosa, 138

Via Monte di Pietà, 7 Via A. di Rudini, 8 (c/o Ospedale San Paolo)

Abbiategrasso Piazza Cavour, 11

Arluno Via Piave, 7

#### Assago Milanofiori

Palazzo Wtc Viale Milanofiori

Bellinzago Lombardo Via delle 4 Marie, 8

Binasco Largo Bellini, 16

Bollate Via Giacomo Matteotti, 16

Bresso Via Roma, 16

Canegrate Via Manzoni, 48/a

Carugate Via Toscana, 10

Cassina de' Pecchi Via Matteotti, 2/4

#### Cinisello Balsamo

Via Casati, 19

Viale Umbria, 4

Via Massimo Gorki, 50 (c/o Ospedale Bassini)

#### Cologno Monzese

Via Indipendenza, 32 - ang. P.zza Castello

Corbetta Corso Garibaldi, 14

#### Cornaredo

Piazza Libertà, 62

Via Magenta, 34

#### Corsico

Via Cavour, 45

Viale Liberazione, 26/28

## Garbagnate Milanese

Via Kennedy, 2 (Fraz. S. M. Rossa)

Inveruno Via Magenta, 1

Lainate Via Garzoli, 17

#### Legnano

Corso Sempione, 221

Corso Sempione - angolo Via Toselli

Via Novara, 8

Piazza Don Sturzo, 13

Magenta Piazza Vittorio Veneto, 11

Melegnano Via Cesare Battisti, 37/a

Melzo Piazza Risorgimento, 2

Novate Milanese Via Amendola, 9

Opera Via Diaz, 2

Paderno Dugnano Via Rotondi, 13/a

Parabiago Via S. Maria, 22

Peschiera Borromeo Viale Liberazione, 41

Pregnana Milanese Via Roma, 46

## Rho

Corso Europa, 209

Via Meda, 47

Via Pace, 165 (Fraz. Mazzo Milanese)

#### Rozzano

Viale Lombardia, 17

Piazza Berlinguer, 6 (Fraz. Ponte Sesto)

## S. Giuliano Milanese

Via Risorgimento, 3

Via S. Pellico, 9 (Fraz. Sesto Ulteriano)

Segrate Piazza della Chiesa. 4

Senago Piazza Matteotti, 10/a

Sesto San Giovanni Via Casiraghi, 167

Settimo Milanese Piazza della Resistenza, 8 Solaro Via Mazzini, 66

Trezzano Rosa Via Raffaello Sanzio, 13/s

Trezzano sul Naviglio Viale C. Colombo, 1

Vittuone Via Villoresi, 67

## Provincia di Monza-Brianza

Monza Viale G.B. Stucchi, 110 (c/o Roche Boehringer Spa)

#### Provincia di Pavia

#### Pavia

Via Montebello della Battaglia, 2

Corso Strada Nuova, 61/c

Viale Matteotti, 63

(c/o Istituzioni Assistenziali Riunite)

Via dei Mille, 7

Viale Ludovico il Moro, 51/b

Via Taramelli, 20

Via Pavesi, 2

Corso Alessandro Manzoni, 17

Piazzale Gaffurio, 9

Via San Pietro in Verzolo 4

Via Ferrata, 1 (c/o Università)

Albuzzano Via Giuseppe Mazzini, 92/94

Belgioioso Via Ugo Dozzio, 15

Borgarello Via Principale, 3

Broni Piazza Vittorio Veneto, 52

Casei Gerola Piazza Meardi, 9

## Casorate Primo

Via S. Agostino, 1 - ang. P.zza Contardi

Casteggio Viale Giuseppe Maria Giulietti, 10

Garlasco Corso C. Cavour, 55

Giussago Via Roma, 38

#### Godiasco

Piazza Mercato, 19

Viale delle Terme, 44 (Fraz. Salice Terme)

Landriano Via Milano, 40

Linarolo Via Felice Cavallotti, 5 Magherno Via G. Leopardi, 2

Marcignago Via Umberto I, 46

Montebello della Battaglia Piazza Carlo Barbieri "Ciro", 1

Mortara Piazza Silvabella, 33

Pinarolo Po Via Agostino Depretis, 84

Portalbera Via Mazzini, 1 (c/o Comune)

Robbio Piazza Libertà, 8 Rosasco Via Roma, 4

San Martino Siccomario Via Roma, 23

Sannazzaro de' Burgondi Viale Libertà 3/5

Siziano Via Roma, 22

Stradella Via Trento, 85 Torrevecchia Pia Via Molino, 9

Travacò Siccomario

P.zza Caduti e Combattenti d'Italia, 1

Valle Lomellina Piazza Corte Granda, 4

## Varzi Via Pietro Mazza, 52

Vigevano Via Dante, 39

Corso Genova, 95

Via de Amicis. 5

Via Sacchetti Vistarino Via Vivente, 27/a

Via Madonna degli Angeli, 1

Voghera Via Giacomo Matteotti, 33

# **EMILIA ROMAGNA**

### Provincia di Bologna

Bologna Viale della Repubblica, 25/31

Via Murri, 77

Piazza Dè Calderini, 6/a Via Frcolani, 4/e Via Lombardia, 7/a

San Lazzaro di Savena Via Emilia, 208/210

Zola Predosa Via Risorgimento, 109

#### Provincia di Ferrara

Cento Via Ferrarese, 3

#### Provincia di Modena

#### Modena

Viale Trento e Trieste - ang. Via Emilia Est **Carpi** Via Baldassarre Peruzzi, 8/b

Sassuolo Viale Crispi, 24

#### Provincia di Parma

#### Parma

Via San Leonardo, 4 Via Emilia est, 17 Via Repubblica, 32

Fidenza Piazza G. Garibaldi, 41

Langhirano Via Roma, 25 - Via Ferrari, 17

#### Provincia di Piacenza

#### Piacenza

Via Verdi, 48 Via Manfredi, 7

Via Cristoforo Colombo, 19

Caorso Via Roma, 6/a

Carpaneto Piacentino Via G. Rossi, 42

Gragnano Trebbiense Via Roma, 52

Ponte dell'Olio Via Vittorio Veneto, 75

San Nicolò a Trebbia

Via Emilia Est, 48 (Fraz. Rottofreno)

#### Provincia di Reggio Emilia

#### Reggio Emilia

V.le Monte Grappa, 4/1 - ang. V.le dei Mille Via Emilia all'Angelo, 35

Correggio Via Asioli, 7/a

Rubiera Viale della Resistenza, 7/a

#### **LAZIO**

#### Provincia di Roma

#### Roma

Corso Vittorio Emanuele II, 25/27

Via Baldovinetti, 106/110

Via Boccea 51. a/b/c

Viale dei Colli Portuensi, 298/302

Via F.S. Nitti, 73/75/77

Via Norcia, 1/3

Via Guidubaldo del Monte, 13/15

Viale delle Provincie, 34/46

Via Nizza, 71

Viale Trastevere, 22

Via Sestio Calvino, 57

Via Tiburtina, 544/546 - ang. Via Galla Placidia

Largo Trionfale, 11/12/13/14

Via Cerveteri, 30

Piazza Vescovio, 3 - 3/a - 3/b

- ang. Via Poggio Moiano, 1

Via dei Castani,133

Via delle Gondole, 90 (Fraz. Ostia)

Via Nomentana, 669/675

Via XX Settembre, 45 - ang. Servio Tullio

Viale dei quattro venti, 83

#### **TOSCANA**

#### Provincia di Firenze

Firenze Piazza Cesare Beccaria, 21



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#### **PIEMONTE**

#### Provincia di Cuneo

#### Cuneo

Piazza Europa, 1

Via Luigi Gallo, 1

Via Roma, 13/b

Via della Battaglia, 15

(Fraz. Madonna dell'Olmo)

Corso Nizza, 57/a

Corso Antonio Gramsci, 1

Via Savona, 8 - ang. Via Bisalta

Via A. Carle, 2 (Fraz. Confreria)

P.zale Repubblica (Fraz. Castagnaretta) Via Michele Coppino, 16 (c/o Ospedale)

#### Alba

Via Teobaldo Calissano, 9

Viale Giovanni Vico, 5

Corso Piave, 74

Corso Langhe, 66/b - Borgo Moretta

Via G. Garibaldi, 180 (Fraz. Gallo d'Alba)

Corso Canale, 98/1 (Fraz. Mussotto)

#### Bagnasco Via Roma, 3 Bagnolo Piemonte

Via Cavalieri di Vittorio Veneto, 12

Barbaresco Via Torino. 16

Barge Viale Giuseppe Mazzini, 1

Barolo Via Roma, 53

Bastia Mondovì Piazza IV Novembre, 3

Beinette Via Vittorio Veneto, 4

Bernezzo Via A. Moro, 2 (Fraz. S.Rocco)

## Borgo San Dalmazzo

Piazza Liberazione, 8/10

Via Po, 41/43

Bossolasco Corso Della Valle, 29

**Boves** Piazza dell'Olmo, 2

#### Bra

Via Giuseppe Verdi, 10

Via Don Orione, 85 (Fraz. Bandito)

Brossasco Via Roma, 11/a

**Busca** Piazza Savoia, 9

Canale Via Roma, 72

Caraglio Piazza Madre Teresa, 8

Carrù P.za V. Veneto, 2 - ang. Via Benevagienna

Castelletto Stura Via Guglielmo Marconi, 6

Castellinaldo Via Roma, 56

Castiglione Tinella Via Circonvallazione, 12

Castino Via XX Settembre, 1

Centallo Piazza Vittorio Emanuele II, 17

Ceva Via Roma, 40

Cherasco Via Vittorio Emanuele II, 34

Chiusa di Pesio Via Roma, 5

Corneliano d'Alba Piazza Cottolengo, 42

Cortemilia Piazza Castello, 1

Costigliole Saluzzo Via Vittorio Veneto, 94

Cravanzana Via XX Settembre, 1

Demonte Via Martiri e Caduti della Libertà, 1

**Dogliani** Via Divisione Cuneense, 1

#### **Dronero**

Piazza San Sebastiano, 7

Viale della Stazione, 10

**Entracque** Via della Resistenza, 5 **Farigliano** Piazza San Giovanni, 7

Fossano Via Roma, 3

Frabosa Soprana Piazza Guglielmo Marconi, 1

Frabosa SottanaVia IV Novembre, 30

Gaiola Via Barale, 16

Garessio Corso Statuto. 15

Genola Via Roma, 32

Govone Piazza Vittorio Emanuele II, 9

Lagnasco Via Roma, 30

La Morra Via Umberto I, 28

Limone Piemonte Via Roma, 62

#### Magliano Alfieri

Via IV Novembre, 54/a (Fraz. S. Antonio)

Magliano Alpi Via Langhe, 158

Mango Piazza XX Settembre, 6

Monastero Vasco Via Variante, 3

Monchiero Via Borgonuovo, B/15-1

### Mondovì

Piazza G. Mellano, 6

Corso Europa, 23

Piazza Maggiore, 8

Piazzale Ellero, 20

Monesiglio Via Roma, 4

Monforte d'Alba Via Giuseppe Garibaldi, 4 Montà Piazza Vittorio Veneto, 31

### Monticello d'Alba

Piazza Martiri della Libertà, 2 (Fraz. Borgo)

Moretta Via Torino, 73/bis

Morozzo Via Guglielmo Marconi, 78

Murazzano Via L. Bruno, 6

Murello Via Caduti Murellesi, 39

Narzole Via Pace, 2

Neive Piazza della Libertà. 2

Niella Belbo Piazza Mercato, 12/b

Paesana Via Po, 41

Peveragno Piazza P. Toselli, 1

Piasco Piazza Martiri della Liberazione, 7

Piobesi d'Alba Piazza San Pietro, 12

Priocca Via Umberto I, 65

Racconigi Piazza Roma, 8

Revello Via Saluzzo, 80

Robilante Via Umberto I, 22

Roccavione Piazza Biagioni, 27 Rossana Via Mazzini, 1

Saliceto Piazza C. Giusta, 1

Saluzzo Corso Italia, 57

Sampeyre Via Vittorio Emanuele II, 22 San Damiano Macra Via Roma, 15

San Michele Mondovì Via Nielli, 15/a

Sanfront Corso Guglielmo Marconi, 14

Santo Stefano Belbo Corso Piave, 82 Savigliano Piazza Schiapparelli, 10

Scarnafigi Piazza Vittorio Emanuele II, 14

Sommariva del Bosco Via Donatori del Sangue, 11/b

**Tarantasca** Via Carletto Michelis, 3 **Torre San Giorgio** Via Maestra, 17

Valdieri Corso Caduti in Guerra, 13

Valgrana Via Caraglio, 9 Vernante Piazza de l'Ala, 4

Verzuolo Piazza Martiri della Libertà, 13

Vicoforte Via di Gariboggio, 43

Villafalletto Via Vittorio Veneto, 24 Villanova Mondovì Via Roma, 33/a

Vinadio Via Roma, 11

#### Provincia di Alessandria

#### **Alessandria**

Via Dante - ang. Via C. Lamarmora Via Venezia, 16

(c/o Ospedale Santi Antonio e Biagio)

Acqui Terme Corso Bagni, 54 Arquata Scrivia Via Libarna, 56

Borghetto Borbera Via San Michele, 2

Brignano - Frascata Via Roma, 44 Cabella Ligure Piazza della Vittoria, 7

Casale Monferrato

Viale G. Giolitti, 2 (c/o ASL) Piazza San Francesco, 10

Casalnoceto Piazza Martiri della Libertà, 10

Castelnuovo Scrivia Via Solferino, 11

Garbagna Via Roma, 21

Isola Sant'Antonio

Piazza del Peso - ang. Via C. Cavour

Monleale Corso Roma, 41/43

Novi Ligure Corso Marenco, 141

Ovada Via Torino, 155

Pontecurone Piazza Giacomo Matteotti, 5

Pozzolo Formigaro Via Roma, 31

Rocchetta Ligure Piazza Regina Margherita

Sale Piazza Giuseppe Garibaldi, 8

Sarezzano Piazza L. Sarzano, 4

Silvano d'Orba Via Cesare Battisti, 32

Stazzano Via Fossati, 2/a

#### Tortona

Piazza Duomo, 13

Via Emilia, 422

Corso della Repubblica, 2/d

P.zza Felice Cavallotti, 1 (c/o ASL)

Valenza Via Dante, 68

Vignole Borbera Via Alessandro Manzoni, 8

Villalvernia Via Carbone, 69

Villaromagnano Via della Chiesa

### Provincia di Asti

#### Asti

C.so Vittorio Alfieri, 137

Corso Savona, 104

Canelli Corso Libertà, 68

Nizza Monferrato Piazza G. Garibaldi, 70

## Provincia di Biella

Biella Via Nazario Sauro, 2

Cossato Via Lamarmora, 9

## Provincia di Novara

Largo Don Luigi Minzoni, 1

Corso della Vittoria, 1

Arona Corso Liberazione, 39

Borgomanero Via Garibaldi, 92/94

Oleggio Via Mazzini, 15

Romentino Via dei Conti Caccia, 1

Trecate Piazza Dolce, 10

#### Provincia di Verbania

Verbania Piazza Matteotti, 18 (Fraz. Intra)

Cannobio Via Umberto I, 2

#### Provincia di Vercelli

Vercelli Piazza Cavour, 23

Borgosesia Via Sesone, 36

## Provincia di Torino

#### Torino

Corso Dante, 57/b

Corso Vittorio Emanuele II. 107

Corso Vercelli. 81/b

Corso Unione Sovietica, 503

Via Madama Cristina, 30 - ang. Lombroso

Corso Orbassano, 236

Corso Matteotti, 15

Via Alfieri, 17

Piazza Adriano, 5

Corso L. Einaudi, 15/17

Piazza Gran Madre di Dio, 12/a

Corso Sebastopoli, 166

C.so Inghilterra, 59/g ang. C.so Francia

Via Giolitti, 16

Corso Francia, 262

Alpignano Via Cavour, 125

Bibiana Via C. Cavour, 25

Bricherasio Piazza Castelvecchio. 17

Chieri Piazza Dante, 10

Chivasso Via Po, 5

Collegno Via XXIV Maggio, 1

Ivrea Via Circonvallazione, 7

Moncalieri Strada Villastellone. 2

Nichelino Via Torino, 172

None Via Roma, 23

Pinerolo Via Savoia - ang. Via Trieste

Rivoli Via Rombò, 25/e

Santena Via Cavour, 43

Settimo Torinese Via Petrarca, 9

Villar Perosa Via Nazionale, 39/a

#### **LOMBARDIA**

#### Provincia di Milano

Milano Via Fabio Filzi, 23

#### **VALLE D'AOSTA**

Aosta Via Xavier de Maistre, 8

#### LIGURIA UBI > Banco di San Giorgio

#### Provincia di Genova

#### Genova

Via C.R. Ceccardi, 13/r

Corso Torino, 61/r

Via Pastorino, 118 (Loc. Bolzaneto)

Via Sestri, 188/190r (Sestri Ponente)

Piazza G. Lerda, 10/r (Loc. Voltri)

Via Cinque Maggio, 101/r (Priaruggia) Via C. Rolando, 123 (Sampierdarena)

Via Molassana, 82/r

Via Fieschi, 11

Piazza Leopardi, 6

Borzonasca Via Angelo Grilli, 15

Chiavari Corso Dante Alighieri, 36

Cicagna Via Statale, 8 - angolo Via Dante, 1

Lavagna C.so Buenos Aires, 84 (Fraz. Monleone)

Mezzanego Via Capitan Gandolfo, 138 Rapallo Via A. Diaz, 6

Recco Via Roma, 56r

Santo Stefano d'Aveto Via Razzetti, 11

Sestri Levante Via Fascie, 70

## Provincia di Imperia

Viale Giacomo Matteotti, 13

Via Giacomo Puccini, 7

#### **Bordighera**

Via Treviso, 1 - ang. Via V. Emanuele II

Sanremo Via Roma, 54/60

Taggia Via Boselli, 62 (Fraz. Arma)

Ventimiglia Via Ruffini, 8/a

## Provincia di La Spezia

#### La Spezia

Via G. Pascoli, 22

Via Chiodo, 115

Via San Bartolomeo (c/o ASW Research)

Via di Monale, 23/29

Piazza d'Armi (c/o comprensorio Maridipart)

Via Fiume, 152

Via del Canaletto, 307

#### Castelnuovo Magra

Via Aurelia, 129 (Fraz. Molicciara)

Lerici Calata G. Mazzini, 1

Sarzana Via Muccini, 48

Portovenere Via Lungomare, 47

#### Provincia di Savona

#### Savona

Piazza Aurelio Saffi. 7/r

Corso Vittorio Veneto, 93

Alassio Via Mazzini, 55

Albenga Piazza Petrarca, 6

Albisola Superiore Corso Giuseppe Mazzini, 189

Andora Piazza Santa Maria, 7

Cairo Montenotte

Corso Marconi, 240 (Fraz. S. Giuseppe)

Celle Ligure Via Boagno, 12

Finale Ligure Via Concezione, 10r

Loano Via Stella, 34

## TOSCANA UBI > Banco di San Giorgio

## Provincia di Massa - Carrara

Carrara Via Galileo Galilei, 32

## **FRANCIA**

Nizza 7, Boulevard Victor Hugo

Mentone Avenue de Verdun, 21

Antibes Avenue Robert Soleau, 15

# **UBI** > Banca Popolare di Ancona

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#### **MARCHE**

#### Provincia di Ancona

**Ancona** 

Corso Stamira, 14

Viale C. Colombo, 56 Via Brecce Bianche, 68/i

Via Umani

Agugliano Contrada Gavone, 2/b (c/o Socopad) Castelfidardo Via C. Battisti, 5

Chiaravalle Via della Repubblica, 83

Cupramontana Piazza Cavour, 11

Fabriano Piazza Miliani, 16

Via Corsi, 3

Falconara Via IV Novembre. 8

Filottrano Via Oberdan, 5

lesi

Corso Matteotti, 1

Via San Giuseppe, 38 Piazza Ricci, 4

Piazza Vesalio, 5 Via Leone XIII (c/o New Holland Fiat Spa)

Jesi Zipa Via Don Battistoni, 4

Loreto Via Bramante

#### Maiolati Spontini

Via Risorgimento, 52 (Fraz. Moie)

#### Montemarciano

Piazza Magellano, 15 (Fraz. Marina)

Monterado Via 8 Marzo, 7 (Fraz. Ponte Rio)

Morro d'Alba Via Morganti, 56

Numana Via Pascoli, 1A

Offagna Via dell'Arengo, 38

#### Osimo

Piazza del Comune, 4

Via Ticino, 1 (Fraz. Padiglione)

#### Rosora Via Roma, 132 (Fraz. Angeli) Santa Maria Nuova

Via Risorgimento, 68 (Fraz. Collina)

Sassoferrato Piazza Bartolo, 17

#### Senigallia

Via Marchetti, 70

Via R. Sanzio, 288 (Fraz. Cesano)

Serra de' Conti Piazza Leopardi, 2

#### Provincia di Ascoli Piceno

Ascoli Piceno Viale Indipendenza, 42

Acquasanta Terme Piazza Terme, 6

Castel di Lama Via Salaria, 356

San Benedetto del Tronto Piazza Matteotti, 6

Piazza Setti Carraro (Fraz. Porto d'Ascoli)

## Provincia di Fermo

#### Fermo

Contrada Campiglione, 20 Via Dante Zeppilli, 56

#### Falerone

Viale della Resistenza, 168 Y (Fraz. Piane)

Massa Fermana Via Ada Natali, 5

Montegranaro Via Fermana Nord

Monte Urano Via Papa Giovanni XXIII, 37

Contrada S. Antonio, 217 (Fraz. Valmir)

Porto S. Giorgio Via Tasso

Porto Sant'Elpidio Via Mazzini, 115

Sant'Elpidio a Mare Viale Roma. 1

Torre San Patrizio Via Mazzini, 19A

#### Provincia di Macerata

## Macerata

Viale Don Bosco

Corso Cavour, 34

Camerino Piazza Caio Mario, 5

Castelraimondo Piazza della Repubblica, s.n.c.

Civitanova Marche Corso Umberto I, 16

Corridonia Piazzale della Vittoria, 1

Loro Piceno Piazzale G. Leopardi, 8 Matelica Viale Martiri della Libertà, 31

Monte San Giusto Via Verdi, 11

Monte San Martino Via Roma, 32

Pollenza Via V. Cento, 6 (Casette Verdini)

#### Potenza Picena

Piazza Douhet, 23 (Fraz. Porto)

Via Marefoschi, 1

Recanati Via Cesare Battisti, 20

San Ginesio Piazza Gentili, 31 San Severino Marche Viale Europa

Sarnano Piazza della Libertà, 76

Tolentino Piazza dell'Unità

## Provincia di Pesaro - Urbino

#### Pesaro

Piazzale Garibaldi. 22

Via Antonio Fratti, 23

Urbino Viale Comandino

Acqualagna Via Flaminia, 79 Carpegna Via R. Sanzio, 12

Colbordolo Via Nazionale, 143 (Fraz. Morciola)

Fano Via dell'Abbazia, s.n.c.

Fossombrone Piazza Dante 24

Lunano Corso Roma, 79

Macerata Feltria Via Antini, 22

#### Montecopiolo

Via Montefeltresca, 37 (Fraz. Villagrande)

Sant'Angelo in Vado Piazza Mar del Plata, 6

## Sassofeltrio

Via Risorgimento, 9 (Frazione Fratte)

Urbania Via Roma, 24

#### **ABRUZZO**

#### Provincia di Chieti

Atessa Via Piazzano, 70 (Fraz. Piazzano)

Francavilla al Mare Via della Rinascita, 2

Guardiagrele Via Orientale, 17

Lanciano Viale Rimembranze, 16

Sant'Eusanio del Sangro Corso Margherita

#### San Giovanni Teatino

Via Aldo Moro, 8 (Fraz. Sambuceto)

San Salvo Strada Istonia, 13/15

Vasto Via Giulio Cesare. 5

#### Provincia di Pescara

#### Pescara

Via Michelangelo, 2

Via Nazionale Adriatica Nord, 126

Viale Marconi, 21

## Provincia di Teramo

Teramo Piazza Garibaldi, 143

Alba Adriatica Via Mazzini, 124

Giulianova Via Orsini, 28 (Fraz. Spiaggia)

Roseto degli Abruzzi Via Nazionale, 286

## **CAMPANIA**

#### Provincia di Avellino

Avellino Via Dante Alighieri, 20/24

Montoro Inferiore Via Nazionale, 161/167

## Provincia di Benevento

Benevento Piazza Risorgimento, 11/12

Buonalbergo Viale Resistenza, 3

San Giorgio la Molara Via S. Ignazio, 7/9

Telese Viale Minieri, 143

## Provincia di Caserta

## Caserta

Via C. Battisti, 42

Via Douhet, 2/a (c/o Scuola Aeron. Milit.)

Alvignano Corso Umberto I, 287

Aversa Via Salvo D'Acquisto

Caiazzo Via Attilio Apulo Caiatino, 23

#### Grazzanise

Via del Medico, 1 (c/o Aeronautica Militare)

#### Marcianise

Strada Provinciale 22 (Oromare)

Piedimonte Matese Via Cesare Battisti Pietramelara Piazza S. Rocco, 18

Pietravairano Via Padre Cipriani Caruso, s.n.c.

Pignataro Maggiore Via Trento

#### Santa Maria Capua Vetere

Via Pezzella Parco Valentino

Succivo Via De Nicola - angolo Via Tinto

Teano Viale Italia

#### Vairano Patenora

Via della Libertà, 10

(Fraz. Vairano Scalo)

Via delle Rimembranze, 56

Vitulazio Via Rimembranze, 37

#### Provincia di Napoli

## Napoli

Corso Amedeo di Savoia, 243

Via Mergellina, 33/34

Via dell'Epomeo, 427/431

Via Cesario Console, 3C

Via Crispi, 2 - ang. Piazza Amedeo

Piazza Vittoria, 7

Galleria Vanvitelli, 42

Via Santa Brigida, 36

Via Santo Strato, 20/d

Piazza Garibaldi, 127

Via Caravaggio, 52 Via Giovanni Manna. 11

Piazza Giovanni Bovio, 6

Afragola Corso Garibaldi, 38

Boscoreale Via Papa Giovanni XXIII, 16 Cardito Piazza S. Croce, 71

# Casalnuovo di Napoli

Via Arcora Provinciale, 60

Casamicciola Terme Piazza Marina 29

Cercola Via Domenico Ricciardi, 284/286

Forio d'Ischia Corso F. Regine, 24/25

Grumo Nevano Via Cirillo, 78

Ischia Porto Via A. de Luca, 113/115 Melito Via Roma, 33/43

Monte di Procida Corso Garibaldi, 20/22

Nola

Via Mario de Sena, 201 Piazza Giordano Bruno, 26/27

# Pozzuoli

Corso Vittorio Emanuele. 60

Via Domiziana

(c/o Accademia Aeronautica)

Qualiano Via S. Maria a Cubito, 146

Quarto Via Campana, 286 San Giuseppe Vesuviano Via Astalonga, 1

Sant'Antimo Via Cardinale Verde, 31 Torre del Greco Corso Vittorio Emanuele, 77/79

Volla Via Rossi, 94/100

# **EMILIA ROMAGNA**

## Provincia di Forlì - Cesena

Forlì Viale Vittorio Veneto, 7D/7E

Cesena Via Piave. 27

Cesenatico Viale Roma, 15

Forlimpopoli Viale Giacomo Matteotti, 37

## Provincia di Ravenna

Ravenna Piazza Baracca, 22

Cervia Via G. Di Vittorio, 39

Faenza Via Giuliano da Maiano, 34

#### Provincia di Rimini

#### Rimini

Via Flaminia, 175 Via Luigi Poletti, 28

Bellaria - Igea Marina Via Uso, 25/c

Cattolica Via Fiume, 37

Novafeltria Piazza Vittorio Emanuele, 1

Riccione Viale Ceccarini, 207

San Leo Via Montefeltro, 24

Sant'Agata Feltria

Via Vittorio Emanuele II, 1

Santarcangelo di Romagna Via Braschi, 36

#### **LAZIO**

#### Provincia di Frosinone

#### **Frosinone**

Via Maria, 63

Via Armando Fabi, 192 (c/o Aeronautica Mil.)

#### Provincia di Roma

#### Roma

Via Nazionale, 256 Viale Buozzi, 78

Via Croce, 10

Via Cipro, 4/a

Via Gasperina, 248

Via L. di Breme, 80

Via Prenestina Polense, 145

(Fraz. Castelverde)

Albano Laziale Via Marconi, 7

Fonte Nuova Via Nomentana, 68

#### Guidonia Montecelio

Piazza Colleverde (Fraz. Colleverde) Via Nazionale Tiburtina, 122 (Fraz. Villalba) Via Roma, 26

Marcellina Via Regina Elena, 35/c

Marino Piazzale degli Eroi, 4

Palombara Sabina Via Ungheria, 7

San Polo dei Cavalieri Via Roma, 12

Piazza S. Croce, 15 Via di Villa Adriana

## MOLISE

## Provincia di Campobasso

Campobasso Via Vittorio Veneto, 86 Bojano Corso Amatuzio, 86 Larino Via Jovine, 12 Termoli Via Abruzzi

## Provincia di Isernia

**Isernia** Via Dante Alighieri, 25 **Venafro** Via Campania, 69

## **UMBRIA**

## Provincia di Perugia

#### Perugia

Via Settevalli, 133

Via Deruta (Fraz. San Martino in Campo) Via P. Soriano, 3

(Fraz. Sant'Andrea delle Fratte)

## Bastia Umbra

Via Roma, 25 - angolo Via de Gasperi

Città di Castello Via Buozzi, 22

Deruta Via Tiberina, 184/186

Foligno Viale Arcamone

### Giano dell'Umbria

Via Roma, 63 (Fraz. Bastardo)

Magione Via della Palazzetta (loc. Bacanella)

Marsciano Via dei Partigiani, 12

Massa Martana Via Roma, 42

#### Montecastello di Vibio

Piazza Michelotta di Biordo, 10

#### Todi

Piazza del Popolo, 27

Via Tiberina, 64

Via Tiberina, 194 (Fraz. Pantalla)

#### Provincia di Terni

Terni Corso del Popolo, 13

Acquasparta Via Cesare Battisti, 5/d

#### Avigliano Umbro

Corso Roma - ang. Via S. Maria



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#### **CALABRIA**

#### Provincia di Cosenza

#### Cosenza

Via Caloprese

Via XXIV Maggio, 45

Corso Mazzini, 117

Via F. Migliori (c/o Ospedale)

Via degli Stadi, 57/d2

Corso Telesio, 1

Acri Via Padula, 95

Amantea Via Elisabetta Noto, 1/3

Aprigliano Via Calvelli, 5

Belvedere Marittimo - Marina Via G. Grossi, 71

Bisignano Via Simone da Bisignano

Cariati Via S. Giovanni, 6

Cassano allo Jonio Corso Garibaldi, 30

Castrovillari Corso Garibaldi, 79/83

Cetraro - Marina Via Lucibello, 10/14

Corigliano Calabro - Scalo

Via Nazionale, 101/103

Corigliano Calabro Via Barnaba Abenante, 7

Crosia Via Nazionale, 74/80 (Fraz. Mirto)

Diamante Via Vittorio Emanuele, 77

Fuscaldo Via Maggiore Vaccari, 14

Lago Via P. Mazzotti, 10/12/14

Lungro Via Skanderberg, 86

#### Montalto Uffugo

Corso Garibaldi, 25

Via Manzoni, 57 (Fraz. Taverna)

Morano Calabro Via Porto Alegre, 10

Mormanno Via San Biase, 1

Paola Via del Cannone, 34

Praia a Mare Via Telesio, 2

#### Rende

Via A. Volta, 15 (Fraz. Quattromiglia)

Viale Kennedy, 59/e (Fraz. Roges)

Roggiano Gravina Via Vittorio Emanuele II, 136

Rogliano Via Guarasci, 31

Rossano Via G. Rizzo, 14

Rossano - Scalo Via Nazionale, 9/15

San Demetrio Corone Via D. Alighieri, 10

San Giovanni in Fiore Via Gramsci

San Lucido Via Regina Elena, 64/72

Scalea Via M. Bianchi, 2

Spezzano Albanese P.zza della Repubblica, 5/1

## Spezzano della Sila

Via Roma

Via del Turismo, 77 (Fraz. Camigliatello Silano)

Torano Castello Strada Provinciale Variante, 4

Trebisacce Via Lutri, 146

#### Provincia di Catanzaro

#### Catanzaro

Piazza Indipendenza, 44

Corso Mazzini, 177/179

Via Nazario Sauro, 17 (Fraz. Lido)

Via A. Lombardi - Area Metroquadro

Chiaravalle Centrale Piazza Dante, 8

Girifalco Via Milano

#### Lamezia Terme

Corso Nicotera, 135

Via del Mare

Sersale Via A. Greco

Soverato Corso Umberto I, 167/169

Soveria Mannelli Piazza dei Mille, 2

Tiriolo Via Fratelli Bandiera

#### Provincia di Crotone

Crotone Via Mario Nicoletta, 32

Cirò Marina Via Mazzini, 17/19

Cotronei Via Laghi Silani, 40

Petilia Policastro Via Arringa, 178 Strongoli Corso Biagio Miraglia, 115

# Provincia di Reggio Calabria

## Reggio Calabria

Corso Garibaldi, 144

Viale Calabria, 197/199

Via Argine Destro Annunziata, 81

## Bagnara Calabra

Corso Vittorio Emanuele II, 167

Bianco Via Vittoria, 52

Bova Marina Via Maggiore Pugliatti, 2

Cinquefrondi Via Roma. 24

Cittanova Via Roma, 44

Gioia Tauro Via Roma, 52 - ang. Via Duomo

**Laureana di Borrello** Via IV Novembre, 9 **Locri** Via Garibaldi, 71

## Marina di Gioiosa Ionica Via Carlo Maria, 12/14 Melito di Porto Salvo Via Papa Giovanni XXIII

Monasterace Marina
Via Nazionale Jonica, 113/114

Palmi Via Roma, 44

Polistena Piazza Bellavista, 1

Rizziconi Via Capitolo, 13

Roccella Jonica Via XXV Aprile, 16

Rosarno Corso Garibaldi. 28

#### Sant'Eufemia d'Aspromonte

Via Maggiore Cutrì, 10/a

Siderno C.so Garibaldi (Fraz. Marina)

Taurianova Piazza Garibaldi, 17

Villa S. Giovanni Viale italia, 30

## Provincia di Vibo Valentia

## Vibo Valentia

Viale Matteotti 23/25

Via Emilia, 8 (Fraz. Vibo Marina)

Arena Piazza Generale Pagano, 1

Mileto Via Cattolica, 50/b-c
Nicotera Via Luigi Razza, 1
Pizzo Calabro Via Nazionale
Serra San Bruno Via de Gasperi, 52
Soriano Calabro Via Giardinieri
Tropea Viale Stazione

#### **BASILICATA**

#### Provincia di Matera

#### Matera

Via del Corso, 66 Via Annunziatella, 64/68 Bernalda Corso Umberto, 260 Ferrandina Via Mazzini, 20 Montalbano Jonico Piazza Vittoria, 3

**Montescaglioso** Via Indipendenza, 83 **Pisticci** Via M. Pagano, 25

Policoro Via G. Fortunato, 2 Tursi Via Eraclea, 2

#### Provincia di Potenza

#### Potenza

Via Alianelli, 2 Via Angilla Vecchia, 5 Via Dante, 16/20 Via del Gallitello

Brienza Viale della Stazione, 102

#### Genzano di Lucania

Corso Vittorio Emanuele, 180/184

**Lagonegro** Via Colombo, 25 **Lauria** Piazza Plebiscito, 72

#### Marsicovetere

Via Nazionale, 53 (Fraz. Villa d'Agri)

Melfi Piazza Mancini Abele

Palazzo San Gervasio Via Isonzo, 14

Rionero in Vulture Via Galliano

Rotonda Via dei Rotondesi in Argentina, s.n.c.

San Fele Via Costa, 12

Sant'Arcangelo Viale Isabella Morra, 48

Senise Via Amendola, 33/39

**Tito Scalo** P.zza Nassirya Rione Mancusi, 20

Venosa Via Fortunato, 66 - angolo Via Melfi

## CAMPANIA

#### Provincia di Salerno

## Salerno

Via S. Margherita, 36 Viale Kennedy, 11/13

Via G. Cuomo 29

Via Settimio Mobilio, 26

Agropoli Via Risorgimento - ang. Via Bruno

Amalfi Via Fra' Gerardo Sasso, 10/12

Angri Via Papa Giovanni XXIII, 48

Baronissi Corso Garibaldi, 197

Battipaglia Via Salvator Rosa, 98

## Campagna

Via Quadrivio Basso (Fraz. Quadrivio)

Castel San Giorgio Via Guerrasio, 42

Cava dei Tirreni Piazza Duomo, 2

**Eboli** Via Amendola. 86

Marina di Camerota Via Bolivar, 54

Mercato San Severino

Corso Armando Diaz, 130

Minori Via Vittorio Emanuele, 9

Nocera Inferiore Via Barbarulo, 41

Pontecagnano Piazza Risorgimento, 14

Roccapiemonte Piazza Zanardelli, 1

San Cipriano Picentino

Via S. Giovanni, 10 (Fraz. Filetta)

Sant'Egidio del Monte Albino

Via SS. Martiri, 13 (Fraz. San Lorenzo)

Teggiano Via Prov. del Corticato (Fraz. Pantano)

Vallo della Lucania Via G. Murat

#### **PUGLIA**

#### Provincia di Bari

#### Bari

Piazza Umberto I, 85 (Fraz. Carbonara) Via Napoli, 53/55 (Fraz. Santo Spirito)

Via Bari, 27/c (Fraz. Torre a Mare)

Via Toma, 12

Viale Pio XII, 46-46/a

Viale de Blasio, 18

Via Pescara, 16

Via Melo, 151

Corso Mazzini, 138/b

Via Tridente, 40/42

Via Calefati, 112

Piazza Cesare Battisti,1 (c/o Università)

Acquaviva delle Fonti Piazza Garibaldi, 49/52

Adelfia Via G. Marconi, 11/a

Altamura Via Maggio 1648, 22/b-22/c

Bitetto Piazza Armando Diaz, 38

Bitonto Piazza della Noce, 14

Bitritto Piazza Aldo Moro, 35

Capurso Via Torricelli, 23/25

Casamassima Corso Umberto I, 48

Castellana Grotte Piazza della Repubblica, 2

Conversano

Via Padre Michele Accolti Gil 29/a

Corato V.le V. Veneto 160/166

- ang. Via Lega Lombarda

Gioia del Colle Corso Garibaldi, 55

Giovinazzo Via G. Gentile, 1

Gravina in Puglia

Corso Vittorio Emanuele, 30/c

**Grumo Appula** Via G. d'Erasmo, 12

Modugno Piazza Garibaldi, 109

Mola di Bari Piazza degli Eroi, 31

Molfetta Via Tenente Fiorini, 9

**Monopoli** Via Marsala, 2 **Noci** Largo Garibaldi, 51

Noicattaro Corso Roma, 8/10/12

Polignano a Mare Piazza Aldo Moro, 1

Putignano Via Tripoli, 98

Rutigliano Piazza XX Settembre, 8

Ruvo di Puglia Via Monsignor Bruni, 14

Sannicandro di Bari Piazza IV Novembre, 15

Santeramo in Colle Via S. Lucia, 78

Terlizzi Via Gorizia, 86/d

Toritto Piazza Aldo Moro, 48

Triggiano Via Carroccio, 5

Turi Via A. Orlandi, 15

Valenzano Via Aldo Moro

#### Provincia di Barletta-Andria-Trani

#### Andria

Piazza Marconi, 6/10 Via Barletta, 137/139

#### Barletta

Piazza Caduti, 21

Largo delle Palme, 8

**Trani** Corso Italia, 17/b

**Bisceglie** Via Aldo Moro, 5 **Canosa di Puglia** Via Imbriani, 30/34

Margherita di Savoia Corso V. Emanuele, 23

San Ferdinando di Puglia

Via Papa Giovanni XXIII, 44

#### Provincia di Brindisi

Brindisi Corso Roma, 39

Cisternino Via Roma, 57

Erchie Via Grassi, 19

Fasano Via Forcella, 66

Francavilla Fontana Via Roma, 24

Latiano Via Ercole d'Ippolito, 25

Mesagne Via Torre S. Susanna, 1

Oria Via Mario Pagano, 151

Ostuni Via L. Tamborrino, 2

San Vito dei Normanni Piazza Vittoria, 13

Torre Santa Susanna Via Roma, 38

## Provincia di Foggia

## Foggia

Viale Ofanto, 198/c

Via Salvatore Tugini, 70/74

Cerignola Via Di Vittorio, 83

Ischitella Corso Umberto I, 111/113

Lucera Via IV Novembre, 77

Manfredonia Corso Roma, 22/24

San Giovanni Rotondo Piazza Europa

San Severo Via Carso, 10

Sant'Agata di Puglia Via XXIV Maggio,119/121

Stornarella Corso Garibaldi, 22

Troia Via Vittorio Emanuele, 1

Vico del Gargano Via S. Filippo Neri, 10

# Provincia di Lecce

Lecce Viale Lo Re. 48

Campi Salentina Via Garibaldi, 6/8

Casarano Via F. Bottazzi - ang. Via Alto Adige

Galatina Via Roma, 26

Maglie Piazza O. de Donno

Nardò Via Duca degli Abruzzi, 58

Squinzano Via Nuova, 25

Trepuzzi Corso Umberto I, 114

**Tricase** Via G. Toma, 30 **Veglie** Via Parco Rimembranze, 30

# Provincia di Taranto

# Taranto

Corso Umberto I, 71

Corso Italia, 202

Castellaneta Piazza Municipio, 7

**Fragagnano** Via Garibaldi, 14 **Ginosa** Corso Vittorio Emanuele, 92

Grottaglie Via Matteotti, 72/78

Laterza Piazzale Saragat, 11

Lizzano Via Dante, 78

Manduria Via per Maruggio, 9
Martina Franca Via D'Annunzio, 34

Massafra Corso Italia, 27/29

Palagianello Via Carducci, 11

San Giorgio Jonico Via Cadorna, 11

Sava Corso Umberto, 110



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#### **LOMBARDIA**

#### Provincia di Brescia

#### Brescia

Via Duca degli Abruzzi, 175 Viale Bornata, 2

Angolo Terme Piazza degli Alpini, 4

Artogne Via Geroni, 12

Berzo Demo Via San Zenone, 9

Berzo inferiore Piazza Umberto I, 35/a

Bienno Piazza Liberazione, 2

Borno Piazza Giovanni Paolo II, 13

Breno Piazza della Repubblica, 1/2

Capo di Ponte Viale Stazione, 16

Cazzago S.M. Via del Gallo, 2 (Fraz. Bornato)

Cedegolo Via Roma, 26/28

Ceto Loc. Badetto, 23

Cevo Via Roma, 44

Cividate Camuno Via Cortiglione

Coccaglio Largo Torre Romana, 4

Corte Franca Via Roma, 78

Corteno Golgi Via Roma, 1

#### **Darfo Boario Terme**

Via Roma, 12

Viale della Repubblica, 2

Corso Lepetit, 77 (Fraz. Fraz. Corna)

Edolo Via Porro, 51

Esine Piazza Giuseppe Garibaldi, 4/6

Gianico Via XXV Aprile, 7/9

Malegno Via Lanico, 36

Malonno Via G. Ferraglio, 4

Marone Via Cristini, 49

Niardo Piazza Cappellini, 3

Ome Piazza Aldo Moro, 7

Palazzolo sull'Oglio Via XXV Aprile, 23 Piancogno

Via Vittorio Veneto, 7 (Fraz. Cogno)

Via XI Febbraio, 1 (Fraz. Pianborno) **Pian Camuno** Piazza Giuseppe Verdi, 8

Pisogne Via Provinciale, 6 (Fraz. Gratacasolo)

Ponte di Legno Via Cima Cadi, 5/7/9

#### Provaglio d'Iseo

Via Roma, 12

Via S. Filastro, 18 (Fraz. Provezze)

Rodengo Saiano Via Guglielmo Marconi, 11/b

Rovato Corso Bonomelli, 13/17

Sonico Via Nazionale (c/o c.c. Italmark)

Temù Via Roma, 71/73

Torbole Casaglia Piazza Repubblica, 25/26

Travagliato Via Brescia, 44

Vezza d'Oglio Via Nazionale, 65

## Provincia di Bergamo

Ardesio Piazza Alessandro Volta, 8/9

Casazza Piazza della Pieve, 1

Castione della Presolana

P.zza Martiri di Cafalonia, 1

Clusone Viale Gusmini, 47

Clusone viale dusinini, 47

Costa Volpino Via Cesare Battisti, 34

Lovere Via Gregorini, 43

Rogno Piazza Druso, 1

Sarnico Via Roma, 68

Sovere Via Roma, 20

Villongo Via J. F. Kennedy, 5

#### Provincia di Como

Dongo Via Statale, 77

Menaggio Via Lusardi, 74/76

#### Provincia di Sondrio

Sondrio Via Trento, 50 - ang. Via Alessi

Aprica Corso Roma, 238

Bormio Via Don Peccedi, 11

Chiavenna Via Maloggia, 1

Grosio Via Roma, 1

Livigno Via Botarel, 35

Morbegno Piazza Caduti per la Libertà, 9

Piantedo Via Nazionale, 875

Tirano P.zza Marinoni, 4

Villa di Tirano Via Roma, 20

# **UBI** Sanca Private Investment

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#### **ABRUZZO**

L'Aquila Via F. Savini

Pescara Piazza Rinascita, 6/9

#### CAMPANIA

Napoli Via Santa Brigida, 63

Pomigliano d'Arco Via Roma, 31

Caserta Corso Trieste, 170

Salerno Via SS. Martiri Salernitani, 25

#### **LIGURIA**

Genova Via XX Settembre, 33

## LAZIO

## Roma

P.zza Giuliano della Rovere, 9-11/a

(Fraz. Lido di Ostia)

Via Vincenzo Bellini, 27

#### **LOMBARDIA**

#### Milano

Piazzale F.lli Zavattari, 12

Via Silvio Pellico, 10/12

Brescia Via Cefalonia, 74

Cremona Via Rialto, 20

Monza Via Girolamo Borgazzi, 7

## **PIEMONTE**

Torino Corso Re Umberto I, 47

## **PUGLIA**

Bari Via Nicolò dell'Arca, 9-9a

## **TOSCANA**

Firenze Viale G. Matteotti, 42 Arezzo Via XXV Aprile, 28-28/a Grosseto Via Giacomo Matteotti, 32 Livorno Via Scali d'Azeglio, 46/50

- ang. Via Cadorna **Pisa** Via G.B. Niccolini, 8/10



#### www.iwbank.it

## Milano

Corso Europa, 20 Via Cavriana, 20



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## LUSSEMBURGO

37/a, Avenue J.F. Kennedy, L.

### **GERMANIA**

Monaco Prannerstrasse. 11

#### **SPAGNA**

## Madrid

Torre Espacio - Planta 45 Paseo de la Castellana, 259

# Calendar of corporate events of UBI Banca for 2014

Date	Event
11 <sup>th</sup> November 2014	Approval of the interim financial report as at and for the period ended 30 <sup>th</sup> September 2014 by the Management Board

The date for the presentation of accounting figures to the financial community will be announced in due course.

# **Contacts**

All information on periodic financial reporting is available on the website www.ubibanca.it

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