Interim financial report

as at and for the period ended 31st March 2014

UBI Banca
UNIONE DI BANCHE ITALIANE

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 as at 31st March 2014: Euro 2,254,371,430 fully paid up

www.ubibanca.it

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The following abbreviations are used in the tables:
- dash (-): when the item does not exist;
- not significant (n.s.): when the information 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).

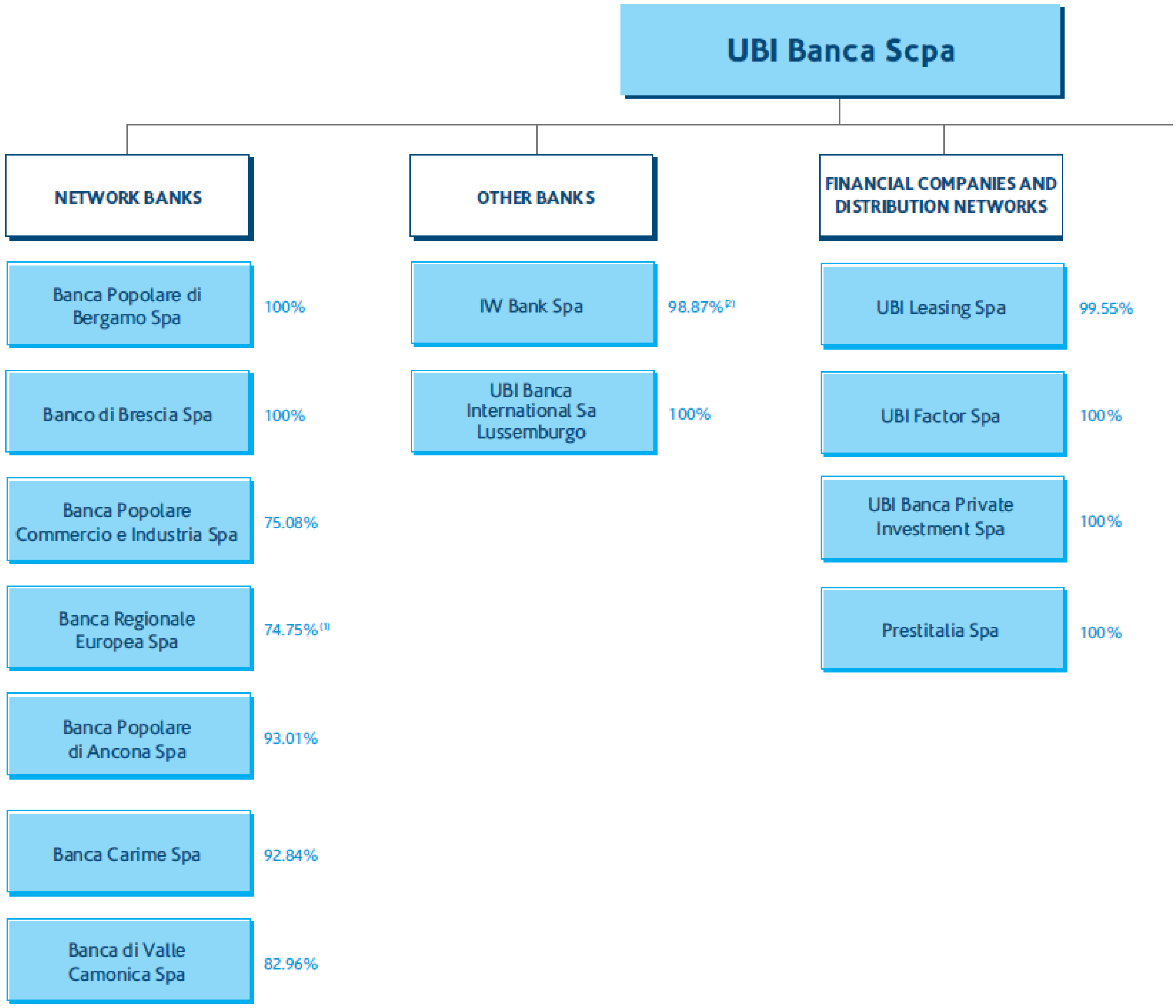
All figures are given in thousands of euros, unless otherwise stated.

UBI Banca: company officers

Honorary Chairman	Giuseppe Vigorelli
Supervisory Board (appointed by the Shareholders' Meeting of 20th April 2013)	
Chairman	Andrea Moltrasio
Senior Deputy Chairman	Mario Cera
Deputy Chairman	Alberto Folonari
Deputy Chairman	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(*)
	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	Franco Polotti
Deputy Chairman	Giorgio Frigeri
Chief Executive Officer	Victor Massiah
	Silvia Fidanza
	Luciana Gattinoni
	Francesco Iorio
	Italo Lucchini
	Flavio Pizzini
	Elvio Sonnino
General Management	
General Manager	Francesco Iorio
Senior Deputy General Manager	Elvio Sonnino
Deputy General Manager	Rossella Leidi
Deputy General Manager	Ettore Medda
Deputy General Manager	Pierangelo Rigamonti
Senior Officer Responsible in accordance with Art. 154 *bis* of the Consolidated Finance Act	Elisabetta Stegher
Independent auditors	DELOITTE & TOUCHE Spa

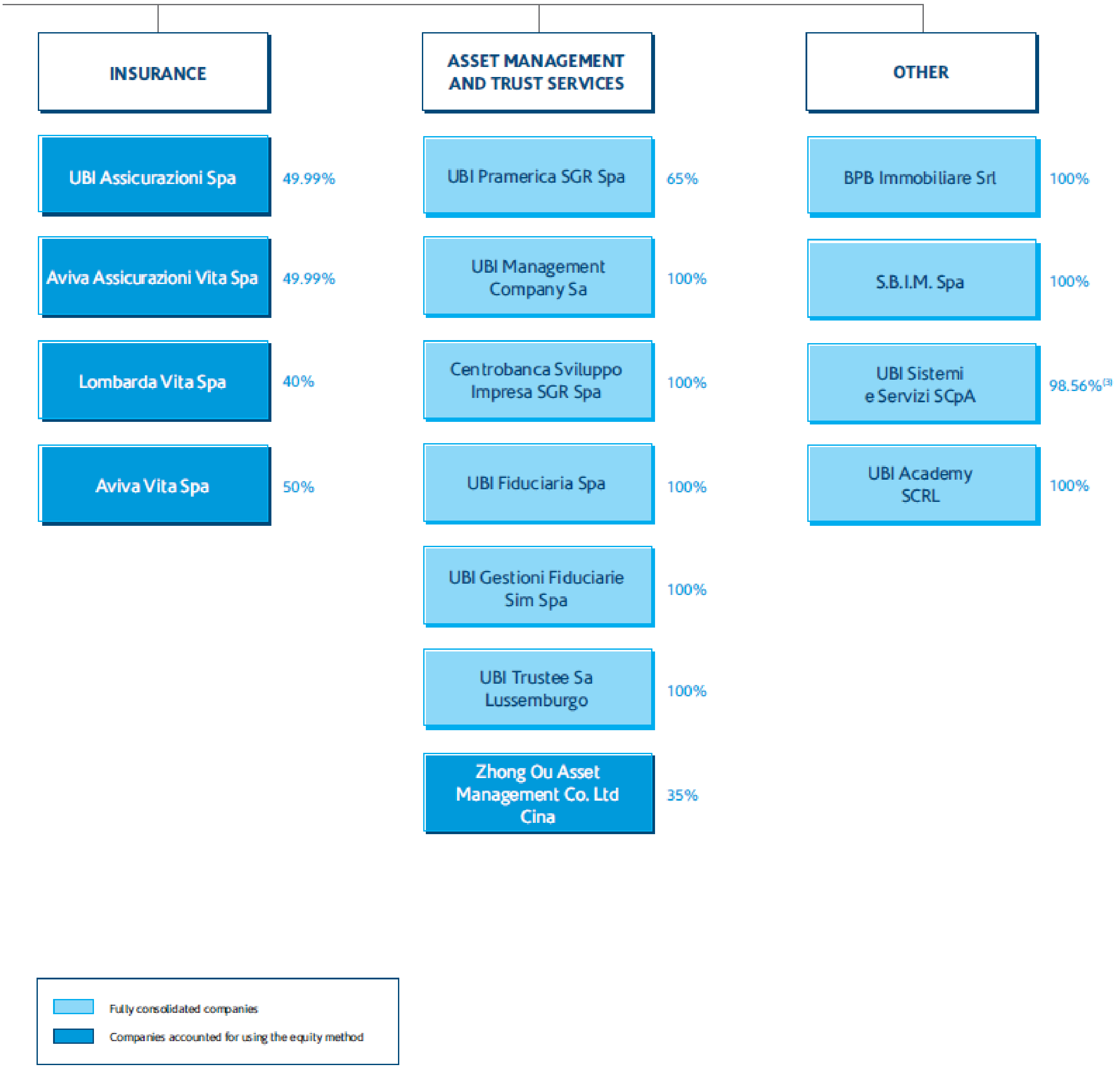
(*) Secretary to the Supervisory Board

UBI Banca Group: the main investments as at 31st March 2014

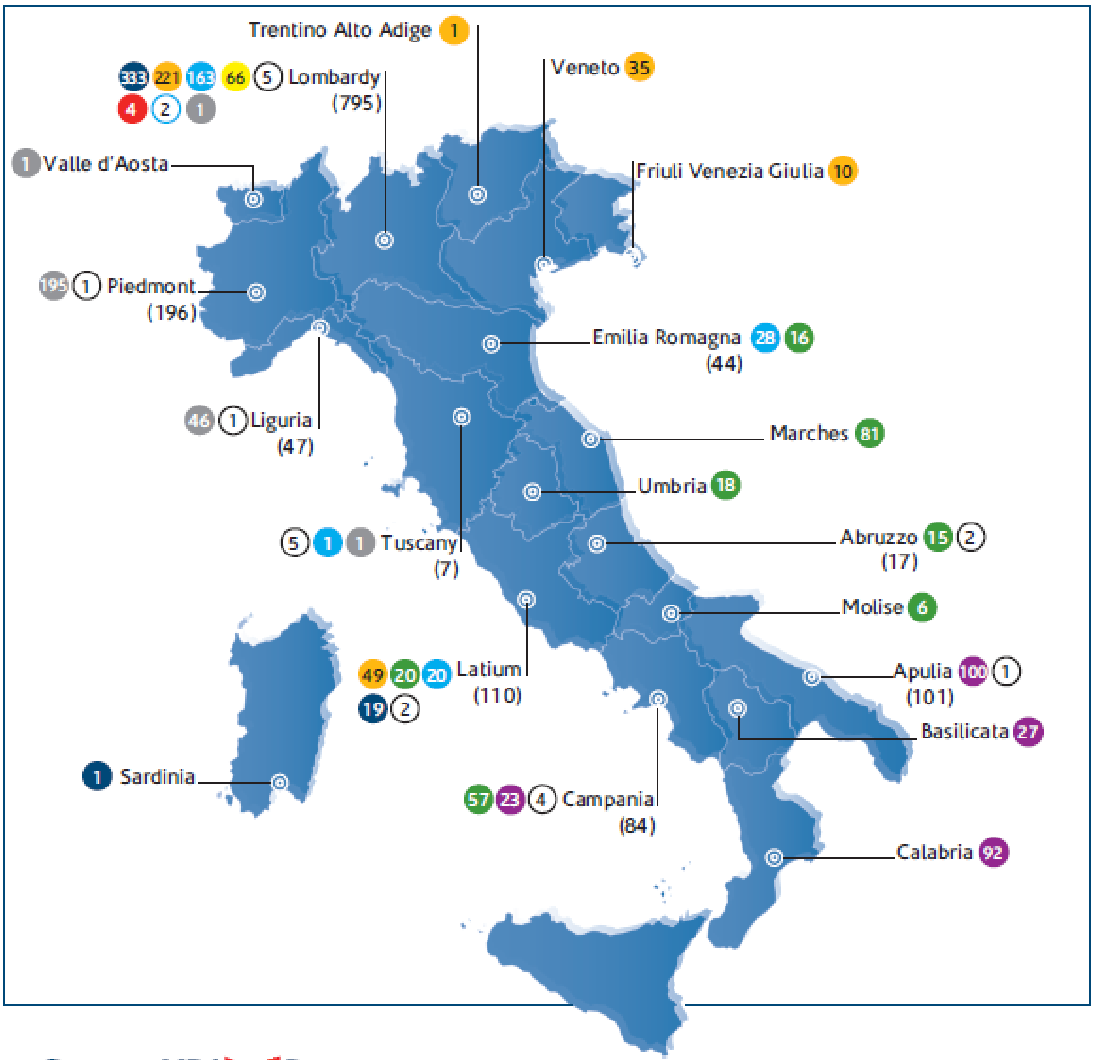


(1) The percentage given represents the control over the total share capital held.
(2) The percentage does not include treasury shares held in portfolio by IW Bank.
(3) The remaining 1.44% is held by UBI Assicurazioni Spa.

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


INSURANCE
UBI Assicurazioni Spa
49.99%
Aviva Assicurazioni Vita Spa
49.99%
Lombarda Vita Spa
40%
Aviva Vita Spa
50%
ASSET MANAGEMENT AND TRUST SERVICES
UBI Pramerica SGR Spa
65%
UBI Management Company Sa
100%
Centrobanca Sviluppo Impresa SGR Spa
100%
UBI Fiduciaria Spa
100%
UBI Gestioni Fiduciarie Sim Spa
100%
UBI Trustee Sa Lussemburgo
100%
Zhong Ou Asset Management Co. Ltd Cina
35%
OTHER
BPB Immobiliare Srl
100%
S.B.I.M. Spa
100%
UBI Sistemi e Servizi SCpA
98.56%(3)
UBI Academy SCRL
100%
Fully consolidated companies
Companies accounted for using the equity method

UBI Banca Group: branch network



Gruppo UBI Banca

Branches in Italy	1,673
UBI Banca Scpa	4
Banca Popolare di Bergamo Spa	353
Banco di Brescia Spa	316
Banca Popolare Commercio e Industria Spa	212
Banca Regionale Europea Spa	244
Banca Popolare di Ancona Spa	213
Banca Carime Spa	242
Banca di Valle Camonica Spa	66
UBI Banca Private Investment Spa	21
IW Bank Spa	2

Branches abroad **6**

Banca Regionale Europea Spa
Nizza, Mentone, Antibes (France)

UBI Banca International Sa (Luxembourg)
Luxembourg, Munich (Germany), Madrid (Spain)

International presences

UBI Factor Spa
Krakow (Poland)

UBI Management Co. Sa
Luxembourg

Zhong Ou Asset Management Co. Ltd
Shanghai (China)

UBI Trustee Sa
Luxembourg

Representative offices
São Paolo (Brazil), Moscow, Mumbai, Hong Kong, Shanghai.

Updated as at May 2014.

UBI Banca Group:
key figures and performance indicators[1]

	31.3.2014	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	70.2%	71.2%	70.1%	76.8%	78.0%	80.1%	79.0%
Direct funding from customers/total liabilities	73.3%	74.5%	74.6%	79.2%	81.8%	79.5%	80.0%
Net loans and advances to customers/direct funding from customers	95.9%	95.5%	94.0%	97.0%	95.4%	100.8%	98.7%
Equity *(including profit/loss for the period)* /total liabilities	8.6%	8.3%	7.4%	6.9%	8.4%	9.3%	9.1%
Assets under management/indirect funding from private individual customers	54.2%	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)*	14.1	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	2.2%	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)]*	3.0%	3.4%	1.2%	5.9%	3.1%	4.6%	1.2%
ROA *(profit/total assets)* annualised	0.19%	0.20%	0.06%	0.27%	0.13%	0.22%	0.06%
The cost:income ratio *(operating expenses/operating income)*	61.1%	62.3%	64.3%	69.5%	70.6%	64.4%	63.9%
Staff costs/operating income	38.2%	37.9%	39.0%	41.4%	41.5%	37.5%	38.8%
Net impairment losses on loans/net loans to customers *(loans losses* annualised)	0.91%	1.07%	0.91%	0.61%	0.69%	0.88%	0.59%
Net interest income/operating income	53.3%	50.9%	52.8%	61.7%	61.3%	61.5%	68.7%
Net fee and commission income/operating income	35.2%	34.5%	33.5%	34.7%	33.9%	31.1%	33.3%
Net result on financial activities/operating income	7.3%	9.4%	7.3%	0.2%	1.0%	3.2%	-5.9%
RISK INDICATORS							
Net non-performing loans/net loans to customers	4.07%	3.89%	3.18%	2.49%	1.91%	1.36%	0.88%
Net impairment losses on non-performing loans/gross non-performing loans *(coverage for non-performing loans)*	41.02%	41.60%	42.60%	43.31%	48.69%	51.57%	54.58%
Coverage for non-performing loans, gross of write-offs of positions subject to bankruptcy proceedings and the relative impairment losses	55.80%	56.05%	57.63%	59.06%	63.62%	66.10%	
Net non-performing + net impaired loans/net loans to customers	8.96%	8.77%	7.06%	5.03%	3.91%	3.24%	2.08%
Net impairment losses on non-performing and impaired loans/gross non-performing loans+impaired loans *(coverage)*	29.67%	29.33%	29.26%	30.55%	34.89%	35.93%	38.22%
CAPITAL RATIOS Basel 3 from 31 3 2014[2]							
Tier one ratio *(tier one capital after filters and deductions/risk weighted assets)*	12.23%	13.23%	10.79%	9.09%	7.47%	7.96%	7.73%
Common equity tier one ratio *(common equity tier one capital after filters and deductions/risk weighted assets)*	12.23%	12.60%	10.29%	8.56%	6.95%	7.43%	7.09%
Total capital ratio *(total own funds/risk weighted assets)*	17.72%	18.91%	16.01%	13.50%	11.17%	11.91%	11.08%
Total own funds (figures in thousands of euro)	10,896,402	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	7,522,507	8,075,247	8,263,720	8,276,278	7,047,888	6,816,876	6,944,723
Risk weighted assets	61,504,050	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** (number)							
Profit (loss) for the year/period attributable to the shareholders of the Parent	58,135	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	59,025	100,220	97,324	111,562	105,116	173,380	425,327
Operating income	853,425	3,437,292	3,526,311	3,438,339	3,496,061	3,906,247	4,089,739
Operating expenses	(521,243)	(2,141,798)	(2,266,660)	(2,389,626)	(2,468,564)	(2,514,347)	(2,611,348)
Net loans and advances to customers	87,094,749	88,421,467	92,887,969	99,689,770	101,814,829	98,007,252	96,368,452
of which: net non-performing loans	*3,547,523*	*3,437,125*	*2,951,939*	*2,481,417*	*1,939,916*	*1,332,576*	*848,671*
net impaired loans	*4,253,837*	*4,313,981*	*3,602,542*	*2,533,780*	*2,032,914*	*1,845,073*	*1,160,191*
Direct funding from customers	90,844,201	92,603,936	98,817,560	102,808,654	106,760,045	97,214,405	97,591,237
Indirect funding from customers	73,391,738	71,651,786	70,164,384	72,067,569	78,078,869	78,791,834	74,288,053
of which: assets under management	*39,795,632*	*39,553,848*	*38,106,037*	*36,892,042*	*42,629,553*	*41,924,931*	*39,430,745*
Total funding from customers	164,235,939	164,255,722	168,981,944	174,876,223	184,838,914	176,006,239	171,879,290
Equity attributable to the shareholders of the Parent *(including profit (loss) for the period/year)*	10,667,482	10,339,392	9,737,882	8,939,023	10,979,019	11,411,248	11,140,207
Intangible assets	2,903,371	2,918,509	2,964,882	2,987,669	5,475,385	5,523,401	5,531,633
Total assets	123,983,262	124,241,837	132,433,702	129,803,692	130,558,569	122,313,223	121,955,685
Branches in Italy	1,724	1,725	1,727	1,875	1,892	1,955	1,944
Total staff at the end of the period *(actual employees in service + workers on agency leasing contracts)*	18,379	18,338	19,090	19,407	19,699	20,285	20,680
Average total staff [3] *(actual employees in service + workers on agency leasing contracts)*	17,558	17,625	18,490	18,828	19,384	20,185	20,606
Financial advisors	677	671	672	713	786	880	924

1 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 given in the pages that follow.
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.

2 The ratios as at 31st March 2014 were calculated according to the Basel 3 rules which came into force on the 1st January 2014 (EU Regulation 575/2013).
The figures as at 31st December 2013 and as at 31st December 2012 were calculated according to AIRB Basel 2 rules and relate to the following ratios respectively: the tier one ratio *(tier one capital/ risk weighted assets)*; 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).
For previous periods the figures were calculated according to the Basel 2 standard rules.

3 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 14th of February 2014, **Moody's** upgraded its outlook for Italy from negative to stable, in consideration of the government's financial strength and the sustainability of its debt, in a context of historically low interest rates.
The agency stated that the action had no direct impact on ratings for Italian banks (with an exception made for seven banks), nor even on the negative outlooks currently assigned to the Italian banking sector as a whole and on the intrinsic strengths of most banks in the country.

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
Lower Tier 2 subordinated	Ba2
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.

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-
Subordinated debt (Lower Tier 2)	BB+
French Certificats de Dépôt Programme	A-3

(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)

(ii) 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 27th 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 over the next one or two years as the new regulatory framework for the resolution of banking crises is established. Nevertheless, the agency itself states 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.

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+
Lower Tier 2 subordinated	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+

(1) 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.

The UBI Banca share

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	31.3.2014 A	30.12.2013 B	%change A/B	30.9.2013 C	28.6.2013 D	28.3.2013 E	%change A/E	2.4.2007 F	%change A/F
Unione di Banche Italiane shares									
- official price	6.774	4.924	37.6%	3.748	2.814	2.880	135.2%	21.486	-68.5%
- reference price	6.840	4.936	38.6%	3.738	2.782	2.874	138.0%	21.427	-68.1%
FTSE Italia All-Share index	23,143	20,204	14.5%	18,480	16,250	16,389	41.2%	42,731	-45.8%
FTSE Italia Banks index	16,611	12,553	32.3%	10,747	8,539	8,338	99.2%	54,495	-69.5%

Source Datastream

The signs of recovery seen on equity markets in the second half of 2013 consolidated further during the first quarter of 2014.
Financial markets benefited from renewed interest on the part of investors. The formation of a new government in February helped create positive expectations of the country's ability to undertake important structural reforms, which had an immediate impact on the BTP-Bund spread which fell to 173 basis points at the end of March from 215 at the end of 2013.

The performance of the main stock market indices was therefore positive compared to December. The FTSE Italia All-Share index rose by 14.5%, driven by the FTSE Italia Banks index which increased by 32.3%.

In this context the UBI Banca share price increased by 38% to €6.8 and that is to the same levels recorded at the end of March 2011. The year-on-year increase was greater than 130%.

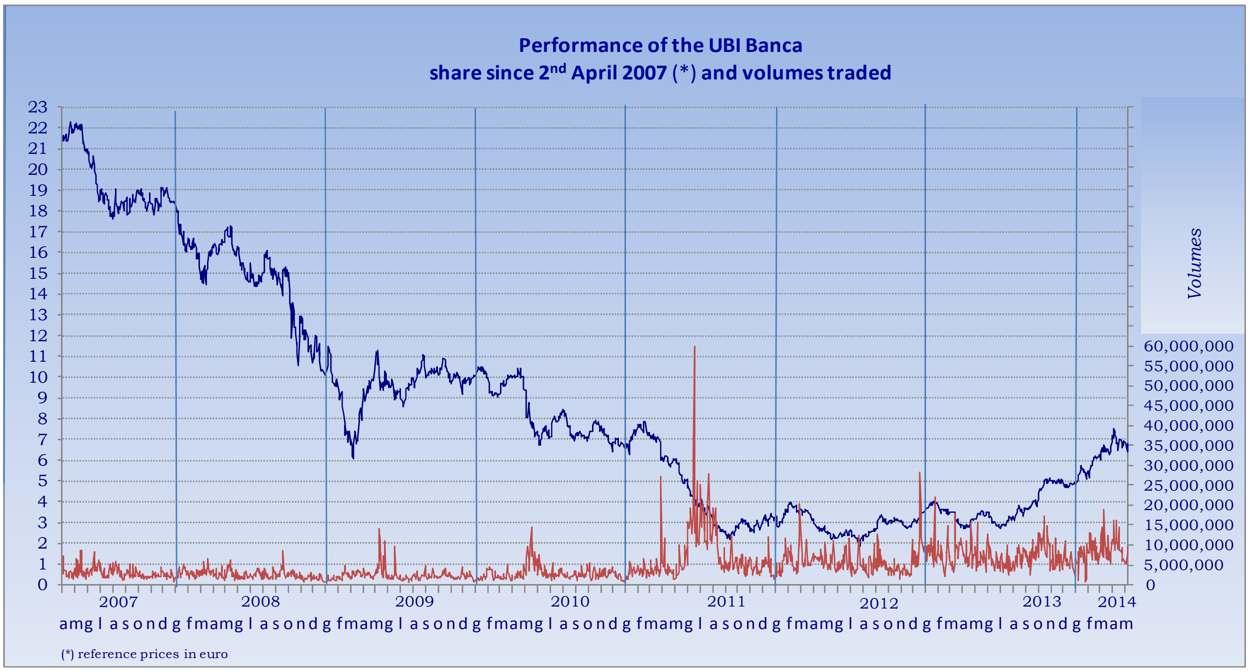
In the period January-March of 2014, trading in the UBI Banca share involved over 500 million shares for a value of €3.2 billion (approximately 500 million shares were traded for a value of €1.8 billion in the same period of 2013).

Benefiting from the positive performance described above, the stock market capitalisation (calculated on the official price) rose to €6.1 billion compared to €4.4 billion at the end of 2013, which positioned UBI Banca in third place[1] among listed Italian commercial banking groups and in first place among "popular" banks.

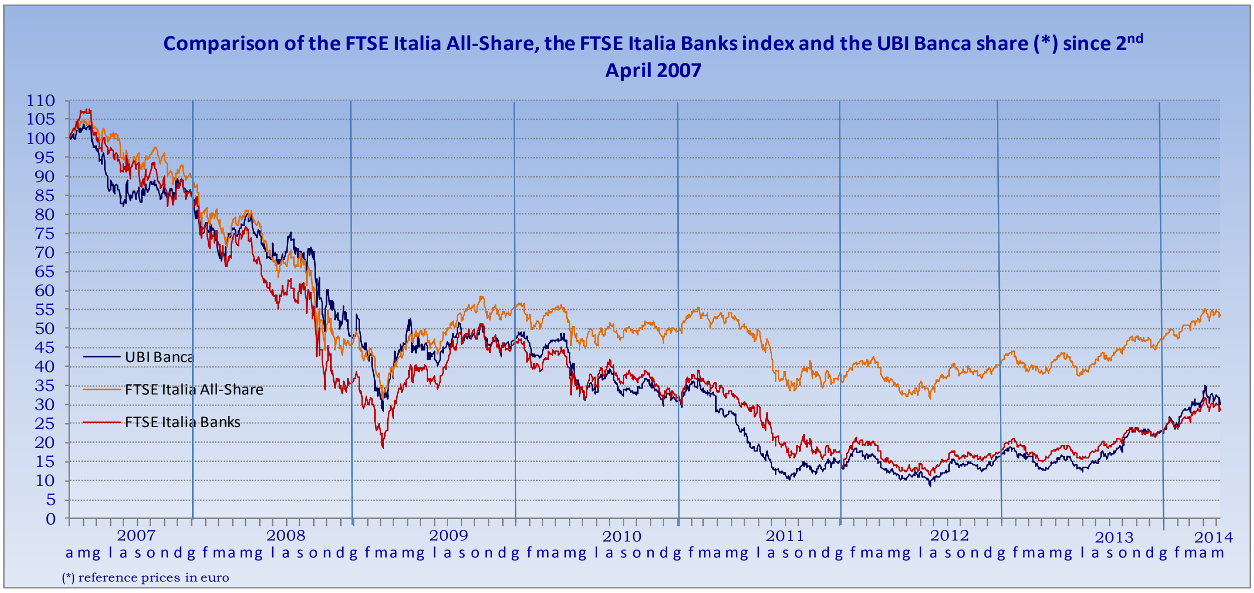
At European level, the UBI Group was again among the first 45 institutions on the basis of the classification drawn up by the Italian Banking Association in its European Banking Report[2], which considers the countries of the European Monetary Union plus Switzerland.

In the weeks following the end of the quarter, while it reflected fluctuations connected with developments in the Ukraine crisis, the UBI Banca share nevertheless settled at above €6.4.

1 The Group is positioned in the fourth place if all listed banking groups are considered.
2 EBR International Flash, March 2014.



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



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

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

The UBI Banca share and the main stock market indicators

	1st Quarter 2014	Full year 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	5.892	3.734
Minimum price (recorded during trading) - in euro	4.824	2.636
Maximum price (recorded during trading) - in euro	6.860	5.220
Dividend per share - in euro	0.06	0.06
Dividend yield *(dividend per share/average price)*	1.02%	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	11.77	11.19
Book value calculated by deducting goodwill attributable to the shareholders of the Parent from consolidated equity - in euro	9.08	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	6,108	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)]*	0.58	0.44
Price/book value calculated by deducting goodwill attributable to the shareholders of the Parent from consolidated equity	0.75	0.58
Price / book value calculated by deducting intangible assets attributable to the shareholders of the Parent from consolidated equity	0.78	0.61
EPS - Earning per share *(consolidated profit per share pursuant to IAS 33)* - in euro *annualised*	0.2192	0.2689

(*) 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 includes the 1,700,000 treasury shares held in portfolio on that same date.

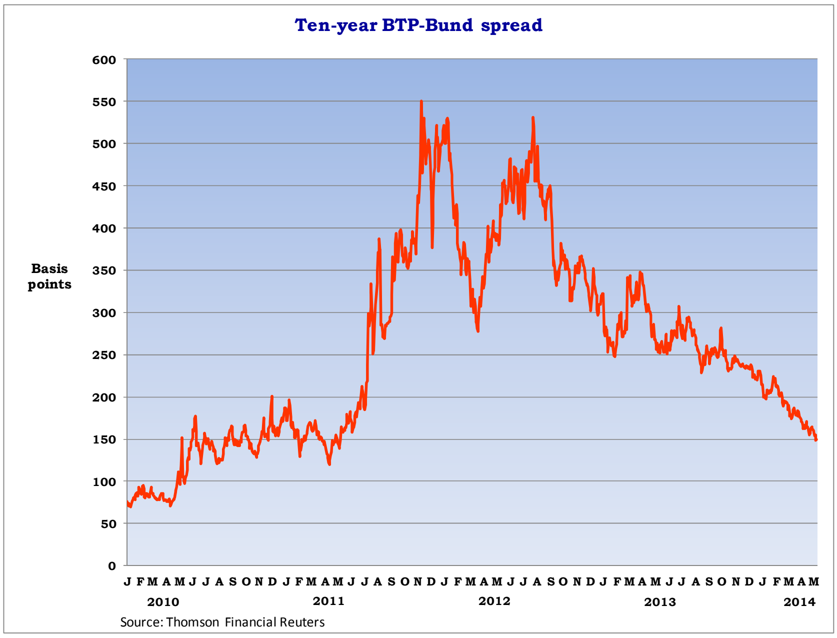
INTERIM CONSOLIDATED MANAGEMENT REPORT

AS AT AND FOR THE PERIOD ENDED 31ST MARCH 2014

The macroeconomic scenario

The macroeconomic scenario continued to show signs of improvement in the first months of the new year, although to different degrees in different geographical areas. The magnitude and duration of the recovery, is nevertheless still affected by a series of different types of risk:

- a more rapid than expected reduction in monetary stimuli in the United States;
- growing international tensions connected with the crisis in the Ukraine (following the annexation of the Crimea);
- a possible sharp slowdown in sectors of the Chinese economy with excess production capacity, such as that in the real estate sector and in some related heavy industry sectors.



Conditions on financial markets in advanced economies have eased progressively. The reduction in sovereign spreads with Germany has continued in those eurozone countries most exposed to the debt crisis. As shown in the chart, the spread between ten-year BTPs and the equivalent German Bunds has continued to return to normal, reaching 173 basis points at the end of the quarter (215 basis points at the end of 2013), with a further fall to around 160 basis points in the weeks that followed. This improvement was helped by the consolidation of expectations of a recovery in the business cycle, by the ECB's expansionary monetary policy and by inflows of capital from emerging countries, while the impacts of the crisis in the Ukraine and the slowdown of the Chinese economy have so far been modest.

As concerns the slow path towards a banking union, in a meeting of 20th-21st of March – the latest date for the regulations to be approved before the renewal of EU bodies – the European Parliament and Council reached an agreement on the new "Single Resolution Mechanism" for credit crises which partly amended the preliminary agreement reached between the ministers of finance on 18th December 2013. More specifically, the single resolution fund financed by banks will come into force gradually from January 2015[1] and will be fully funded with €55 billion within eight years rather than ten. During the transition period this fund will consist of individual national funds which will be progressively mutualised (40% in the first year, 20% in the second and the remainder over the following six years). The fund may be financed on the market, thereby increasing its capacity for intervention. The agreement reached on 21st March also established that decisions on whether to restructure and save a bank reported as in difficulty by the ECB or allow it to fail may be taken rapidly (over the space of a weekend, when financial markets are closed) by the Single Resolution Committee[2] in executive session for bailouts of up to €5 billion. A plenary session is required for other cases. The committee's decisions will be taken by a qualified majority, with account taken of the contribution made by individual countries to the resolution fund.
The banking crisis resolution mechanism was approved by the European Parliament on 15th April.

1 As already reported, European rules on the contribution of the private sector to the management of a banking crisis and to liquidation (i.e. a "bail-in") will come into force later in January 2016.
2 The committee is composed of permanent members, national resolution authorities and representatives of the ECB and the European Commission (the latter in an observer capacity).

Commodities prices had increased by approximately 9% at the end of the first quarter, driven by a strong increase in agricultural goods prices, as a result of the repercussions of the Ukraine crisis on the cereals market, which more than offset the reduction in other non-energy components.

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

	Mar-14 A	Dec-13 B	%change A/B	Sep-13 C	Jun-13 D	Mar-13 E
Euro/Dollar	**1.3770**	1.3752	0.1%	1.3524	1.3008	1.2814
Euro/Yen	**142.09**	144.71	-1.8%	132.82	128.94	120.66
Euro/Yuan	**8.5600**	8.3250	2.8%	8.2767	7.9835	7.9642
Euro/Franc CH	**1.2180**	1.2263	-0.7%	1.2237	1.2289	1.2172
Euro/Sterling	**0.8263**	0.8299	-0.4%	0.8355	0.8550	0.8434
Dollar/Yen	**103.19**	105.23	-1.9%	98.21	99.12	94.11
Dollar/Yuan	**6.2164**	6.0537	2.7%	6.1200	6.1374	6.2143
Futures - Brent *(in $)*	**107.76**	110.80	-2.7%	108.37	102.16	109.69
CRB Index *(commodities)*	**304.67**	280.17	8.7%	285.54	275.62	298.17

Source: Thomson Financial Reuters

As concerns energy commodities, for the time being oil prices do not seem to be affected by tensions over the Ukraine and by the adoption of sanctions against Russia. In fact Brent oil prices stood at approximately $108 per barrel, slightly down on $111 per barrel at the end of 2013[3].

The divergence remains between **consumer prices** in advanced economies – characterised by fears of deflation – and in emerging countries, where prices remain at high levels, although slowing slightly.

The table shows a moderate appreciation of the yen on **foreign exchange** markets between January and March and a weakening of the yuan during the same period[4] – which also continued in the weeks following the end of the quarter – while the exchange rate between the euro and the dollar remained more or less stable.

* * *

The recovery in the **world economy** in progress since the second half of 2013 seems to have been affected by signs of weakness from some emerging countries. Positive trends for industrialised countries were confirmed for the USA and Japan, as was the recovery in the euro area, although to differing degrees within it[5].

After an annualised increase of 2.6% in the last quarter of 2013, **United States** GDP only grew by a modest 0.1% in the first quarter of the year – the worst result since the last quarter of 2012 –, the aggregate result of positive performance by consumption almost fully offset by falls in investment, inventories and the balance of trade, due primarily to persistent adverse weather conditions in important areas of the country.
The unemployment rate remained stable between January and March, unchanged since 6.7% in December, while inflation rose in March to 1.5% recorded at the end of 2013 after reaching 1.1% in February, the lowest level since November 2010. Core inflation (net of foodstuffs and energy products), on the other hand, remained practically unchanged at 1.7% recorded at the end of the year.
The balance of trade deficit was further reduced to $81.6 billion dollars in the first two months of the year (-4.5% compared to the same period in 2013), benefiting principally from a lower deficit with countries on the African continent and with China, while the deficit with OPEC countries moved in the opposite direction.

On the monetary policy front, 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[6]. In its January, March and April 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 May a reduction of $20 billion occurred in both outright purchases of mortgage

3 In addition to the very limited nature of the measures put in place so far, prices also seem to have been dampened by the surplus supply of crude oil on the world market, caused by the progressive increase in production in the United States and weak demand from emerging economies.
4 On 17th March the People's Bank of China increased the range of fluctuation between the yuan and the dollar from 1% to 2%.

5 According to the most recent estimates of the International Monetary Fund (April 2014), world GDP will grow by 3.6% in 2014 (+3% in 2013), again driven by emerging countries (+4.9%; +4.7% in 2013), but with a significant recovery by advanced economies (+2.2% up from +1.3% in 2013).
6 The central bank also stated that decisions to increase reference rates would take account of a broader set of indicators relating to the labour market, pressures on inflation, inflation expectations and financial conditions.

backed securities (down from $40 billion to $20 billion per month) and purchases of long-term treasury bonds (down from $45 billion to $25 billion per month).

Actual and forecast data: industrialised countries

Percentages	Gross domestic product			Consumer prices			Unemployment			Deficit (+) Surplus (-) Public sector (% of GDP)			Reference interest rates	
	2013	2014 (1)	2015 (1)	2013 (2)	Mar-14 (3)	2014 (1) (2)	2013 (2)	Mar-14 (3)	2014 (1) (2)	2013	2014 (1)	2015 (1)	Dec-13	May-14
United States	1.9	**2.6**	2.9	1.5	**1.5**	1.2	7.4	**6.7**	6.5	6.5	**4.0**	3.1	0-0,25	**0-0,25**
Japan	1.5	**1.7**	1.7	0.4	**1.6**	2.8	4.0	**3.6**	3.6	12.4	**8.8**	6.9	0-0,10	**0-0,10**
Euro Area	-0.4	**1.1**	1.5	1.4	**0.5**	0.9	12.0	**11.8**	11.8	3.0	**2.5**	2.2	0.25	**0.25**
Italy	*-1.9*	***0.7***	*1.5*	*1.3*	***0.3***	*0.8*	*12.2*	***12.7***	*13.2*	*3.0*	***2.6***	*1.8*	-	-
Germany	*0.4*	***1.6***	*1.8*	*1.6*	***0.9***	*1.1*	*5.3*	***5.1***	*5.2*	*0.0*	***0.0***	*0.1*	-	-
France	*0.3*	***1.0***	*1.3*	*1.0*	***0.7***	*1.1*	*10.3*	***10.4***	*10.4*	*4.1*	***3.7***	*3.6*	-	-
Portugal	*-1.4*	***0.5***	*1.7*	*0.4*	***-0.4***	*-0.7*	*16.5*	***15.2***	*16.2*	*4.9*	***4.0***	*2.9*	-	-
Ireland	*-0.5*	***0.9***	*1.6*	*0.5*	***0.3***	*0.1*	*13.1*	***11.8***	*11.5*	*7.2*	***4.7***	*3.0*	-	-
Greece	*-3.8*	***-1.1***	*0.9*	*-0.9*	***-1.5***	*-0.6*	*27.3*	***26.7***	*27.6*	*12.7*	***3.8***	*1.8*	-	-
Spain	*-1.2*	***1.1***	*1.6*	*1.5*	***-0.2***	*0.5*	*26.4*	***25.3***	*25.2*	*7.1*	***5.8***	*4.9*	-	-
United Kingdom	1.7	**2.4**	2.0	2.6	**1.6**	2.0	7.6	**7.1**	7.1	5.8	**4.8**	3.9	0.50	**0.50**

(1) Forecasts
(2) Average annual rate
(3) The latest information available has been used where figures had not yet been published as at 31st March 2014

Source: Prometeia and official statistics

Actual and forecast data: the principal emerging countries

Percentages	Gross domestic product			Consumer prices		Reference interest rates	
	2013	2014 (1)	2015 (1)	2013 (2)	Mar-14 (3)	Dec-13	14-May-14
China	7.7	**7.4**	7.2	2.6	**2.4**	6.00	**6.00**
India	4.6	**4.6**	5.0	10.9	**6.7**	7.75	**8.00**
Brazil	2.3	**1.8**	2.7	6.2	**6.2**	10.00	**11.00**
Russia	1.3	**1.3**	2.3	6.8	**6.9**	8.25	**8.25**

(1) Forecasts
(2) Average annual rate
(3) The latest information available has been used where figures had not yet been published as at 31st March 2014

Source: Prometeia, IMF and official statistics

Although progressively down on previous periods, growth in **Chinese** GDP in the first quarter was 7.4% year-on-year (+7.7% in the last quarter of 2013). All the key indicators for domestic demand continued to perform strongly year-on-year: fixed investments +17.6%; real estate investment +16.8%; retail consumer sales +12%; industrial output +8.7% (manufacturing +9.9%).
As concerns the balance of trade, the opposing trends for exports (-3.4%) and imports (+1.6%) still gave a surplus of $16.7 billion, which further increased currency reserves (up to $3,950 billion at the end of March), approximately one third of which are stably invested in United States government securities.
After a sharp fall to 2% in February, inflation returned to 2.4% in March (2.5% in December and January) driven by food prices (4.1%).

In terms of monetary policy, the Chinese central bank resumed liquidity drainage with transactions on the open market[7].

On the basis of the latest available data, in **Japan** economic activity accelerated in the first months of 2014 driven by a temporary increase in consumption and of durable goods in particular, prior to an increase in indirect taxation, which came into force in April. Favourable signs are also emerging from the industrial output index, which recorded its sixth consecutive year-on-year increase in February (+6.8%, after +10.3% in January), in line with the results of the March Tankan survey which recorded a further increase in business confidence for manufacturing and other companies of all sizes.
The unemployment rate was slightly down in March to 3.6% (3.7% in December 2013), while inflation was 1.6%, more or less unchanged since the end of November (1.6% also in December).

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.

7 As concerns other major emerging economies, the Reserve Bank of India raised its repo rate by 25 basis points to 8% in January in order to curb inflation, while the Central Bank of Brazil raised its reference rate three times in January, March and April bringing it up to 11%.

After the increase in GDP recorded in the last quarter of 2013 (+0.2%), the data currently available suggests that growth in the **euro area** will continue again in the first quarter of the new year, although with no significant acceleration.
In March the €-coin calculated by the Bank of Italy – which provides an estimate of core trends for European GDP – returned to the same levels recorded in the summer of 2011 as a result, amongst other things, of the consolidation of confidence by households and businesses.
Industrial output showed a slight monthly increase in February of 0.2% (unchanged in January; -0.3% in December), driven, amongst other things, by the result for Spain (+0.7%). The year-on-year figure (+1.7%) shows the best performance over the last three months, notwithstanding the fall in French output (-1%).
The unemployment rate, which stood at 11.8% for the fourth consecutive month in March, still incorporated critical situations although improving marginally in Greece (26.7% in January), Spain (25.3%) and Portugal (15.2%).
On the other hand, the fall in inflation was greater than expected, standing at 0.5% in March (0.8% in December) with decreases in some countries including Greece (-1.5%), Portugal (-0.4%) and Spain (-0.2%). Nevertheless the first estimates for April are of a slight increase to 0.7%. After a temporary rise to 1% in February, the price index net of fresh food and energy products rose to 0.7%, the same level as that recorded at the end of 2013.
On the public sector finance front, Eurostat forecasts deficit-to-GDP and debt-to-GDP ratios of 3% and 92.6% respectively for 2013.

As concerns monetary policy, in a context of low inflation, a fall in lending and still uncertain growth prospects, in a meeting at the beginning of April the ECB confirmed that official rates would remain at the same levels or at lower than current rates (0.25% for principal refinancing operations) for a prolonged period. It also declared that its commitment to resort to unconventional instruments, such as the purchase of securities on the market to counter risks of too long a period of low inflation was unanimous.

In **Italy**, after a modest quarter-on-quarter recovery in GDP recorded in the last quarter of 2013 (+0.1%), the slow recovery in economic activity also continued between January and March, benefiting, amongst other things, from favourable foreign demand and from the first signs of an improvement in domestic demand.
In February, the seasonally adjusted industrial output index had increased by 0.4% year-on-year – although it was down on January (+1.2%) –, the aggregate result of opposing changes in different sectors. Particularly strong performance was recorded in the "pharmaceutical" (+7.6%), "metallurgical" (+5.3%), "means of transport" (+4.9%), "textiles and clothing" (+4.7%) and "electronic" (+4.4%) sectors, while the most significant decreases were seen in the "energy" (-9.4%), "fabrication of electrical equipment" (-8.8%) and "mineral extraction" (-8.5%) sectors.
The unemployment rate remained stable between January and March at 12.7% (12.6% in December) with very severe unemployment for the 15 to 24 age group (42.7%[8]).
The overall figure continues, however, to be mitigated by the presence of state income benefits, which saw a year-on-year increase in March to ordinary state lay-off and redundancy benefits: 100.1 million hours authorised compared to 98 million hours a year before (+2.1%), the aggregate result of a fall in the ordinary component (-20%), which was more than offset by an increase in recourse to extraordinary benefits (+14.9%) and exceptional benefits (+12.6%).
Inflation, measured by the harmonised consumer price index, fell significantly, down to 0.3% in March (0.7% in December), below the European average (0.5%). However, after seven consecutive falls this trend was interrupted in April with a rise to 0.6%.
The balance of trade showed a surplus of approximately €3 billion in the first two months of the year (-€0.5 billion in the same period of 2013), as a result of trade in non-energy products, two thirds of which relating to plant and equipment), which more than offset the deficit on energy products (-€7.9 billion). The overall surplus, however, continues to reflect basically weak trade, although it is progressively improving, with exports up year-on-year by 1.6% (+3% in February) and imports down by 4.5% (-2.2% in February).

As concerns public finances, on 8th April the new government approved the 2014 "Economy and Finance Document" (DEF), according to which the deficit to GDP ratio is estimated to fall to 2.6% in 2014 (3% in 2013), while the debt to GDP ratio is forecast to increase further to

8 This figure gives young people unemployed as a percentage of total young people in employment and seeking employment.

134.9% (132.6% in 2013) mainly due to an acceleration in the payment of public administration trade debts[9].

The DEF programme contains a temporary deviation from the plan to balance the structural budget (i.e. net of cyclical effects and one-off measures), postponed until 2016, which must be approved by Parliament. The admissibility of this deviation will also be evaluated by the European Commission and by the EU Council, in view of the margins of flexibility allowed by European rules[10].

* * *

The principal share indices in local currency

	Mar-14 A	Dec-13 B	%change A/B	Sep-13 C	Jun-13 D	Mar-13 E
Ftse Mib *(Milan)*	**21,692**	18,968	14.4%	17,435	15,239	15,339
Ftse Italia All Share *(Milan)*	**23,143**	20,204	14.5%	18,480	16,250	16,389
Xetra Dax *(Frankfurt)*	**9,556**	9,552	0.0%	8,594	7,959	7,795
Cac 40 *(Paris)*	**4,392**	4,296	2.2%	4,143	3,739	3,731
Ftse 100 *(London)*	**6,598**	6,749	-2.2%	6,462	6,215	6,412
S&P 500 *(New York)*	**1,872**	1,848	1.3%	1,682	1,606	1,569
DJ Industrial *(New York)*	**16,458**	16,577	-0.7%	15,130	14,910	14,579
Nasdaq Composite *(New York)*	**4,199**	4,177	0.5%	3,771	3,403	3,268
Nikkei 225 *(Tokyo)*	**14,828**	16,291	-9.0%	14,456	13,677	12,398
Topix *(Tokyo)*	**1,203**	1,302	-7.6%	1,194	1,134	1,035
MSCI emerging markets	**995**	1,003	-0.8%	987	940	1,035

Source: Thomson Financial Reuters

In a context of a progressive improvement in conditions on financial markets in advanced economies, **share prices** remained firm overall, although the performance was varied, affected only temporarily by tensions affecting emerging countries. As shown in the table, the best performances were recorded on Italian stock markets, up at the end of March by over 14%. The increase in prices was caused by a significant reduction in the risk premium requested by investors, by slight growth in the expected results of listed companies and by a decrease in long-term interest rates on sovereign securities. It regarded all the main sectors and the banking, telecommunications and public utilities sectors in particular.

Japanese stock markets, on the other hand, moved against the trend after the substantial rises achieved in 2013, affected by lower expectations of economic growth.

With regard to assets under management, the **mutual investment funds** sector commenced the year with a further increase in positive net inflows of €24.8 billion, attributable primarily to foreign registered funds (+€18.1 billion) and to a lesser extent to Italian registered funds (+€6.7 billion).

In terms of the type of fund, fifty percent of the performance by the sector was attributable to flexible funds (+€12.5 billion), but it was also assisted by bond funds (+€8.6 billion), equity funds (+€2.8 billion) and balanced funds (+€2.4 billion), while monetary funds diminished (-€1.5 billion) and hedge funds remained firm (-€0.1 billion)[11].

At the end of the quarter assets under management had reached €591.4 billion, up by approximately 6% on the end of 2013, with substantial changes in the percentage composition during the quarter into flexible funds (up from 17.8% to 19.5%) and balanced funds (up from 5.3% to 6%) and out of monetary funds (down from 5.2% to 4.2%), equity funds (down from 21.6% to 20.9%) and bond funds (down from 48.2% to 47.8%).

* * *

9 Funding of €25 billion of the €20 billion originally budgeted for 2013 by Decree Law No. 35/2013 and subsequently added to with another €7.2 billion by Decree Law No. 102/2013 was made available to debtor administrations on 28th March 2014. A total of €23.5 billion of these funds has already been paid to creditors.

10 These concern exceptional events with substantial negative impacts on public finances (inclusive of serious economic recessions) and the implementation of important structural reforms which, although they involve short-term costs, nevertheless improve the sustainability of public accounts.

11 Net inflows for the year also included +€0.1 billion into "unclassified funds".

The effects of the long drawn-out crisis continued to manifest again in the first months of 2014, during which the **banking sector** was affected by a further slowdown in funding, by continuing falls in lending and by constant high growth in delinquent loans.

On the basis of estimates published by the Italian Banking Association[12], at the end of March the year-on-year rate of change in direct funding (deposits of residents and bonds) remained negative by 1.9% (-2.2% in February and -1.8% in December 2013). Within the item, the gap between funding from bonds (-8.3% compared to -9.8% at the end of 2013) and other forms of funding, which increased although at a slower rate (+1% compared to +2% in December), remained, partly due to the trend for "term deposits with maturity up to two years" which became negative[13].

As concerns *loans to private sector residents*, those same Italian Banking Association reports show a year-on-year decrease in March of 3.6% (-4.2% in December), which nevertheless benefited from a change in the statistics which affected loans to non-financial companies[14].
Details for February furnished by the Bank of Italy[15] confirm the continuing weakness for lending to households (-1.2% compared with -1.3% in December 2013), seen also in terms of types of lending: home purchase loans (-1.2%, unchanged compared with December), consumer credit (-3.1% compared with -1.9%) and other loans (-0.6% compared with -1.2%).

With regard to risk, according to Bank of Italy figures *non-performing loans to the private sector gross of impairment losses* increased further – especially those to non-financial companies – to reach €161.6 billion in February, an increase of 26.9% year-on-year (+24.8% in 2013). This stock consists of €46.1 billion relating to households (+12.2% year-on-year, but -0.1% compared with December) and approximately €114.3 billion to businesses (+33.8% year-on-year; +5.5% compared with December) [16].
The ratio of *gross non-performing private sector loans to private sector loans* was therefore 9.80% (9.33% at the end of December).
Net non-performing loans amounting to €78.2 billion, were up 26.9% over twelve months, but down by 2.2% compared to December, having benefited from disposals. Consequently, at the end of February the *ratio of net non-performing loans to total lending* had fallen to 4.27% from 4.31% at the end of 2013.

Securities issued by residents in Italy held in the portfolios of Italian banks stood at €888.4 billion in February, marginally up over twelve months (+€6.9 billion +0.8%), but slightly down compared to December (-€4.9 billion; -0.6%).
The year-on-year performance is in reality the aggregate result of opposing trends. Investments of €392.4 billion in Italian government securities grew overall by approximately €40.8 billion (+11.6%), driven by purchases of medium to long-term instruments (CCTs and BTPs; +€60.1 billion, of which +€15.3 billion since the beginning of the year), while those in short-term instruments fell (BOTs and CTZs; -€19.4 billion, of which -€10.5 billion since the beginning of the year).
"Other certificates" on the other hand, amounting to €496 billion, recorded a decrease (-€33.9 billion; -6.4%), mainly attributable to bonds issued by banks (-€34.7 billion; -9.2%), which fell as a percentage of the total to 68.9%.

The *average interest rate on bank funding from customers* in March calculated by the Italian Banking Association (which includes the yield on deposits, bonds and repurchase agreements for households and non-financial companies) was 1.82% (1.89% at the end of 2013). The

12 Italian Banking Association, Monthly Outlook, *Economia e Mercati Finanziari-Creditizi*, April 2014.
13 The slowdown in this 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.
14 In January 2014 loans to non-financial companies and to other financial institutions were affected by a statistical factor due to the impacts of the reorganisation of major banking groups.
An analysis of lending adjusted to take account of securitisations and net changes in volumes not connected with transactions (e.g. changes due to exchange rate fluctuations, to value adjustments or to reclassifications) shows that lending to non-financial companies is continuing in line with the trend recorded in December (-5.1% in February compared to -5.2% at the end of 2013).
15 Supplement to the Statistics Bulletin *Moneta e Banche*, April 2014.
16 Outstanding non-performing loans were also affected by a statistical factor 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.

average weighted interest rate on lending to households and non-financial companies on the other hand was 3.86% (3.82% in December 2013).

Significant events in the first quarter of 2014

The new governance of UBI Banca

On 13th March the Bank of Italy issued an authorisation for the project to amend the Articles of Association announced on 19th December 2013. The new text of the Articles of Association was therefore submitted to an Extraordinary Shareholders' Meeting held on 10th May 2014 which approved it in the presence of 6,980 registered shareholders (representing 26.475% of the share capital). Votes in favour numbered 6,870 representing 26.436% of the share capital, while there were 95 votes against and 15 abstentions.

As already reported in the Annual Report, the amendments approved by the Shareholders' Meeting 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 as always on 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) 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);
b) an increase in the requirements of professionalism for members of governing bodies with 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;
c) 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;
d) the amendment, from the same viewpoint, of the criteria for submitting lists for the election of members of the Supervisory 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);
e) 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 submitted to the Shareholders' Meeting provided an opportunity for an overall revision which also led to the introduction of 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 consideration of the positive reception given to initiatives organised in November 2013, a series of meetings were again organised prior to the Extraordinary Shareholders' Meeting of 10th May, in order to illustrate issues to Registered Shareholders in the main towns and cities of Lombardy, in which a significant percentage of the UBI Banca shareholder base resides.

* * *

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 Act (a paragraph introduced by Decree Law No. 179 of 18th October 2012 and converted, with amendments, by Law No. 221 of 17th December 2012). In order to facilitate the capitalisation of the Bank, that article states that if the Articles of Association subject acceptance as a Registered Shareholder to possession of a minimum number of shares, then if that minimum number is no longer held, this results in the loss of the status thereby acquired. This change in the regulations fills a gap in the provisions in force and thereby eliminates the possibility of inappropriate uses.

The intention in the specific case of UBI Banca was to reaffirm the minimum number of 250 shares set in the Articles of Association in 2005 by the former BPU Banca. Paragraph 2 of article 8 of the Articles of Association was therefore 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"*. For consistency, article 15 of the Articles of Association was amended 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 19th 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 24th 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.

* * *

As part of the powers assigned to it by the Consolidated Banking Act, on 7th May 2014 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.
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[1] for compliance by the banking sector.

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

1 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.

Action undertaken on the branch network

At the end of March the branch network of the UBI Banca Group consisted of 1,730 branches, of which 1,724 operating in Italy, a decrease compared to the end of 2013.

At the date of this report the number had fallen to 1,679 (1,673 in Italy), almost entirely as a result of further streamlining action taken on the distribution network already reported in the Annual Report, which led with effect from 14th April 2014 to the closure of 16 branches and 34 mini-branches[2], together with the transformation of 32 branches into mini-branches and 7 mini-branches into branches.

To complete the summary of the action taken given in the table, a Banca Popolare Commercio e Industria mini-branch closed in Milan in January, located at RCS in Via Rizzoli, and in April a Banca Popolare di Bergamo mini-branch closed at Concorrezzo (Monza Brianza) located at Linkra.

Action undertaken on branches with effect from 14th April 2014

	Closures: branches	Closures: mini-branches	Transformation of branches into mini-branches	Transformation of mini-branches into branches
Banca Popolare di Bergamo Spa	1	2	-	-
Banco di Brescia Spa	3	3	8	-
Banca Popolare Commercio e Industria Spa	4	2	3	-
Banca Regionale Europea Spa	3	9	9	-
Banca Popolare di Ancona Spa	1	5	12	-
Banca Carime Spa	-	13	-	7
UBI Banca Private Investment Spa	4	-	-	-
TOTAL	**16**	**34**	**32**	**7**

The Italian network is supplemented by the UBI Banca "Private & Corporate Unity" (PCU - private and corporate banking) units, which at the end of the quarter operated throughout Italy with 131 centres (49 PCUs and 82 "corners")[3], which had become 130 (49 PCU and 81 "corners") at the date of this report. 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).

The presence on the market also continues to be supported by a network of 677 financial advisors who report to the Financial Advisors Area of UBI Banca Private Investment, an increase of 6 compared to the end of 2013.

2 The closure of a further 4 BRE mini-branches and of 1 BPA mini-branch is also scheduled.
3 The figure does not include 6 units of UBI Banca Private Investment for use by individual customers only and 3 UBI Banca units for corporate clients only.

Market positioning

The table summarises the market positioning of the UBI Group in terms of branches, conventional funding (excluding bonds) and loans both at national level and in regions and provinces where Group banks have a more significant presence.

The figure for branches in December 2013 shows a slight year-on-year increase. National market share rose to 5.4%, again with shares of higher than 10% in 15 Italian provinces, together with a substantial presence in Milan (over 9%) and in Rome (over 4%).

The balance sheet figures on the other hand, considered on the basis of the location of the branch, show a slight fall to 4.4% in the national market share for conventional funding, which does not include bonds. This is mainly in relation to the impacts of action taken to optimise the cost of funding taken both in the network banks and at the Parent and it is therefore more evident in the main provinces of Lombardy in which the Group operates.
On the other hand, market share for lending remained stable overall, unchanged at 5.4%.

As a result of the characteristics of the two original groups, in some areas where the Group's presence is stronger, it continues to have a market share of conventional funding and/or lending that is greater than the percentage of branches.

UBI Banca Group: market shares(*)

	31.12.2013			31.12.2012		
	Branches	Deposits (**) (***)	Lending (***)	Branches	Deposits (**) (***)	Lending (***)
North Italy	**6.3%**	**5.2%**	**6.5%**	**6.1%**	**5.9%**	**6.6%**
Lombardy	**13.1%**	**8.8%**	**9.6%**	**12.6%**	**10.0%**	**9.8%**
Prov. of Bergamo	*22.1%*	*29.4%*	*40.4%*	*21.2%*	*30.3%*	*40.6%*
Prov. of Brescia	*22.5%*	*27.5%*	*35.0%*	*21.9%*	*36.1%*	*35.7%*
Prov. of Como	*6.3%*	*5.0%*	*8.1%*	*6.1%*	*5.4%*	*8.3%*
Prov. of Lecco	*6.1%*	*4.9%*	*7.8%*	*6.0%*	*5.7%*	*7.2%*
Prov. of Mantua	*5.3%*	*2.9%*	*3.6%*	*5.2%*	*3.3%*	*3.7%*
Prov. of Milan	*9.3%*	*4.6%*	*3.7%*	*8.8%*	*4.8%*	*3.8%*
Prov. of Monza Brianza	*8.4%*	*6.7%*	*9.9%*	*8.2%*	*7.1%*	*9.8%*
Prov. of Pavia	*15.0%*	*13.6%*	*11.4%*	*14.6%*	*15.1%*	*11.4%*
Prov. of Sondrio	*8.1%*	*1.5%*	*3.4%*	*8.0%*	*1.7%*	*3.3%*
Prov. of Varese	*23.4%*	*27.4%*	*20.9%*	*22.6%*	*28.3%*	*20.7%*
Piedmont	**8.0%**	**4.9%**	**6.3%**	**7.8%**	**5.3%**	**6.3%**
Prov. of Alessandria	*10.7%*	*7.1%*	*10.6%*	*10.6%*	*7.6%*	*10.4%*
Prov. of Cuneo	*24.0%*	*19.3%*	*15.6%*	*23.5%*	*21.3%*	*16.5%*
Prov. of Novara	*3.4%*	*3.5%*	*6.9%*	*3.3%*	*3.5%*	*6.6%*
Liguria	**5.5%**	**4.2%**	**7.3%**	**5.3%**	**5.0%**	**7.8%**
Prov. of Genoa	*4.6%*	*3.6%*	*6.7%*	*4.5%*	*4.4%*	*7.2%*
Prov. of Imperia	*5.3%*	*3.1%*	*9.1%*	*5.2%*	*3.4%*	*9.1%*
Prov. of La Spezia	*8.6%*	*10.3%*	*6.7%*	*8.3%*	*11.1%*	*7.0%*
Prov. of Savona	*5.6%*	*2.9%*	*9.1%*	*5.6%*	*3.5%*	*9.4%*
Central Italy	**3.4%**	**2.4%**	**2.6%**	**3.3%**	**2.6%**	**2.5%**
Marches	**7.5%**	**8.2%**	**8.9%**	**7.3%**	**8.8%**	**8.8%**
Prov. of Ancona	*9.7%*	*12.7%*	*11.5%*	*9.6%*	*13.3%*	*11.8%*
Prov. of Fermo	*10.7%*	*9.9%*	*14.8%*	*10.1%*	*10.5%*	*15.0%*
Prov. of Macerata	*8.3%*	*8.6%*	*9.5%*	*8.0%*	*9.7%*	*8.8%*
Prov. of Pesaro and Urbino	*5.1%*	*3.5%*	*4.9%*	*4.9%*	*3.7%*	*4.6%*
Latium	**4.3%**	**2.3%**	**2.7%**	**4.2%**	**2.5%**	**2.6%**
Prov. of Rome	*4.1%*	*2.2%*	*2.6%*	*4.0%*	*2.4%*	*2.5%*
Prov. of Viterbo	*13.9%*	*11.1%*	*11.2%*	*13.7%*	*11.9%*	*11.1%*
South Italy	**7.7%**	**6.1%**	**5.5%**	**7.5%**	**6.5%**	**5.3%**
Campania	**5.4%**	**4.0%**	**4.4%**	**5.3%**	**4.3%**	**4.2%**
Prov. of Naples	*4.7%*	*3.7%*	*3.6%*	*4.6%*	*3.8%*	*3.4%*
Prov. of Caserta	*8.9%*	*6.4%*	*8.2%*	*8.7%*	*6.9%*	*7.7%*
Prov. of Salerno	*6.7%*	*4.6%*	*5.7%*	*6.5%*	*5.3%*	*5.9%*
Calabria	**20.5%**	**19.7%**	**15.1%**	**19.8%**	**20.8%**	**14.3%**
Prov. of Catanzaro	*12.0%*	*15.7%*	*11.5%*	*11.9%*	*16.1%*	*9.9%*
Prov. of Cosenza	*24.6%*	*25.9%*	*19.8%*	*23.9%*	*27.1%*	*19.5%*
Prov. of Crotone	*14.7%*	*11.2%*	*8.1%*	*13.9%*	*11.8%*	*7.5%*
Prov. of Reggio Calabria	*21.4%*	*15.1%*	*12.0%*	*20.2%*	*16.1%*	*11.3%*
Prov. of Vibo Valentia	*25.0%*	*25.9%*	*19.0%*	*24.3%*	*28.2%*	*19.0%*
Basilicata	**13.1%**	**10.8%**	**8.7%**	**12.9%**	**11.8%**	**8.8%**
Prov. of Potenza	*13.0%*	*11.7%*	*9.6%*	*12.8%*	*12.5%*	*9.6%*
Prov. of Matera	*13.3%*	*9.4%*	*7.3%*	*13.0%*	*10.8%*	*7.5%*
Apulia	**7.8%**	**6.3%**	**5.0%**	**7.5%**	**6.7%**	**4.9%**
Prov. of Bari	*9.9%*	*7.3%*	*5.6%*	*9.5%*	*7.9%*	*5.4%*
Prov. of Brindisi	*9.6%*	*7.6%*	*6.0%*	*9.4%*	*8.1%*	*5.4%*
Prov. of Barletta Andria Trani	*7.7%*	*5.5%*	*5.0%*	*6.7%*	*5.7%*	*4.9%*
Prov. of Taranto	*8.5%*	*6.6%*	*5.4%*	*8.1%*	*7.1%*	*5.3%*
Total Italy	**5.4%**	**4.4%**	**5.4%**	**5.3%**	**5.0%**	**5.4%**

(*) Source Bank of Italy: statistics bulletin for branch shares; matrix reports for balance-sheet figures
(**) Current accounts, certificates of deposit, savings deposits.
(***) Market share by location of the branch.

Personnel trends

Group staff

Number	Employees actually in service 31.3.2014 A	31.12.2013 B	Changes A-B	31.3.2013 C	Employees on the payroll 31.3.2014 D	31.12.2013 E	Changes D-E
Banca Popolare di Bergamo Spa	3,700	3,662	38	3,621	3,756	3,711	45
Banco di Brescia Spa	2,567	2,564	3	2,516	2,563	2,555	8
Banca Carime Spa	1,959	1,960	-1	1,986	2,104	2,109	-5
Banca Regionale Europea Spa	1,792	1,792	-	1,840	1,875	1,874	1
Banca Popolare Commercio e Industria Spa	1,629	1,626	3	1,634	1,795	1,794	1
Banca Popolare di Ancona Spa	1,601	1,606	-5	1,613	1,681	1,685	-4
UBI Banca Scpa *	1,595	1,588	7	1,679	2,466	2,171	295
Banca di Valle Camonica Spa	352	351	1	344	337	335	2
IW Bank Spa	206	208	-2	198	202	204	-2
UBI Banca Private Investment Spa	155	150	5	160	133	135	-2
UBI Banca International Sa	100	100	-	101	95	95	-
TOTAL FOR BANKS	**15,656**	**15,607**	**49**	**15,692**	**17,007**	**16,668**	**339**
UBI Sistemi e Servizi SCpA	1,961	1,961	-	1,970	813	1,111	-298
UBI Leasing Spa	220	234	-14	240	215	219	-4
Prestitalia Spa	177	176	1	165	76	74	2
UBI Pramerica SGR Spa	149	144	5	148	116	115	1
UBI Factor Spa	148	148	-	149	132	132	-
UBI Fiduciaria Spa	22	22	-	22	17	17	-
UBI Academy SCRL	15	15	-	16	-	-	-
BPB Immobiliare Srl	8	8	-	9	4	4	-
UBI Gestioni Fiduciarie Sim Spa	7	7	-	7	4	4	-
UBI Management Company Sa	5	5	-	3	4	4	-
UBI Trustee Sa	4	4	-	4	3	3	-
Coralis Rent Srl	3	3	-	4	-	-	-
Centrobanca Sviluppo Impresa SGR Spa	2	2	-	5	-	-	-
S.B.I.M. Spa	1	1	-	1	-	-	-
UBI Capital Singapore Pte Ltd **	-	-	-	9	-	-	-
TOTAL	**18,378**	**18,337**	**41**	**18,444**	**18,391**	**18,351**	**40**
Workers on staff leasing contracts	**1**	**1**	**-**	**1**	**1**	**1**	**-**
TOTAL STAFF	**18,379**	**18,338**	**41**	**18,445**			
On secondment outside the Group							
- out	*20*	*21*	*-1*	*26*			
- in					*7*	*7*	*-*
TOTAL WORKFORCE	**18,399**	**18,359**	**40**	**18,471**	**18,399**	**18,359**	**40**

* The merger of Centrobanca into UBI Banca became effective on 6th May 2013.
** UBI Capital Singapore was subject to liquidation procedures from 14th June 2013 and it therefore no longer had any staff in service or on the payroll.

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 31st March 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 31st March 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 31st March 2014 compared with the end of 2013, also restated on a consistent basis (column E).

Compared to the previous financial report for the first quarter of 2013, the figures as at 31st March 2013 have been adjusted as follows:
- *the figure for staff at UBI Banca has been restated to take account of the merger of Centrobanca (6th May 2013);*
- *the figure for Banca Regionale Europea staff was increased by two following reinstatements carried out in the second and fourth quarters of 2013 respectively;*
- *Banque de Dépôts et de Gestion Sa was excluded from calculations of Group staff numbers following the disposal of the company completed on 29th November 2013.*

The figures for Banca Popolare di Ancona as at 31st March 2013 and as at December 2013 have been increased by one with respect to previously published figures following a reinstatement in the first quarter of 2014 .

At the end of the first quarter of 2014, the total staff of the UBI Banca Group numbered 18,379 compared to 18,338 in December 2013 (restated on a consistent basis) with an overall increase of 41 (one of which due to a return from secondment at a company not included in the consolidation).

The figures reflect the recruitment of staff on flexible contracts during the period, mainly at Banca Popolare di Bergamo and to a marginal extent at other network banks, consistent with the provisions of the November 2012 and February 2013 agreements and the understanding reached with trade union organisations in the meeting held on 10th October 2013. In that meeting the Parent had confirmed its willingness to recruit additional staff – in particular at Banca Popolare di Bergamo and Banco di Brescia through intragroup mobility and the use of temporary contracts – designed to ensure adequate levels of service in view of expected trends for staff numbers during the year.

As shown in the table giving figures for type of contract relating to staff with employee contracts, new recruits more than offset staff leaving on permanent contracts.
More specifically, the total increase of 40 staff in the first three months of the year is the result of 54 staff leaving (45 on permanent contracts, 7 on temporary contracts and 2 on apprenticeships) and 94 new recruits (12 on permanent contracts, 80 on temporary contracts and 2 on apprenticeships)[4].

Employees on the payroll

Number	31.3.2014	31.12.2013	Change
Total employees	**18,391**	**18,351**	**40**
of which: permanent	18,139	18,169	-30
on temporary contracts	210	140	70
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.

Finally, with regard to other Group entities we report:
- a fall in staff numbers at UBI Leasing (-14) due to the start of the centralisation of governance and control activities at the Parent in accordance with the provisions of the trade union memorandum of intent signed on 15th January 2014;
- significant growth in employees on the payroll at UBI Banca and a decrease at the same time of employees on the payroll at UBI Sistemi e Servizi following contract transfers effective from 1st January 2014 for 302 staff working at the service company. Staff on secondment from UBI Banca at UBI.S therefore rose to 825 (524 at the end of the year).

* * *

As already reported in the 2013 Annual Report, a trade union memorandum of intent signed on 6th March 2014 established 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 trade union memorandum of intent of 12th February 2013.
The 183 staff involved, mainly employed at Banco di Brescia and Banca Popolare di Bergamo, will end their employment relationships on 30th June 2014 and will receive extraordinary benefits from the sector "solidarity fund" on the following 1st July.

4 The figures shown to not include three "stabilisations" (transformations of contracts from temporary to permanent) that occurred in the quarter.

Changes in the scope of consolidation

No changes were made to the scope of consolidation compared to 31st December 2013 except for those reported below:

- Banca Regionale Europea Spa: in the first quarter of the year the Parent acquired 48,005 ordinary shares from non-controlling shareholders to bring its controlling interest in the ordinary share capital up to 79.8637% (from 79.8576% at the end of December). Total percentage control of the share capital (consisting of ordinary, privileged and savings shares) rose to 74.7491% from 74.7438% before;
- Banca Popolare di Ancona Spa: in the first few months of 2014, following the sale of 2,435 shares by individual shareholders, UBI Banca increased its percentage control of this Marches bank from 92.9959% as at 31st December 2013 to 93.0058% in March 2014;
- Banca Popolare Commercio e Industria Spa: on 25th March 2014 a Shareholders' Meeting resolved to transfer the registered offices in Milan from 33 Via Moscova to 7 Monte di Pietà. The change was filed with the Company Registrar on 3rd April 2014;
- UBI Leasing Spa: in order to provide a more adequate level of capitalisation, on 30th 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 2nd January 2013, the subscription of the first tranche of a share capital increase was launched, offered with option rights to shareholders (concluded on the following 21st January, with the purchase of all the shares relating to the options not taken up), but fully subscribed by UBI Banca for €300 million, with the issue of 50,000,000 new shares with a nominal value of €6 and no share premium. As at 31st December 2013 the share capital of UBI Leasing had therefore risen to €541,557,810, with 99.5507% held by the Parent.
  Under that same authorisation, on 12th 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 13th of March 2014 and was valid as a publication of the offering pursuant to paragraph 2 of article 2441 of the Italian capital Code) was given to exercise option rights. UBI Banca exercised its options on 19th March 2014 and subscribed 16,591,780 shares for a total of €99,550,680[5].
  Since the other shareholder had not exercised its option rights, at the end of the exercise period, on 15th April 2014 UBI Banca purchased all the 74,886 shares not taken up (for a total of €449,316). As a consequence, the Parent's percentage control rose to 99.6207% (up from 99.5507% in December 2013), while the share capital amounted to €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, activity to close all the companies involved in the operation is currently in progress. Prior authorisation had been given for the operation by the Bank of Italy on 24th December 2013.

5 As a result of that payment, the share capital amounted to €641,108,490 as at 31st March 2014.

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

Reclassified consolidated balance sheet

	Figures in thousands of euro	31.3.2014 A	31.12.2013 B	Changes A-B	% changes A/B	31.3.2013 C	Changes A-C	% changes A/C
	ASSETS							
10.	Cash and cash equivalents	492,398	589,705	-97,307	-16.5%	487,951	4,447	0.9%
20.	Financial assets held for trading	3,900,044	3,056,264	843,780	27.6%	5,045,199	-1,145,155	-22.7%
30.	Financial assets designated at fair value	193,692	208,143	-14,451	-6.9%	202,979	-9,287	-4.6%
40.	Available-for-sale financial assets	16,030,885	15,489,497	541,388	3.5%	14,134,430	1,896,455	13.4%
50.	Held-to-maturity investments	3,113,263	3,086,815	26,448	0.9%	3,185,071	-71,808	-2.3%
60.	Loans and advances to banks	4,009,183	4,129,756	-120,573	-2.9%	5,505,388	-1,496,205	-27.2%
70.	Loans and advances to customers	87,094,749	88,421,467	-1,326,718	-1.5%	92,264,578	-5,169,829	-5.6%
80.	Hedging derivatives	323,782	253,609	70,173	27.7%	410,003	-86,221	-21.0%
90.	Fair value change in hedged financial assets (+/-)	36,493	33,380	3,113	9.3%	78,088	-41,595	-53.3%
100.	Equity investments	427,438	411,886	15,552	3.8%	447,352	-19,914	-4.5%
120.	Property, plant and equipment	1,780,575	1,798,353	-17,778	-1.0%	1,940,484	-159,909	-8.2%
130.	Intangible assets	2,903,371	2,918,509	-15,138	-0.5%	2,956,402	-53,031	-1.8%
	of which: goodwill	*2,511,679*	*2,511,679*	-	-	*2,536,574*	*-24,895*	*-1.0%*
140.	Tax assets	2,824,368	2,833,188	-8,820	-0.3%	2,625,658	198,710	7.6%
150.	Non-current assets and disposal groups held for sale	79,769	79,877	-108	-0.1%	23,205	56,564	243.8%
160.	Other assets	773,252	931,388	-158,136	-17.0%	1,089,100	-315,848	-29.0%
	Total assets	**123,983,262**	**124,241,837**	**-258,575**	**-0.2%**	**130,395,888**	**-6,412,626**	**-4.9%**
	LIABILITIES AND EQUITY							
10.	Due to banks	15,397,770	15,017,266	380,504	2.5%	15,086,195	311,575	2.1%
20.	Due to customers	46,366,664	50,702,157	-4,335,493	-8.6%	54,816,744	-8,450,080	-15.4%
30.	Debt securities issued	44,477,537	41,901,779	2,575,758	6.1%	43,861,671	615,866	1.4%
40.	Financial liabilities held for trading	1,409,672	1,396,350	13,322	1.0%	1,801,256	-391,584	-21.7%
60.	Hedging derivatives	528,059	483,545	44,514	9.2%	1,167,314	-639,255	-54.8%
80.	Tax liabilities	908,372	756,359	152,013	20.1%	748,223	160,149	21.4%
100.	Other liabilities	2,704,318	2,111,533	592,785	28.1%	1,647,419	1,056,899	64.2%
110.	Post-employment benefits	387,412	382,262	5,150	1.3%	389,246	-1,834	-0.5%
120.	Provisions for risks and charges:	320,253	309,219	11,034	3.6%	329,075	-8,822	-2.7%
	a) pension and similar obligations	76,251	77,387	-1,136	-1.5%	79,575	-3,324	-4.2%
	b) other provisions	244,002	231,832	12,170	5.2%	249,500	-5,498	-2.2%
140.+ 170.+180.+ 190.+200.	Share capital, share premiums, reserves, valuation reserves and treasury shares	10,609,347	10,088,562	520,785	5.2%	9,692,341	917,006	9.5%
210.	Non-controlling interests	815,723	841,975	-26,252	-3.1%	829,946	-14,223	-1.7%
220.	Profit (loss) for the period/year	58,135	250,830	-192,695	-76.8%	26,458	31,677	119.7%
	Total liabilities and equity	**123,983,262**	**124,241,837**	**-258,575**	**-0.2%**	**130,395,888**	**-6,412,626**	**-4.9%**

Reclassified consolidated quarterly balance sheets

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

Reclassified consolidated income statement

Figures in thousands of euro		1Q 2014 A	1Q 2013 B	Changes A-B	% changes A/B	FY 2013 C
10.-20.	Net interest income	454,472	417,220	37,252	8.9%	1,750,801
	of which: effects of the purchase price allocation	*(6,456)*	*(9,563)*	*(3,107)*	*(32.5%)*	*(33,983)*
	Net interest income excluding the effects of the PPA	*460,928*	*426,783*	*34,145*	*8.0%*	*1,784,784*
70.	Dividends and similar income	787	455	332	73.0%	10,409
	Profits of equity-accounted investees	10,899	8,506	2,393	28.1%	46,579
40.-50.	Net fee and commission income	300,110	304,786	(4,676)	(1.5%)	1,187,065
	of which performance fees	-	-	-	-	*14,198*
80.+90.+ 100.+110.	Net income from trading, hedging and disposal/repurchase activities and from assets/liabilities designated at fair value	62,611	42,016	20,595	49.0%	324,554
220.	Other net operating income/expense	24,546	26,799	(2,253)	(8.4%)	117,884
	Operating income	**853,425**	**799,782**	**53,643**	**6.7%**	**3,437,292**
	Operating income excluding the effects of the PPA	***859,881***	***809,345***	***50,536***	***6.2%***	***3,471,275***
180.a	Staff costs	(326,094)	(331,353)	(5,259)	(1.6%)	(1,301,717)
180.b	Other administrative expenses	(152,616)	(161,693)	(9,077)	(5.6%)	(659,893)
200.+210.	Depreciation, amortisation and net impairment losses on property, plant and equipment and intangible assets	(42,533)	(45,275)	(2,742)	(6.1%)	(180,188)
	of which: effects of the purchase price allocation	*(4,911)*	*(5,098)*	*(187)*	*(3.7%)*	*(20,377)*
	Depreciation, amortisation and net impairment losses on property, plant and equipment and intangible assets excluding the effects of the PPA	*(37,622)*	*(40,177)*	*(2,555)*	*(6.4%)*	*(159,811)*
	Operating expenses	**(521,243)**	**(538,321)**	**(17,078)**	**(3.2%)**	**(2,141,798)**
	Operating expenses excluding the effects of the PPA	***(516,332)***	***(533,223)***	***(16,891)***	***(3.2%)***	***(2,121,421)***
	Net operating income	**332,182**	**261,461**	**70,721**	**27.0%**	**1,295,494**
	Net operating income excluding the effects of the PPA	***343,549***	***276,122***	***67,427***	***24.4%***	***1,349,854***
130.a	Net impairment losses on loans	(198,626)	(157,742)	40,884	25.9%	(942,978)
130. b+c+d	Net impairment losses on other financial assets and liabilities	1,673	(8,313)	9,986	n.s.	(47,511)
190.	Net provisions for risks and charges	(10,063)	(2,329)	7,734	332.1%	(12,372)
240.+270.	Losses from the disposal of equity investments	(660)	(524)	136	26.0%	(7,324)
	Pre-tax profit from continuing operations	**124,506**	**92,553**	**31,953**	**34.5%**	**285,309**
	Pre-tax profit from continuing operations excluding the effects of the PPA	***135,873***	***107,214***	***28,659***	***26.7%***	***339,669***
290.	Taxes on income for the period/year from continuing operations	(58,702)	(56,579)	2,123	3.8%	55,136
	of which: effects of the purchase price allocation	*3,753*	*4,845*	*(1,092)*	*(22.5%)*	*17,959*
310.	Post-tax profit (loss) from discontinued operations	-	-	-	-	-
330.	Profit for the period/year attributable to non-controlling interests	(7,669)	(9,516)	(1,847)	(19.4%)	(25,895)
	of which: effects of the purchase price allocation	*723*	*940*	*(217)*	*(23.1%)*	*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	*65,026*	*35,334*	*29,692*	*84.0%*	*347,566*
	Profit for the year/period attributable to the shareholders of the Parent before impairment and expenses for leaving	**58,135**	**26,458**	**31,677**	**119.7%**	**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**	**58,135**	**26,458**	**31,677**	**119.7%**	**250,830**
	Total impact of the purchase price allocation on the income statement	*(6,891)*	*(8,876)*	*(1,985)*	*(22.4%)*	*(33,016)*

Reclassified consolidated quarterly income statements

Figures in thousands of euro		2014 1st Quarter	2013 4th Quarter	2013 3rd Quarter	2013 2nd Quarter	2013 1st Quarter
10.-20.	Net interest income	454,472	459,353	446,006	428,222	417,220
	of which: effects of the purchase price allocation	*(6,456)*	*(7,528)*	*(7,859)*	*(9,033)*	*(9,563)*
	Net interest income excluding the effects of the PPA	*460,928*	*466,881*	*453,865*	*437,255*	*426,783*
70.	Dividends and similar income	787	1,072	1,119	7,763	455
	Profits of equity-accounted investees	10,899	2,913	12,947	22,213	8,506
40.-50.	Net fee and commission income	300,110	298,957	285,863	297,459	304,786
	of which performance fees	-	*14,198*	-	-	-
80.+90.+ 100.+110.	Net income from trading, hedging and disposal/repurchase activities and from assets/liabilities designated at fair value	62,611	156,099	59,088	67,351	42,016
220.	Other net operating income/expense	24,546	32,627	29,030	29,428	26,799
	Operating income	**853,425**	**951,021**	**834,053**	**852,436**	**799,782**
	Operating income excluding the effects of the PPA	***859,881***	***958,549***	***841,912***	***861,469***	***809,345***
180.a	Staff costs	(326,094)	(327,339)	(328,144)	(314,881)	(331,353)
180.b	Other administrative expenses	(152,616)	(165,944)	(158,699)	(173,557)	(161,693)
200.+210.	Depreciation, amortisation and net impairment losses on property, plant and equipment and intangible assets	(42,533)	(45,139)	(44,660)	(45,114)	(45,275)
	of which: effects of the purchase price allocation	*(4,911)*	*(5,093)*	*(5,088)*	*(5,098)*	*(5,098)*
	property, plant and equipment and intangible assets excluding the effects of the PPA	*(37,622)*	*(40,046)*	*(39,572)*	*(40,016)*	*(40,177)*
	Operating expenses	**(521,243)**	**(538,422)**	**(531,503)**	**(533,552)**	**(538,321)**
	Operating expenses excluding the effects of the PPA	***(516,332)***	***(533,329)***	***(526,415)***	***(528,454)***	***(533,223)***
	Net operating income	**332,182**	**412,599**	**302,550**	**318,884**	**261,461**
	Net operating income excluding the effects of the PPA	***343,549***	***425,220***	***315,497***	***333,015***	***276,122***
130.a	Net impairment losses on loans	(198,626)	(366,337)	(192,749)	(226,150)	(157,742)
130. b+c+d	Net impairment losses on other financial assets and liabilities	1,673	(25,233)	(5,005)	(8,960)	(8,313)
190.	Net provisions for risks and charges	(10,063)	1,961	(2,729)	(9,275)	(2,329)
240.+270.	Losses from the disposal of equity investments	(660)	(7,507)	(902)	1,609	(524)
	Pre-tax profit from continuing operations	**124,506**	**15,483**	**101,165**	**76,108**	**92,553**
	Pre-tax profit from continuing operations excluding the effects of the PPA	***135,873***	***28,104***	***114,112***	***90,239***	***107,214***
290.	Taxes on income for the period/year from continuing operations	(58,702)	204,702	(46,480)	(46,507)	(56,579)
	of which: effects of the purchase price allocation	*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	(7,669)	(7,579)	(5,674)	(3,126)	(9,516)
	of which: effects of the purchase price allocation	*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	*65,026*	*220,280*	*56,871*	*35,081*	*35,334*
	Profit for the period attributable to the shareholders of the Parent before impairment and expenses for leaving	**58,135**	**212,606**	**49,011**	**26,475**	**26,458**
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 period attributable to the shareholders of the Parent**	**58,135**	**148,886**	**49,011**	**26,475**	**26,458**

	Total impact of the purchase price allocation on the income statement	*(6,891)*	*(7,674)*	*(7,860)*	*(8,606)*	*(8,876)*

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

Figures in thousands of euro	**1Q 2014** *net of non-recurring items*	**1Q 2013** *net of non-recurring items*	Changes	% changes
Net interest income (including the effects of the PPA)	454,472	417,220	37,252	8.9%
Dividends and similar income	787	455	332	73.0%
Profits of equity-accounted investees	10,899	8,506	2,393	28.1%
Net fee and commission income	300,110	304,786	(4,676)	(1.5%)
Net income from trading, hedging and disposal/repurchase activities and from assets/liabilities designated at fair value	62,611	28,517	34,094	119.6%
Other net operating income/expense	24,546	26,799	(2,253)	(8.4%)
Operating income (including the effects of PPA)	**853,425**	**786,283**	**67,142**	**8.5%**
Staff costs	(326,094)	(331,353)	(5,259)	(1.6%)
Other administrative expenses	(152,616)	(161,693)	(9,077)	(5.6%)
Depreciation, amortisation and net impairment losses on property, plant and equipment and intangible assets (including the effects of PPA)	(42,533)	(45,275)	(2,742)	(6.1%)
Operating expenses (including the effects of PPA)	**(521,243)**	**(538,321)**	**(17,078)**	**(3.2%)**
Net operating income (including the effects of PPA)	**332,182**	**247,962**	**84,220**	**34.0%**
Net impairment losses on loans	(198,626)	(157,742)	40,884	25.9%
Net impairment losses on other financial assets and liabilities	1,673	729	944	129.5%
Net provisions for risks and charges	(10,063)	(2,329)	7,734	332.1%
Losses from the disposal of equity investments	230	(524)	754	n.s.
Pre-tax profit (loss) from continuing operations (including the effects of PPA)	**125,396**	**88,096**	**37,300**	**42.3%**
Taxes on income for the period from continuing operations	(58,702)	(59,467)	(765)	(1.3%)
Post-tax profit (loss) from discontinued operations	-	-	-	-
Profit for the period attributable to non-controlling interests	(7,669)	(9,553)	(1,884)	(19.7%)
Profit for the period attributable to the shareholders of the Parent	**59,025**	**19,076**	**39,949**	**209.4%**

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

Figures in thousands of euro	1Q 2014	non-recurring items: Balance on sales price for BDG	1Q 2014 *net of non-recurring items*	1Q 2013	non-recurring items: Disposal of Intesa Sanpaolo and A2A shares (AFS)	non-recurring items: Net impairment losses on financial assets (AFS)	non-recurring items: Cerved Group (formerly Centrale Bilanci) earn-out	1Q 2013 *net of non-recurring items*
Net interest income (including the effects of the PPA)	454,472		454,472	417,220				417,220
Dividends and similar income	787		787	455				455
Profits of equity-accounted investees	10,899		10,899	8,506				8,506
Net fee and commission income	300,110		300,110	304,786				304,786
Net income (loss) from trading, hedging and disposal/repurchase activities and from assets/liabilities designated at fair value	62,611		62,611	42,016	(11,974)		(1,525)	28,517
Other net operating income/expense	24,546		24,546	26,799				26,799
Operating income (including the effects of PPA)	**853,425**	**-**	**853,425**	**799,782**	**(11,974)**	**-**	**(1,525)**	**786,283**
Staff costs	(326,094)		(326,094)	(331,353)				(331,353)
Other administrative expenses	(152,616)		(152,616)	(161,693)				(161,693)
Depreciation, amortisation and net impairment losses on property, plant and equipment and intangible assets (including the effects of PPA)	(42,533)		(42,533)	(45,275)				(45,275)
Operating expenses (including the effects of PPA)	**(521,243)**	**-**	**(521,243)**	**(538,321)**	**-**	**-**	**-**	**(538,321)**
Net operating income (including the effects of PPA)	**332,182**	**-**	**332,182**	**261,461**	**(11,974)**	**-**	**(1,525)**	**247,962**
Net impairment losses on loans	(198,626)		(198,626)	(157,742)				(157,742)
Net impairment losses on other financial assets and liabilities	1,673		1,673	(8,313)		9,042		729
Net provisions for risks and charges	(10,063)		(10,063)	(2,329)				(2,329)
Losses from the disposal of equity investments	(660)	890	230	(524)				(524)
Pre-tax profit (loss) from continuing operations (including the effects of PPA)	**124,506**	**890**	**125,396**	**92,553**	**(11,974)**	**9,042**	**(1,525)**	**88,096**
Taxes on income for the period from continuing operations	(58,702)		(58,702)	(56,579)		(2,990)	102	(59,467)
Post-tax profit (loss) from discontinued operations	-		-	-				-
Profit for the period attributable to non-controlling interests	(7,669)		(7,669)	(9,516)		(37)		(9,553)
Profit for the /period attributable to the shareholders of the Parent	**58,135**	**890**	**59,025**	**26,458**	**(11,974)**	**6,015**	**(1,423)**	**19,076**
Annualised ROE	2.2%		2.2%	1.1%				0.8%
Cost:income ratio *(including the effects of PPA)*	61.1%		61.1%	67.3%				68.5%
Cost:income ratio *(excluding the effects of PPA)*	60.0%		60.0%	65.9%				67.0%

Reconciliation schedule for the first quarter of 2014

Items	RECLASSIFIED INCOME STATEMENT Figures in thousands of euro	1Q 2014 Mandatory consolidated financial statements	Reclassifications Tax recoveries	Reclassifications Profit of equity-accounted investees	Reclassifications Depreciation for improvements to leased assets	1Q 2014 Reclassified consolidated financial statements
10.-20.	Net interest income	454,472				454,472
70.	Dividends and similar income	787				787
	Profits of equity-accounted investees			10,899		10,899
40.-50.	Net fee and commission income	300,110				300,110
80.+90.+ 100.+110.	Net income from trading, hedging and disposal/repurchase activities and from assets/liabilities designated at fair value	62,611				62,611
220.	Other net operating income/expense	70,460	(47,094)		1,180	24,546
	Operating income	**888,440**	**(47,094)**	**10,899**	**1,180**	**853,425**
180.a	Staff costs	(326,094)				(326,094)
180.b	Other administrative expenses	(199,710)	47,094			(152,616)
200.+210.	Depreciation, amortisation and net impairment losses on property, plant and equipment and intangible assets	(41,353)			(1,180)	(42,533)
	Operating expenses	**(567,157)**	**47,094**	**-**	**(1,180)**	**(521,243)**
	Net operating income	**321,283**	**-**	**10,899**	**-**	**332,182**
130.a	Net impairment losses on loans	(198,626)				(198,626)
130. b+c+d	Net impairment losses on other financial assets and liabilities	1,673				1,673
190.	Net provisions for risks and charges	(10,063)				(10,063)
240.+270.	Profits (losses) from the disposal of equity investments	10,239		(10,899)		(660)
	Pre-tax profit (loss) from continuing operations	**124,506**	**-**	**-**	**-**	**124,506**
290.	Taxes on income for the period from continuing operations	(58,702)				(58,702)
310.	Post-tax profit (loss) from discontinued operations	-				-
330.	Profit for the period attributable to non-controlling interests	(7,669)				(7,669)
340.	**Profit for the period attributable to the shareholders of the Paren**	**58,135**	**-**	**-**	**-**	**58,135**

Reconciliation schedule for the first quarter of 2013

Items	RECLASSIFIED INCOME STATEMENT Figures in thousands of euro	1Q 2013 Mandatory consolidated financial statements	Reclassifications Tax recoveries	Reclassifications Profit of equity-accounted investees	Reclassifications Depreciation for improvements to leased assets	Reclassifications Consolidation reclassification	1Q 2013 Reclassified consolidated financial statements
10.-20.	Net interest income	417,177				43	417,220
70.	Dividends and similar income	455					455
	Profits of equity-accounted investees	-		8,506			8,506
40.-50.	Net fee and commission income	304,786					304,786
80.+90.+ 100.+110.	Net income from trading, hedging and disposal/repurchase activities and from assets/liabilities designated at fair value	42,016					42,016
220.	Other net operating income/expense	63,132	(37,350)		1,060	(43)	26,799
	Operating income	**827,566**	**(37,350)**	**8,506**	**1,060**	**-**	**799,782**
180.a	Staff costs	(331,353)					(331,353)
180.b	Other administrative expenses	(199,043)	37,350				(161,693)
200.+210.	Depreciation, amortisation and net impairment losses on property, plant and equipment and intangible assets	(44,215)			(1,060)		(45,275)
	Operating expenses	**(574,611)**	**37,350**	**-**	**(1,060)**	**-**	**(538,321)**
	Net operating income	**252,955**	**-**	**8,506**	**-**	**-**	**261,461**
130.a	Net impairment losses on loans	(157,742)					(157,742)
130. b+c+d	Net impairment losses on other financial assets and liabilities	(8,313)					(8,313)
190.	Net provisions for risks and charges	(2,329)					(2,329)
240.+270.	Profits (losses) from the disposal of equity investments	7,982		(8,506)			(524)
	Pre-tax profit from continuing operations	**92,553**	**-**	**-**	**-**	**-**	**92,553**
290.	Taxes on income for the period from continuing operations	(56,579)					(56,579)
310.	Post-tax profit (loss) from discontinued operations	-					-
330.	Profit for the period attributable to non-controlling interests	(9,516)					(9,516)
340.	**Profit for the period attributable to the shareholders of the Paren**	**26,458**	**-**	**-**	**-**	**-**	**26,458**

Reconciliation schedule for the year ended 2013

Items	RECLASSIFIED INCOME STATEMENT Figures in thousands of euro	FY 2013 Mandatory consolidated financial statements	Reclassifications Tax recoveries	Profit of equity accounted investees	Depreciation for leasehold improvements	Consolidation reclassification	Expenses for leaving incentives	Net impairment losses on goodwill and property, plant and equipment	FY 2013 Reclassified consolidated financial statements
10.-20.	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
40.-50.	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 (loss) 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 22nd 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 21st 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 29th November 2013, from 31st 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 1st January until 31st October 2013.

The reconciliation of the items in the reclassified financial statements with the figures are 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 statements and the reclassified 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 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:

1st Quarter 2014:

- settlement of the balance on the sales price of the subsidiary Banque de Dépôts et de Gestion Sa (Switzerland) and of its subsidiary Sofipo Sa (Switzerland);

1st Quarter 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 a financial instrument classified within Centrobanca's available-for-sale portfolio.

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 another section of this report and the tables furnishing details presented below are also based on those statements. The notes that follow those reclassified financial statements may be consulted as may the reconciliation schedules for a description of the reclassification. Furthermore, the commentary examines both changes that occurred in the period January-March 2014 compared to the same period in 2013 and also compared to the fourth quarter of 2013 (the latter are highlighted with a slightly different background colour).

The first quarter of the year ended with a **profit** of €58.1 million[1], an improvement compared with €26.5 million recorded in the same period of 2013, but below the positive result of €148.9 million achieved in the fourth quarter of last year, which had benefited from the recognition of deferred tax assets on realigned goodwill for IRAP (local production tax) purposes, even if this was partially offset by impairment losses and redundancy incentive expenses.
The first months of 2014 recorded good performance by net interest income, even if volumes of business continued to diminish and also by financial activities, due to the decrease in the spread on securities associated with the disappearance of fears over the breakup of the single monetary union. The period also benefited from careful management of operating expenses, which led to lower structural operating costs.

In the three months of the reporting period, ordinary operations generated **operating income** of €853.4 million (+€53.6 million compared with the first quarter of 2013), as a result primarily of performance by core revenues (net interest income and financial activities).

Net interest income, inclusive of the effects of the PPA, which amounted to -€6.5 million and -€9.6 million respectively, rose to €454.5 million (+€37.3 million year-on-year), a reflection above all of changes in interest rates[2], while the economic environment does not yet show any clear signs of recovery. In detail[3]:

- business with customers generated net interest income of €360.9 million (+€23.5 million), driven largely by the impact of interest rates on short-term funding (interest expense on amounts due to customers practically halved) and only to a lesser extent by the relative average volumes. Notwithstanding the increase in the customer spread by 20 basis points, lending fell further (a decrease of 5.2% on average over twelve months against a fall in funding of 4.5% determined partly by the process to optimise marginal costs).
  The balance with customers also includes differentials received mainly on own issue bond hedges (€42.2 million, compared with €51.7 million before);
- the securities portfolio generated interest income of €105.8 million (€104.6 million in 2013) due to growth in investments in debt instruments over twelve months of approximately €700 million (Italian government securities grew by €1.6 billion). Purchases of government securities continued to make a substantial contribution to net interest income (€102.7 million from the AFS securities portfolio and €26.4 million from the held-to-maturity portfolio), although these investments were penalised by the total costs of uncovered short positions and hedges on fixed interest rate bonds (the differentials paid on the derivatives);
- business on the interbank market generated a negative balance of €12.1 million, sharply down compared with -€24.8 million in 2013, despite the decrease in disbursements over twelve months (-€1.5 billion) and while funding remained stable. This is explained primarily by the decrease in the cost of debt held with the central bank for the outstanding LTRO finance, which fell from €22.5 million to €7.5 million, following reductions in the rate for

1 Net of non-recurring items (considered net of taxes and non-controlling interests) normalised profit for the period rose to €59 million compared with €19.1 million in the same quarter of 2013. In the first quarter of 2014 these items consisted of expense of €0.9 million (due to the payment on the balance of the sales price of the subsidiary BDG) and of income of €7.4 million in the first quarter of 2013 (due mainly to the disposal of equity instruments and an earn out on the prior-year sale of an equity investment, although this was partially offset by impairment losses on an available-for-sale financial security).
Both quarters included costs resulting from the purchase price allocation amounting to €6.9 million in 2014 and €8.9 million in 2013.

2 The average one month Euribor rate did in fact grow over the two quarters from 0.119% in 2013 to 0.229% in the current year.

3 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).

principal refinancing operations (down from 0.75% in the first three months of 2013 to the current 0.25%). Net of that component, the contribution from business with banks was -€4.6 million. It was -€2.3 million in the first months of 2013.

Interest and similar income: composition

Figures in thousands of euro	Debt instruments	Financing	Other transactions	1Q 2014	1Q 2013
1. Financial assets held for trading	10,256	-		10,256	15,189
2. Financial assets designated at fair value	-	-	-	-	-
3. Available-for-sale financial assets	102,654	-	-	102,654	106,762
3. Held-to-maturity investments	26,448	-	-	26,448	27,058
5. Loans and advances to banks	551	1,292	-	1,843	2,552
6. Loans and advances to customers	211	626,442	114	626,767	659,051
7. Hedging derivatives	-	-	17,389	17,389	19,923
8. Other assets	-	-	10	10	160
Total	**140,120**	**627,734**	**17,513**	**785,367**	**830,695**

Interest and similar expense: composition

Figures in thousands of euro	Borrowings	Securities	Other transactions	1Q 2014	1Q 2013
1. Due to central banks	(7,500)	-	-	(7,500)	(22,500)
2. Due to banks	(6,399)	-	-	(6,399)	(4,839)
3. Due to customers	(55,672)	-	(135)	(55,807)	(106,819)
4. Debt securities issued	-	(252,332)	-	(252,332)	(266,532)
5. Financial liabilities held for trading	(8,756)	-	-	(8,756)	(12,686)
6. Financial liabilities designated at fair value	-	-	-	-	-
7. Other liabilities and provisions	-	-	(101)	(101)	(99)
8. Hedging derivatives	-	-	-	-	-
Total	**(78,327)**	**(252,332)**	**(236)**	**(330,895)**	**(413,475)**

Net interest income				**454,472**	**417,220**

Dividends of €0.8 million were received during the quarter almost entirely on the available-for-sale securities portfolio held by UBI Banca (€0.5 million in 2013), while *profits of equity-accounted investees*[4] totalled €10.9 million (€8.5 million in the comparative period), the most significant of which were earned by: Aviva Vita (€4.4 million, compared with €3.6 million in 2013), Lombarda Vita (€2.1 million, compared with €2 million before), Aviva Assicurazioni Vita (€1.8 million compared with €0.9 million) and UBI Assicurazioni (€2.2 million compared with €2 million in 2013).

Net fee and commission income stood at €300.1 million, down by €4.7 million compared with 2013, the aggregate result on the one hand of good performance by commissions on investment services (+€9.1 million) and on the other of a decrease in commissions from general banking services (-€13.8 million). In detail:

- management, trading and advisory services contributed €158.3 million to the result[5], driven by portfolio management (+€3 million), the receipt and transmission of orders (+€1.7 million) and above all by the distribution of third party services (+€6.2 million), which include insurance products (+€4.8 million). However, items relating to advisory services, custody and administration and also the placement of securities and funds and trading in financial instruments performed weakly to a certain extent. Fee and commission expense on sales of financial instruments, products and services through indirect networks fell to €11.4 million from €12.3 million in the comparative period;
- ordinary banking business[6] continued to be affected by the difficult operating environment and in particular by the slowness of the recovery in lending. This business contributed

4 The item consists of the profits of the companies recognised on the basis of the percentage interest held by the Group.
5 The amount consists of management, trading and advisory services net of the corresponding expense items and is calculated excluding currency trading.
6 All the changes were calculated by subtracting commission expense from the respective commission income.

€141.8 million, with decreases recorded for the following items: factoring (-€1.3 million), payment and collections services (-€0.7 million), current account administration (-€0.6 million), foreign exchange trading (-0.1 milion1) and other services (-€12.1 million, which include commitment fees down by €4.1 million).

As already reported, the item "guarantees" includes the cost (down to €10.1 million from €11.5 million in the first quarter of 2013) of the grant of a guarantee by the Italian government on bond issues made in 2012 by UBI Banca amounting to €6 billion nominal, designed to increase assets eligible for refinancing with the ECB. As shown by the year-on-year comparison, the item includes the first effects of the early redemption of €3 billion on the bonds on 7th March 2014. The expense consists of an annual percentage of the nominal amount of the bonds.

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	1Q 2014	1Q 2013
a) guarantees granted	15,155	15,275
c) management, trading and advisory services	179,237	170,993
1. trading in financial instruments	6,468	6,511
2. foreign exchange trading	1,284	1,410
3. portfolio management	62,142	58,986
3.1. individual	16,192	17,073
3.2. collective	45,950	41,913
4. custody and administration of securities	2,147	2,938
5. depository banking		-
6. placement of securities	48,297	49,207
7. receipt and transmission of orders	14,482	12,799
8. advisory activities	1,304	2,270
8.1 on investments	1,304	2,270
9. distribution of third party services	43,113	36,872
9.1. portfolio management	9	9
9.1.1. individual	9	9
9.2. insurance products	33,778	28,968
9.3. other products	9,326	7,895
d) collection and payment services	35,318	35,486
f) services for factoring transactions	5,187	6,477
i) current account administration	47,566	48,136
j) other services	64,869	75,659
Total	**347,332**	**352,026**

Fee and commission expense: composition

Figures in thousands of euro	1Q 2014	1Q 2013
a) guarantees received	(10,836)	(11,954)
c) management and trading services:	(19,633)	(20,428)
1. trading in financial instruments	(2,704)	(2,974)
2. foreign exchange trading	(2)	(2)
3. portfolio management	(2,571)	(2,397)
3.1. own	-	-
3.2. on behalf of third parties	(2,571)	(2,397)
4. custody and administration of securities	(1,821)	(1,648)
5. placement of financial instruments	(1,184)	(1,068)
6. financial instruments, products and services distributed through indirect networks	(11,351)	(12,339)
d) collection and payment services	(9,906)	(9,335)
e) other services	(6,847)	(5,523)
Total	**(47,222)**	**(47,240)**
Net fee and commission income	**300,110**	**304,786**

Benefiting, amongst other things, from growing international interest in Italian government securities, *financial activities* generated a profit of €62.6 million, an improvement of €20.6 million compared with the first quarter of 2013. In detail:

- trading contributed €34.1 million (€26.3 million in the comparative period) as follows: €19.2 million from debt instruments[7] (of which €17.6 million from profit-taking), €6.5 million of net gains on uncovered short positions on debt instruments, €0.3 million from derivatives on debt instruments and interest rates, €0.4 million from equity instruments and €7.7 million from currency activities;
- 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 positive by €0.6 million (€2.3 million in 2013);
- hedging – which consists of the change in the fair value of derivatives and of the relative items hedged generated a loss of €4.2 million, in relation largely to derivatives on AFS securities and on mortgages and loans (-€1.3 million in 2013, resulting mainly from derivatives to hedge bonds);
- the disposal of AFS instruments and the repurchase of financial liabilities generated profits of €32.1 million, of which €34.1 million from the sale of €1.5 billion of Italian government

7 In view of UBI Banca's current operations on financial markets, an aggregate reading of the results for debt instruments and the relative derivatives is no longer appropriate. The commentary therefore gives a separate analysis, while the comparative figures remain valid as they clearly reflect the position previously under examination.

securities, -€0.7 million from the disposal of marginal deteriorated positions (restructured and impaired) relating to the former Centrobanca and -€1.3 million from the repurchase of securities issued as part of normal business with customers.

In 2013, €14.7 million was earned as follows: €2.4 million from the sale of two bonds issued by banks; €13.5 million from equity instruments (in detail, a gain of €11.4 million on the Intesa Sanpaolo shares, €0.6 million on A2A shares and an addition of €1.5 million to the price for the disposal of the Centrale Bilanci – now the Cerved Group – performed in 2008; all these amounts were subject to normalisation); -€0.5 million from the buyback of debt securities issued as part of ordinary business operations; and -€0.6 million from the disposal of loans and receivables without recourse by BPB (€0.5 million) and BRE (€0.1 million).

Net trading income

Figures in thousands of euro	Gains (A)	Profits from trading (B)	Losses (C)	Losses from trading (D)	Net income 1Q 2014 [(A+B)-(C+D)]	1Q 2013
1. Financial assets held for trading	**24,614**	**8,496**	**(4,904)**	**(6,677)**	**21,529**	**69,528**
1.1 Debt instruments	17,614	2,111	(387)	(185)	19,153	3,983
1.2 Equity instruments	432	37	(47)	(4)	418	415
1.3 Units in UCITS	3	-	(3)	(1)	(1)	(19)
1.4 Financing	-	-	-	-	-	-
1.5 Other	6,565	6,348	(4,467)	(6,487)	1,959	65,149
2. Financial liabilities held for trading	**7,763**	**-**	**(1,299)**	**-**	**6,464**	**12,420**
2.1 Debt instruments	7,763	-	(1,299)	-	6,464	12,379
2.2 Payables	-	-	-	-	-	-
2.3 Other	-		-	-	-	41
3. Financial assets and liabilities: exchange rate differences	**X**	**X**	**X**	**X**	**1,494**	**(5,479)**
4. Derivative instruments	**171,912**	**101,182**	**(180,974)**	**(91,762)**	**4,598**	**(50,183)**
4.1 Financial derivatives	171,912	101,182	(180,974)	(91,762)	4,598	(50,183)
- on debt instruments and interest rates	*170,833*	*98,784*	*(179,908)*	*(89,422)*	*287*	*2,657*
- on equity instruments and share indices	*28*	*1*			*29*	*117*
- on currencies and gold	*X*	*X*	*X*	*X*	*4,240*	*(53,921)*
- other	*1,051*	*2,397*	*(1,066)*	*(2,340)*	*42*	*964*
4.2 Credit derivatives	-	-	-	-	-	-
Total	**204,289**	**109,678**	**(187,177)**	**(98,439)**	**34,085**	**26,286**

Net hedging loss

Figures in thousands of euro	1Q 2014	1Q 2013
Net hedging loss	**(4,188)**	**(1,297)**

Profit from disposal or repurchase

Figures in thousands of euro	Profits	Losses	Net profit 1Q 2014	1Q 2013
Financial assets				
1. Loans and advances to banks	-	-	-	-
2. Loans and advances to customers	-	(705)	(705)	(626)
3. Available-for-sale financial assets	34,136	(46)	34,090	15,847
3.1 Debt instruments	*34,136*	*-*	*34,136*	*2,390*
3.2 Equity instruments	*-*	*-*	*-*	*13,457*
3.3 Units in UCITS	*-*	*(46)*	*(46)*	*-*
3.4 Financing	*-*	*-*	*-*	*-*
4. Held-to-maturity investments	-	-	-	-
Total assets	**34,136**	**(751)**	**33,385**	**15,221**
Financial liabilities				
1. Due to banks	-	-	-	-
2. Due to customers	-	-	-	-
3. Debt securities issued	532	(1,802)	(1,270)	(490)
Total liabilities	**532**	**(1,802)**	**(1,270)**	**(490)**
Total	**34,668**	**(2,553)**	**32,115**	**14,731**

Net profit on financial assets and liabilities designated at fair value

Figures in thousands of euro	1Q 2014	1Q 2013
Net profit on financial assets and liabilities designated at fair value	**599**	**2,296**

Net income from trading, hedging and disposal/repurchase activities and from assets/liabilities designated at fair value	**62,611**	**42,016**

Other net operating income/expense fell from €26.8 million to €24.5 million, due to the trend for other operating income (-€2.7 million) and for prior year income in particular (-€3.5 million), which included fast credit processing fees, down by €2.6 million as a result of monitoring action taken to manage unauthorised overdrafts. However, a comparison between the two periods reported in the table shows an improvement in expense recoveries on current accounts and on finance lease contracts (up by a total of €1.7 million), while operating expenses decreased by €0.5 million also due to the performance of prior year expenses.

Other net operating income

Figures in thousands of euro	1Q 2014	1Q 2013
Other operating income	**36,932**	**39,663**
Recovery of expenses and other income on current accounts	3,260	2,568
Recovery of insurance premiums	5,898	6,370
Recoveries of taxes	47,094	37,350
Rents and other income for property management	1,256	1,708
Recovery of expenses on finance lease contracts	3,334	2,328
Other income and prior year income	23,184	26,689
Reclassification of "tax recoveries"	*(47,094)*	*(37,350)*
Other operating expenses	**(12,386)**	**(12,864)**
Depreciation of leasehold improvements	(1,180)	(1,060)
Costs relating to finance lease contracts	(2,185)	(1,173)
Expenses for public authority treasury contracts	(1,156)	(1,384)
Ordinary maintenance of investment properties	-	-
Other expenses and prior year expense	(9,045)	(10,307)
Reclassification of depreciation of leasehold improvements	*1,180*	*1,060*
Other net operating income	**24,546**	**26,799**

From a quarterly viewpoint, **operating income** (€853.4 million) compares with €951 million earned in the fourth quarter, which incorporated exceptional profits from the disposal of financial assets, due to ordinarily unrepeatable market conditions. In detail:

- *net interest income* remained almost unchanged at €454.5 million, although the period contained two business days less (down from €459.4 million in the fourth quarter, a level which had not been reached for as many as five quarters), with modest but uniform changes in all components as follows: -€3.5 million for business with customers, which was affected by the lower volumes of lending, but benefited from an increase in the spread (+5 basis points) in relation to the repricing of some forms of short-term funding; -€3.2 million from the debt instrument portfolio, impacted by a reduction in interest rates on maturities longer than two years; a €2 million reduction in net interest expense with banks which benefited from the reduction in the cost of the LTRO finance (0.25% from 13th November 2013);

Quarterly net interest income

Figures in thousands of euro	2014 1st Quarter	2013 4th Quarter	2013 3rd Quarter	2013 2nd Quarter	2013 1st Quarter
Banking business with customers	360,853	364,360	360,700	342,558	337,388
Financial activities	105,766	108,937	103,223	105,267	104,558
Interbank business	(12,056)	(14,082)	(17,938)	(19,658)	(24,787)
Other items	(91)	138	21	55	61
Net interest income	**454,472**	**459,353**	**446,006**	**428,222**	**417,220**

- *dividends*, which related primarily to the Parent's available-for-sale portfolio and the relative shareholders' meetings of the issuer companies, fell from €1.1 million to €0.8 million;
- *profits of equity-accounted investees* rose from €2.9 million in the fourth quarter of 2013 (penalised by a surtax on corporate income tax (IRES) of €7.3 million) to €10.9 million, commented in more detail above;
- *net fee and commission income* was unchanged compared with the fourth quarter (€299 million), which nevertheless included performance fees of €14.2 million relating to UBI Pramerica SGR. Net of this variable the item grew by 5.4%, the aggregate result of

Quarterly net fee and commission income

Figures in thousands of euro	2014 1st Quarter	2013 4th Quarter	2013 3rd Quarter	2013 2nd Quarter	2013 1st Quarter
Management, trading and advisory services (net of the corresponding expense items):	**158,322**	**146,493**	**138,104**	**148,534**	**149,157**
trading in financial instruments	3,764	2,844	2,581	2,392	3,537
portfolio management	59,571	78,098	58,803	58,800	56,589
custody and administration of securities	326	1,198	668	1,267	1,290
placement of securities	47,113	21,662	33,758	43,774	48,139
receipt and transmission of orders	14,482	12,644	10,103	12,552	12,799
advisory activities	1,304	1,510	1,357	913	2,270
distribution of third party services	43,113	39,146	39,002	38,413	36,872
financial instruments, products and services distributed through indirect networks	(11,351)	(10,609)	(8,168)	(9,577)	(12,339)
Banking services (net of the corresponding expense items):	**141,788**	**152,464**	**147,759**	**148,925**	**155,629**
guarantees	4,319	(959)	(103)	(1,160)	3,321
foreign exchange trading	1,282	1,530	1,530	1,504	1,408
collection and payment services	25,412	29,109	26,440	27,254	26,151
services for factoring transactions	5,187	5,272	5,549	5,892	6,477
current account administration	47,566	54,426	52,172	50,759	48,136
other services	58,022	63,086	62,171	64,676	70,136
Net fee and commission income	**300,110**	**298,957**	**285,863**	**297,459**	**304,786**

opposing performance by the two main business areas. On the one hand an improvement was recorded for management, trading and advisory services (+€26 million), as a result of the placement of securities (+€25.5 million) and the distribution of third party services (+€4 million above all from insurance business), although this was partly offset by a fall in portfolio management (-€4.3 million), custody and administration of securities (-€0.9 million, due to end of year charges) and an increase in commissions paid to financial advisors (+€0.7 million). On the other hand income from banking services fell by €10.7 million due to the poor performance by collection and payment services (-€3.7 million), other services (-€5.1 million, attributable partly to the trend for commitment fees) and current account administration (-€6.9 million due to the seasonal effect of end of year charges);

- *financial activities* generated a profit of €62.6 million (earned in equal measure by the disposal of Italian government securities and by trading activities) after €156.1 million achieved in the fourth quarter mainly from disposal of Italian government securities (€89.1 million), from the sale of the last tranche of Intesa Sanpaolo shares (€11.8 million) and from the gain on the new stakes held in the Bank of Italy by BRE and Carime (€29.2 million) – the latter were both non-recurring. Trading activities contributed €28.3 million largely from trading in domestic bonds (of which €10.2 million from the closure of uncovered short positions);

Quarterly performance by financial activities

	2014	2013			
Figures in thousands of euro	1st Quarter	4th Quarter	3rd Quarter	2nd Quarter	1st Quarter
Financial assets held for trading	21,529	89,416	57,728	73,405	69,528
Financial liabilities held for trading	6,464	(1,011)	2,617	(3,277)	12,420
Other financial liabilities: exchange rate differences	1,494	4,121	(9,613)	9,622	(5,479)
Derivative instruments	4,598	(64,253)	(24,275)	(53,532)	(50,183)
Net trading income	**34,085**	**28,273**	**26,457**	**26,218**	**26,286**
Net hedging income (loss)	**(4,188)**	**428**	**888**	**(3,337)**	**(1,297)**
Total assets	33,385	128,489	25,620	47,546	15,221
Total liabilities	(1,270)	(1,019)	4,470	(2,362)	(490)
Profit from disposal or repurchase	**32,115**	**127,470**	**30,090**	**45,184**	**14,731**
Net income (loss) on financial assets and liabilities designated at fair value	**599**	**(72)**	**1,653**	**(714)**	**2,296**
Net result	**62,611**	**156,099**	**59,088**	**67,351**	**42,016**

- *other net operating income/expense* on the other hand fell to €24.5 million from €32.6 million before, due to lower seasonal expenses and to the reduced contribution from fast credit processing fees for which the reduction seems to be structural in view of the constant monitoring conducted.

It must be considered that because the underlying items of prior year income and expense items are of a varied and non-structural nature, they often fluctuate greatly from one period to another.

Consistent with action taken to rationalise structural processes and to optimise activities, **operating expenses** fell in the first three months of the year to €521.2 million (down by €17.1 million compared with the first quarter of 2013), which confirmed the increasingly sharper trend to reduce the general operating costs of the Group, seen in the reduction in all items of expense.

- *staff costs* amounted to €326.1 million (-€5.3 million). As shown in the table, €4.8 million of the decrease is attributable to employees. While ordinary wage trends continued (+€3 million), a reduction in average staff numbers was recorded (down by 74, to give a reduction of €1.7 million) along with the impacts of the exclusion of Banque de Dépôts et de Gestion from the consolidation and the liquidation of UBI Capital Singapore Pte (-€3.4 million);

Staff costs: composition

Figures in thousands of euro	1Q 2014	1Q 2013
1) Employees	**(321,990)**	**(326,824)**
a) Wages and salaries	(226,039)	(227,985)
b) Social security charges	(61,840)	(62,063)
c) Post-employment benefits	(11,956)	(12,135)
d) Pension expense	-	(322)
e) Provision for post-employment benefits	(989)	(1,098)
f) Pensions and similar obligations:	(516)	(759)
- defined contribution	-	(26)
- defined benefit	(516)	(733)
g) Payments to external supplementary pension plans:	(9,978)	(10,521)
- defined contribution	(9,771)	(10,406)
- defined benefit	(207)	(115)
h) Expenses resulting from share based payments	-	-
i) Other employee benefits	(10,672)	(11,941)
2) Other staff in service	**(358)**	**(393)**
- Expenses for agency staff on staff leasing contracts	-	(36)
- Other expenses	(358)	(357)
3) Directors and statutory auditors	**(3,746)**	**(4,136)**
4) Expenses for retired staff	**-**	**-**
Total	**(326,094)**	**(331,353)**

- *other administrative expenses* fell to €152.6 million, down by €9.1 million, comprised of +€1.1 million from indirect taxation and -€10.2 million from current expenses, subject to rigorous cost-cutting policies. This reduction involved the following: rent payable and the tenancy of premises (-€3.3 million, as a result of branch closures, further renegotiations of contracts and lower consumption for heating), telephone and data transmission services (-€2.9 million, in relation to the renegotiation of contracts), professional and advisory services (-€2.2 million, partly due to the absence of costs incurred for calculating the capital requirement using advanced internal methods), postal expenses (-€0.7 million, due to fewer hardcopy documents sent and lower unit costs). Savings were offset by higher costs for outsourced services (+€0.9 million, for the launch of the new "Monetica" payment card model) and credit recovery expenses (+€0.8 million, as a consequence of the operating environment). The effects of the exclusion of BDG from the consolidation and the liquidation of UBI Capital Singapore Pte had an impact of -€2.3 million;

Other administrative expenses: composition

Figures in thousands of euro	1Q 2014	1Q 2013
A. Other administrative expenses	**(138,645)**	**(148,817)**
Rent payable	(14,857)	(16,711)
Professional and advisory services	(14,294)	(16,521)
Rentals hardware, software and other assets	(9,902)	(10,193)
Maintenance of hardware, software and other assets	(9,285)	(9,876)
Tenancy of premises	(12,953)	(14,391)
Property maintenance	(4,477)	(4,865)
Counting, transport and management of valuables	(3,188)	(3,373)
Membership fees	(2,332)	(2,425)
Information services and land registry searches	(2,603)	(2,497)
Books and periodicals	(353)	(425)
Postal	(5,829)	(6,533)
Insurance premiums	(10,102)	(10,483)
Advertising	(3,268)	(3,672)
Entertainment expenses	(300)	(199)
Telephone and data transmission expenses	(11,043)	(13,927)
Services in outsourcing	(12,504)	(11,568)
Travel expenses	(4,378)	(4,559)
Credit recovery expenses	(10,032)	(9,252)
Forms, stationery and consumables	(1,855)	(2,081)
Transport and removals	(1,613)	(1,683)
Security	(2,142)	(2,181)
Other expenses	(1,335)	(1,402)
B. Indirect taxes	**(13,971)**	**(12,876)**
Indirect taxes and duties	(3,122)	(3,410)
Stamp duty	(44,633)	(35,099)
Municipal property tax	(4,443)	(3,814)
Other taxes	(8,867)	(7,903)
Reclassification of "tax recoveries"	*47,094*	*37,350*
Total	**(152,616)**	**(161,693)**

- *depreciation, amortisation and net impairment losses on property, plant and equipment and intangible assets* fell to €42.5 million (-€2.7 million), due mainly to lower depreciation and amortisation on the core perimeter of the Group (-€1.7 million) and the impact of the disposal of BDG (-€0.7 million).

A quarterly analysis also shows a reduction in **operating expenses** down to 521,2 million euro from 538,4 million euro in the fourth quarter, showing, however, a marked fall compared to expenses recorded in all the previous periods in 2013.

In detail, the fall over the last three months (-€17.2 million) is the aggregate result of uniform performance within the item (even if of differing magnitude), which was partly affected also by some seasonal factors characteristic of the two periods:

- *staff costs* decreased to €326.1 million (-€1.2 million) due to the joint action of a number of factors: firstly due to the impacts of the trade union agreements signed since 2012, but also due to the absence of some items specific to the fourth quarter, offset on the other hand by variable components of wages and also by ordinary trends for wages and staff numbers (related to the employment of "task force" and seasonal staff);

Quarterly performance of staff costs

	2014	2013			
Figures in thousands of euro	1st Quarter	4th Quarter	3rd Quarter	2nd Quarter	1st Quarter
1) Employees	**(321,990)**	**(323,191)**	**(323,861)**	**(310,754)**	**(326,824)**
a) Wages and salaries	(226,039)	(229,374)	(229,347)	(219,612)	(227,985)
b) Social security charges	(61,840)	(59,069)	(60,281)	(59,561)	(62,063)
c) Post-employment benefits	(11,956)	(13,067)	(12,113)	(11,971)	(12,135)
d) Pension expense	-	889	(316)	(303)	(322)
e) Provision for post-employment benefits	(989)	(807)	(1,145)	(964)	(1,098)
f) Pensions and similar obligations	(516)	(564)	(376)	(366)	(759)
g) Payments to external supplementary pension plans:	(9,978)	(9,562)	(9,850)	(9,871)	(10,521)
h) Expenses resulting from share based payments	-	-	-	-	-
i) Other employee benefits	(10,672)	(11,637)	(10,433)	(8,106)	(11,941)
2) Other staff in service	**(358)**	**(445)**	**(401)**	**(389)**	**(393)**
3) Directors	**(3,746)**	**(3,703)**	**(3,882)**	**(3,738)**	**(4,136)**
4) Expenses for retired staff	-	-	-	-	-
Staff costs	(326,094)	(327,339)	(328,144)	(314,881)	(331,353)

- *other administrative expenses* fell to €152.6 million (-€13.3 million, of which +€2.8 million for indirect taxation and -€16.1 million for current expenses), due above all to the different timing of invoices, which tend to concentrate in June and December, connected with professional services, the tenancy and maintenance of properties (due to the effects of the renegotiation of contracts), credit recovery expenses and advertising and promotion expenses (due to end of year free gifts and sponsorships). These reductions were offset by increases in outsourced services (due to the rollout of the new

"Monetica" payment card model) and postal expenses (due to the impact of end of year statement expenses recognised in January);

- *depreciation, amortisation and net impairment losses on property, plant and equipment and intangible assets* decreased to €42.5 million (-€2.6 million), replicating factors already mentioned in the year-on-year commentary.

Quarterly performance of other administrative expenses

Figures in thousands of euro	2014 1st Quarter	2013 4th Quarter	2013 3rd Quarter	2013 2nd Quarter	2013 1st Quarter
A. Other administrative expenses	**(138,645)**	**(154,758)**	**(145,266)**	**(161,077)**	**(148,817)**
Rent payable	(14,857)	(14,889)	(14,849)	(15,196)	(16,711)
Professional and advisory services	(14,294)	(22,153)	(16,900)	(21,988)	(16,521)
Rentals on hardware, software and other assets	(9,902)	(9,468)	(9,461)	(9,942)	(10,193)
Maintenance of hardware, software and other assets	(9,285)	(9,694)	(9,431)	(9,057)	(9,876)
Tenancy of premises	(12,953)	(13,787)	(14,846)	(12,084)	(14,391)
Property and equipment maintenance	(4,477)	(9,180)	(6,354)	(6,966)	(4,865)
Counting, transport and management of valuables	(3,188)	(3,514)	(3,277)	(3,380)	(3,373)
Membership fees	(2,332)	(2,309)	(2,375)	(2,703)	(2,425)
Information services and land registry searches	(2,603)	(3,590)	(2,331)	(2,411)	(2,497)
Books and periodicals	(353)	(166)	(309)	(404)	(425)
Postal	(5,829)	(4,045)	(5,312)	(5,323)	(6,533)
Insurance premiums	(10,102)	(9,694)	(11,229)	(10,438)	(10,483)
Advertising	(3,268)	(5,082)	(3,046)	(9,628)	(3,672)
Entertainment expenses	(300)	(597)	(321)	(648)	(199)
Telephone and data transmission expenses	(11,043)	(11,855)	(14,434)	(13,843)	(13,927)
Services in outsourcing	(12,504)	(10,731)	(10,154)	(11,098)	(11,568)
Travel expenses	(4,378)	(4,949)	(3,961)	(4,964)	(4,559)
Credit recovery expenses	(10,032)	(12,112)	(10,056)	(12,580)	(9,252)
Forms, stationery and consumables	(1,855)	(1,546)	(1,790)	(2,299)	(2,081)
Transport and removals	(1,613)	(1,661)	(1,741)	(1,834)	(1,683)
Security	(2,142)	(2,162)	(1,921)	(2,232)	(2,181)
Other expenses	(1,335)	(1,574)	(1,168)	(2,059)	(1,402)
B. Indirect taxes	**(13,971)**	**(11,186)**	**(13,433)**	**(12,480)**	**(12,876)**
Other administrative expenses	**(152,616)**	**(165,944)**	**(158,699)**	**(173,557)**	**(161,693)**

As a summary of overall performance, **net operating income** rose to €332.2 million, an increase of 27% compared to €261.5 million in the first quarter of 2013. This result was nevertheless down on €412.6 million recorded in the last three months of last year, driven by financial income very unlikely to recur.

In the period January-March 2014, net impairment losses on loans rose to €198.6 million (up from €157.7 million in the first quarter of 2013) and it was composed of €128.7 million (€82.9 million) relating to the network banks and €56 million (€63 million approx.) relating to the product companies (inclusive of UBI Banca in relation to the operations acquired with the merger of the former B@nca 24-7 and the former Centrobanca into it).

The total was driven by (i) specific net impairment losses on deteriorated loans of €212.2 million (+€56.6 million, of which €48.6 million related to the network banks and €5.7 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[8]) and by (ii) net reversals of collective impairment losses on performing loans of €13.6 million due to a reduction in volumes of business and a partial change in the composition into lower risk categories (€12.6 million relating to the Parent, partly in consideration of the remaining former B@nca 24-7 amounts, and to the product companies – Prestitalia and UBI Leasing – and also €0.8 million relating to the network banks).

Net impairment losses on loans: composition

Figures in thousands of euro	Impairment losses/ reversals of impairment losses, net: Specific	Portfolio	1Q 2014
A. Loans and advances to banks	-	-	-
B. Loans and advances to customers	(212,210)	13,584	(198,626)
C. Total	**(212,210)**	**13,584**	**(198,626)**

Figures in thousands of euro	Impairment losses/ reversals of impairment losses, net: Specific	Portfolio	
A. Loans and advances to banks	-	(7)	(7)
B. Loans and advances to customers	(155,657)	(2,078)	(157,735)
C. Total	**(155,657)**	**(2,085)**	**(157,742)**

Overall the quarter recorded reversals of impairment losses (net of present value discounts) of €80.7 million (€51 million in the first three months of 2013).

8 In view of the distribution plan under the creditor arrangement proceedings, the position was written down by a further €13.7 million in the quarter. In the first three months of 2013 UBI Banca International had written down that same position by €11.2 million.

The loan loss rate (calculated as total net impairment losses as a percentage of net loans to customers) rose at the same time by 0.68% in the first quarter of 2013 to 0.91% in 2014 (annualised data), compared with 1.07% recorded for the full year 2013, which nevertheless also incorporated the impact of the decrease in the relative total volumes.

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)**									
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)**	(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)**	(77,484)	(25,384)	**(102,868)**	(219,512)	(90,887)	**(310,399)**

In quarterly terms, *net impairment losses* fell from €366.3 million in the fourth quarter of 2013 to the current €198.6 million. Since the former normally extend to include positions that arise following the end of the year, the comparison is not particularly significant.
The fall in total impairment losses (-€167.7 million) is attributable to lower specific impairment losses of €135.1 million, affected by the seasonal factors already mentioned, and also to lower impairment losses on performing loans of €32.6 million (in view of reversals of €13.6 million recognised in the first quarter of 2014). The figure for the fourth quarter of 2013 also incorporated the effects of updates made to the historical data series.
The loan loss rate therefore stood at 0.91% compared with 1.66% in the last three months of 2013 (annualised data).

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

- €1.7 million of *net reversals of impairment losses on other financial assets/liabilities* composed as follows: +€0.3 million for the item 130b (of which -€0.9 million for impairment losses on instruments held in the AFS portfolio, mainly units in UCITS, and +€1.2 million for the reversal of losses on a bond held in portfolio) and +€1.4 million for item 130d relating to losses on unsecured guarantees granted.
  Net impairment losses of €8.3 million were recognised in 2013, including €9 million (non-recurring) for the write-down (95%) of a security held in the AFS portfolio of former Centrobanca.
- €10.1 million of *net provisions for risks and charges* relating primarily to Prestitalia, to meet expected reimbursements to customers.
  In 2013 provisions of €2.3 million were recognised in relation to Prestitalia, relating to the insourcing of the activities of another outside financial company and also to the settlement of outstanding items generated by the records system;
- €0.7 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).
  In 2013 this item recorded a loss of €0.5 million, because it included an impairment loss on the investment in By You (-€0.9 million), which was completely written down in view of its liquidation in progress, notwithstanding the positive impacts (+€0.6 million) of the disposal of a property by Banco di Brescia.

Net provisions for risks and charges

Figures in thousands of euro	1Q 2014	1Q 2013
Net provisions for revocation clawback risks	(16)	52
Net provisions for staff costs	(15)	(15)
Net provision for bonds in default	(8)	302
Net provisions for litigation	(2,622)	(1,383)
Other net provisions for risks and charges	(7,402)	(1,285)
Total	**(10,063)**	**(2,329)**

The following entries were made in the fourth quarter:

- €25.2 million of *net impairment losses on other financial assets/liabilities*, mainly non-recurring as follows:
  - €17.1 million for Interbank Deposit Protection Fund action taken to assist Banca Tercas in extraordinary administration;

- €2.1 million attributable to BRE and to the investee (14.23%) G.E.C. Spa (Gestioni Esazioni Convenzionate) in order to reconstitute the share capital on a pro rata basis in order to allow it to continue to operate with completely new management;
- €6 million relating in part to the write-down of instruments held in the AFS portfolio (including equity instruments of €3.1 million held by network banks resulting from the conversion of loans) and in part to impairment losses on unsecured guarantees granted;

- €2 million of releases and uses of *net provisions for risks and charges* relating to the network banks, to Prestitalia and to UBI Leasing;
- €7.5 million of net loss from the disposal of equity investments, inclusive of -€10.2 million (non-recurring) on the disposal of Banque de Dépôts et de Gestion and its subsidiary Sofipo Sa (a sale which at consolidated level resulted in the derecognition of negative equity reserves which over the years had accumulated both the net results of the Swiss bank and exchange rate differences against the Swiss franc), only partially offset by profits realised from an adjustment of the price (+€0.4 million) on the disposal of the former UBI Insurance Broker and on the disposals of properties by BPCI and Banco di Brescia amounting to €2.5 million.

As a result of the performance described above, **profit from continuing operations** before tax amounted to €124.5 million, an improvement of 34.5% compared with the same quarter in 2013.
On a quarterly basis profit from continuing operations increased even more significantly from €15.5 million in the fourth quarter to the current €124.5 million.

Taxes on income for the period from continuing operations amounted to €58.7 million, compared with €56.6 million in the first quarter of 2013, to give a *tax rate* of 47.15%, compared with 61.13% before, which clearly reflected a different composition of Group revenues in the period. Compared to the theoretical rate (33.07%), the actual tax rate levied was mainly conditioned by the combined effect of greater IRES (corporate income tax) and IRAP (regional production tax), due to:

- the partial non deductibility of interest expense (4%), introduced by Law No. 133 of 6th August 2008 (4 percentage points);
- the higher taxation on dividends eliminated in the consolidation (3.4 percentage points);
- non-tax deductible expenses, costs and provisions (3.5 percentage points);
- losses of Group companies not recoverable for tax purposes (3.6 percentage points);
- the non-deductibility of staff costs and the partial non-deductibility of other administrative expenses and depreciation and amortisation (9.9 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 (2.9 percentage points); the *Aiuto alla crescita economica* (ACE – "aid to economic growth") concessions (2.7 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% (2.2 percentage points); and the subtraction from the Parent's taxable income of prior year tax losses that can be offset (2.6 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) stood at €7.7 million, down from €9.5 million in 2013.
No significant change occurred compared with €7.6 million of *profit attributable to non-controlling interests* recognised in the fourth quarter.

Finally, the following non-recurring expenses for the fourth quarter have been stated under separate items, shown net of taxes and non-controlling interests:

- €37.7 million of *net impairment losses on goodwill and property, plant and equipment* – net of taxes of €7.6 million and non-controlling interests of €2.5 million. These losses arose from impairment tests conducted at the end of the year and consisted of €24.9 million for the full write-down of Prestitalia goodwill and of €12.8 million for write-downs of the higher value attributed to the properties of some network banks (mainly BRE and Banco di Brescia), when the purchase price relating to the merger was allocated;
- €26 million of *redundancy incentive scheme expenses* (net of taxes of €9.9 million and non-controlling interests of €0.1 million) in relation to the agreement of 6th March 2014 reached with trade union organisations concerning redundancy applications which had been suspended as part of the redundancy plan defined in the agreements of 29th November 2012, since the conditions apply under international financial reporting standards.

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.

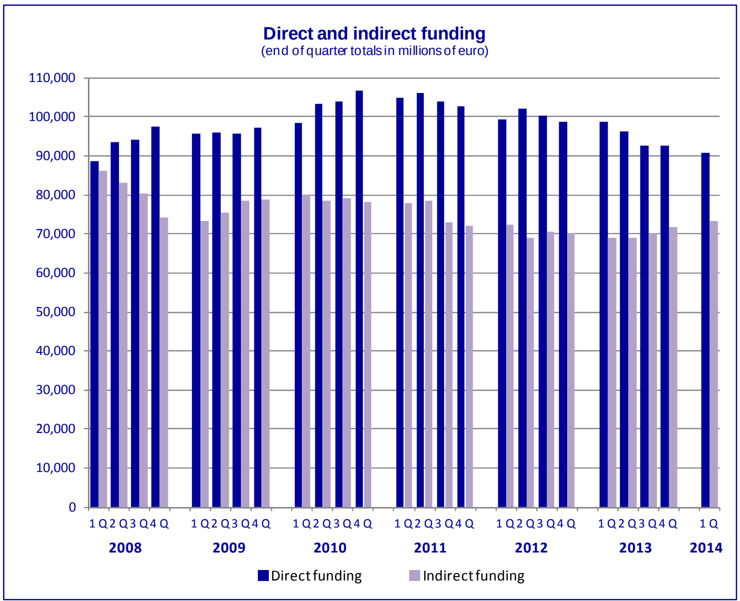
General banking business with customers: funding

Total funding

Total group funding, consisting of total amounts administered on behalf of customers, stood at €164.2 billion as at 31st March 2014, more or less unchanged during the quarter, but down year-on-year (-€3.3 billion) as a result of a strong contraction in direct funding, only partially offset by nevertheless significant growth in indirect funding.

Total funding from customers

Figures in thousands of euro	31.3.2014 A	%	31.12.2013 B	%	Changes A/B amount	Changes A/B %	31.3.2013 C	%	Changes A/C amount	Changes A/C %
Direct funding	90,844,201	55.3%	92,603,936	56.4%	-1,759,735	-1.9%	98,678,415	58.9%	-7,834,214	-7.9%
Indirect funding	73,391,738	44.7%	71,651,786	43.6%	1,739,952	2.4%	68,881,438	41.1%	4,510,300	6.5%
of which: assets under management	*39,795,632*	*24.2%*	*39,553,848*	*24.1%*	*241,784*	*0.6%*	*38,316,266*	*22.9%*	*1,479,366*	*3.9%*
Total funding from customers	**164,235,939**	**100.0%**	**164,255,722**	**100.0%**	**-19,783**	**0.0%**	**167,559,853**	**100.0%**	**-3,323,914**	**-2.0%**
Total funding net of CCG and institutional funding	148,311,912		146,312,120		1,999,792	1.4%	149,281,392		-969,480	-0.6%



In reality direct funding was affected on the one hand by action taken in 2013 to contain the cost of funding and on the other hand by factors of an institutional nature which did not concern business with ordinary customers itself. This consisted primarily of a reduction in repurchase agreement business with the *Cassa di Compensazione e Garanzia* (CCG – a central counterparty clearing house) in 2014 which occurred at the same time as liquidity was generated by the recovery of international placements which did not commence until the fourth quarter of 2013.

As already reported, in view of the Group's positive liquidity position and structural balance, in 2013 UBI Banca had preferred to postpone a return to markets in the expectation of conditions occurring that are more consistent with the budgeted costs, notwithstanding the significant maturities during the year.

As shown in the table, net of the institutional components just mentioned, the Group's total "core" funding was almost unchanged compared to March 2013 (-0.6%) and it recovered during the quarter (+€2 billion), a reflection of an increase in indirect funding but also of firm performance by current accounts and deposits and good performance by the placement of own issue bonds.

Direct funding

At the end of first quarter of 2014, the Group's direct funding totalled €90.8 billion, down by €7.8 billion year-on-year and by €1.8 billion in the period, affected by the trend for short-term funding both from ordinary customers (current accounts and term deposits) and from institutional counterparties (repurchase agreements with the CCG).

In detail, amounts **due to customers** stood at €46.4 billion (down by €8.5 billion compared with March 2013 and by €4.3 billion since December), having fallen progressively over twelve months, a reflection firstly of a fall – occurring in 2013 following the implementation of policies to contain more costly funding – in *current accounts* and *term deposits* (-€4.7 billion year-on-year, -€0.2 billion in the quarter)[1] and subsequently, in the first quarter of this year, of a fall in *repurchase agreements with the CCG* (-€3.5 billion compared with March, -€4.1 billion over three months), as a consequence of the greater liquidity available to the Group.

Direct funding from customers

Figures in thousands of euro	31.3.2014 A	%	31.12.2013 B	%	Changes A/B amount	Changes A/B %	31.3.2013 C	%	Changes A/C amount	Changes A/C %
Current accounts and deposits	42,443,090	46.7%	42,627,265	46.0%	-184,175	-0.4%	45,225,542	45.8%	-2,782,452	-6.2%
Term deposits	1,010,287	1.1%	1,014,170	1.1%	-3,883	-0.4%	2,933,559	3.0%	-1,923,272	-65.6%
Financing	2,174,806	2.4%	6,232,361	6.7%	-4,057,555	-65.1%	5,738,116	5.8%	-3,563,310	-62.1%
- repurchase agreements	*1,704,607*	*1.9%*	*5,756,598*	*6.2%*	*-4,051,991*	*-70.4%*	*5,216,576*	*5.3%*	*-3,511,969*	*-67.3%*
of which: repos with the CCG	*1,410,227*	*1.6%*	*5,499,671*	*5.9%*	*-4,089,444*	*-74.4%*	*4,916,887*	*5.0%*	*-3,506,660*	*-71.3%*
- other	*470,199*	*0.5%*	*475,763*	*0.5%*	*-5,564*	*-1.2%*	*521,540*	*0.5%*	*-51,341*	*-9.8%*
Other payables	738,481	0.8%	828,361	1.0%	-89,880	-10.9%	919,527	1.0%	-181,046	-19.7%
Total amounts due to customers (item 20 liabilities)	**46,366,664**	**51.0%**	**50,702,157**	**54.8%**	**-4,335,493**	**-8.6%**	**54,816,744**	**55.6%**	**-8,450,080**	**-15.4%**
Bonds	42,461,592	46.8%	39,773,397	42.9%	2,688,195	6.8%	40,562,221	41.1%	1,899,371	4.7%
Certificates of deposit (a)+(d)	1,914,176	2.1%	1,774,941	1.9%	139,235	7.8%	2,678,779	2.7%	-764,603	-28.5%
Other certificates (b)+(c)	101,769	0.1%	353,441	0.4%	-251,672	-71.2%	620,671	0.6%	-518,902	-83.6%
Total debt securities issued (item 30 liabilities)	**44,477,537**	**49.0%**	**41,901,779**	**45.2%**	**2,575,758**	**6.1%**	**43,861,671**	**44.4%**	**615,866**	**1.4%**
of which:										
securities subscribed by institutional customers:	14,513,800	16.0%	12,443,931	13.4%	2,069,869	16.6%	13,361,574	13.5%	1,152,226	8.6%
The EMTN programme (*)	*5,147,408*	*5.7%*	*4,157,406*	*4.5%*	*990,002*	*23.8%*	*5,859,468*	*5.9%*	*-712,060*	*-12.2%*
French certificates of deposit programme (a)	*549,917*	*0.6%*	*225,027*	*0.2%*	*324,890*	*144.4%*	*590,517*	*0.6%*	*-40,600*	*-6.9%*
The euro commercial paper programme (b)	*101,769*	*0.1%*	*13,445*	*0.0%*	*88,324*	*656.9%*	*280,707*	*0.3%*	*-178,938*	*-63.7%*
The covered bond programme	*8,714,706*	*9.6%*	*7,708,057*	*8.3%*	*1,006,649*	*13.1%*	*6,290,918*	*6.4%*	*2,423,788*	*38.5%*
Preference shares (**) (c)	-	-	*339,996*	*0.4%*	*-339,996*	*-100.0%*	*339,964*	*0.3%*	*-339,964*	*-100.0%*
securities subscribed by ordinary customers:	29,807,343	32.8%	29,319,478	31.7%	487,865	1.7%	30,351,552	30.7%	-544,209	-1.8%
of the Group:										
- Certificates of deposit (d)	*1,364,259*	*1.5%*	*1,549,914*	*1.7%*	*-185,655*	*-12.0%*	*2,088,262*	*2.1%*	*-724,003*	*-34.7%*
- Bonds:	*24,908,074*	*27.4%*	*24,085,839*	*26.0%*	*822,235*	*3.4%*	*24,396,900*	*24.7%*	*511,174*	*2.1%*
issued by UBI Banca	*15,168,845*	*16.7%*	*12,736,571*	*13.7%*	*2,432,274*	*19.1%*	*8,713,395*	*8.8%*	*6,455,450*	*74.1%*
issued by the network banks	*9,739,229*	*10.7%*	*11,349,268*	*12.3%*	*-1,610,039*	*-14.2%*	*15,683,505*	*15.9%*	*-5,944,276*	*-37.9%*
external distribution networks:										
- Bonds issued by the former Centrobanca	*3,535,010*	*3.9%*	*3,683,725*	*4.0%*	*-148,715*	*-4.0%*	*3,866,390*	*3.9%*	*-331,380*	*-8.6%*
Total direct funding	**90,844,201**	**100.0%**	**92,603,936**	**100.0%**	**-1,759,735**	**-1.9%**	**98,678,415**	**100.0%**	**-7,834,214**	**-7.9%**
Due to customers net of the CCG	*44,956,437*		*45,202,486*		*-246,049*	*-0.5%*	*49,899,857*		*-4,943,420*	*-9.9%*
Total direct funding net of the CCG and institutional funding	*74,920,174*		*74,660,334*		*259,840*	*0.3%*	*80,399,954*		*-5,479,780*	*-6.8%*

(*) The corresponding nominal amounts were €5,090 million as at 31st March 2014, €4,125 million as at 31st December 2013 and €5,771 million (€182 million subordinated) as at 31st March 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 31st March 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.

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

Debt securities issued – over 95% of which are bonds – rose to €44.5 billion (+€0.6 billion compared to a year before and +€2.6 billion in the quarter).

Within the item, *bonds* reached €42.5 billion compared to €40.6 billion a year before and €39.8 billion at the end of 2013, while *certificates of deposit* (€1.9 billion) and *other certificates* (€0.1 billion) – the latter consisted of commercial paper only at the end of the period[2] – recovered during the quarter following a downward trend in 2013.
Certificates of deposit in particular benefited from growth in the institutional component, while those subscribed by ordinary customers (€1.4 billion) fell further including those denominated in yen, down to €565 million.

In terms of type of customer, FUNDING IN SECURITIES FROM INSTITUTIONAL CUSTOMERS totalled €14.5 billion compared with €13.4 billion twelve months before and €12.4 billion at the end of December. It was composed as follows:

- EMTN securities (Euro Medium Term Notes) amounting to €5.1 billion, listed in London and issued as part of a programme for a maximum issuance of €15 billion.
  Two issuances were concluded over twelve months for €1.75 billion nominal (€750 million in October 2013 and €1 billion in February 2014), against maturities, redemptions and repurchases for a total of €2.431 billion nominal (concentrated in 2013);
- covered bonds of €8.7 billion, recorded growth compared to both comparative periods as a result of €2.5 billion nominal placed (€1.25 billion in October 2013 which was reopened for €0.25 billion in December and €1 billion in January 2014), against marginal decreases (€50.5 million) attributable to 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 €10 billion ceiling for a nominal amount of €8.165 billion, after a total of €84.6 million of amortisation[3]. The bonds are listed in London.
  As at 31st March 2014, the residential mortgage asset pool formed at UBI Finance to back the issuances totalled €14.3 billion, of which 23.3% originated by Banca Popolare di Bergamo, 18.5% by Banco di Brescia, 14.4% by Banca Popolare Commercio e Industria, 14% by UBI Banca, approximately 11% by Banca Regionale Europea, 8.6% by Banca Popolare di Ancona, 6.8% by Banca Carime, 1.8% by Banca di Valle Camonica and 1.6% by UBI Banca Private Investment.
  The portfolio continued to maintain a high degree of fragmentation, including over 184 thousand mortgages with average residual debt of €77.5 thousand, distributed with approximately 64.2% in North Italy and in Lombardy especially (46% of the total).
  Further disposals were concluded during the quarter compared to those reported in the 2013 Annual Report.
  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 has only been used for self retained issuances[4].
  As at 31st March 2014 the commercial and residential mortgage asset pool formed at UBI Finance CB2 to back the issuances totalled €3.1 billion, of which 22.3% originated by Banca Popolare di Bergamo, 19.2% by Banca Regionale Europea, 18.6% by Banco di Brescia, 16.3% by Banca Popolare di Ancona, 10.1% by Banca Popolare Commercio e Industria, 9.6% by Banca Carime and 3.9% by Banca di Valle Camonica.
  The portfolio included approximately 26 thousand mortgages with average residual debt of €121 thousand, distributed, as for the first programme, with a high concentration (69%) in North Italy and in Lombardy especially (45% of the total).
  No further disposals of mortgages were concluded during the quarter compared to those reported in the 2013 Annual Report.
- French certificates of deposit amounting to €550 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 €102 million, again issued by UBI

2 As already reported the preference shares, which were recognised within other certificates with a value of approximately €340 million until 31st December 2013, were gradually redeemed during the quarter.
3 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 the Parent, these liabilities have not been recognised, in accordance with IFRS.
4 Two issuances in 2012 for a total of €2.12 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.

Banca International as part of a €6 billion programme listed in Luxembourg. Both instruments saw growth during the quarter attributable to a return of interest by investors in the presence of high liquidity at systemic level.

FUNDING IN SECURITIES FROM ORDINARY CUSTOMERS – 95.4% of which from bonds – amounting to €29.8 billion was relatively stable, although with a change in the composition in favour of bonds.
Within the item, captive bonds (up to €24.9 billion from €24.4 billion in the previous March and from €24.1 billion in December) continued to record opposing trends for UBI Banca issuances (up by €6.5 billion year-on-year and by €2.4 billion in the quarter) and network bank issuances (-€6 billion and -€1.6 billion, respectively), a result of the policy pursued since January 2013 to centralise issuances for customers at the Parent and place them through the network banks.

Bonds subscribed by network bank customers during the first quarter of 2014 totalled €2.7 billion nominal compared to maturities and repurchases totalling €1.9 billion nominal.

In the absence of new issuances non-captive funding, which had been carried out in the past by Centrobanca, continued to fall, down to €3.5 billion

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

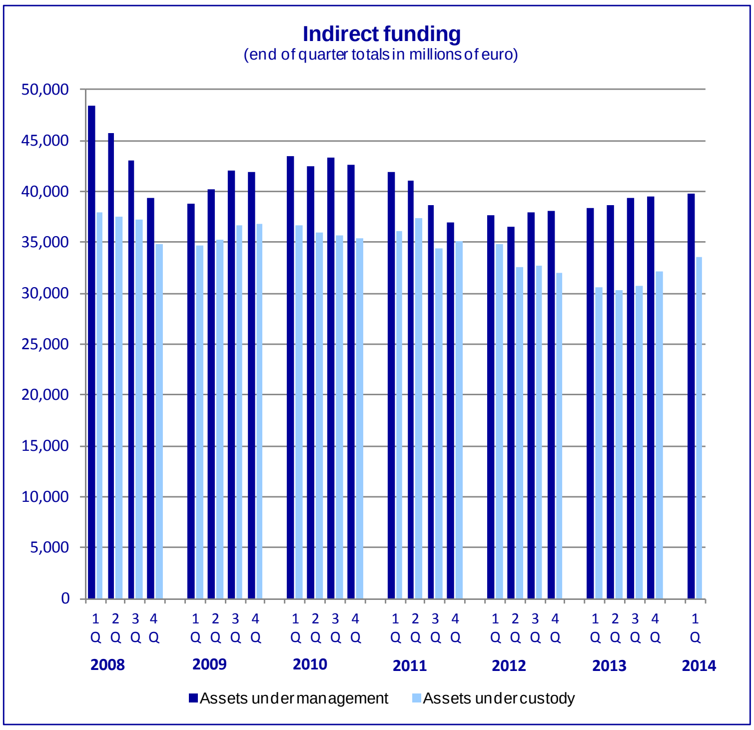
Maturities of bonds outstanding as at 31st March 2014

Nominal amounts in millions of euro	2nd Quarter 2014	3rd Quarter 2014	4th Quarter 2014	2015	2016	2017	Subsequent years	Total
UBI BANCA	2,291	1,008	1,393	5,321	8,435	3,098	10,271	31,817
of which: EMTNs	*870*	*690*	*481*	*965*	*100*	*800*	*1,184*	*5,090*
Covered bonds	*25*	*-*	*25*	*551*	*1,801*	*1,051*	*4,712*	*8,165*
Network banks	1,606	1,242	1,130	3,491	1,212	537	379	9,597
Other banks in the Group				2			4	6
Total	**3,897**	**2,250**	**2,523**	**8,814**	**9,647**	**3,635**	**10,654**	**41,420**

Indirect funding and assets under management

Indirect funding from ordinary customers

Figures in thousands of euro	31.3.2014 A	%	31.12.2013 B	%	Changes A/B amount	%	31.3.2013 C	%	Changes A/C amount	%
Assets under custody	**33,596,106**	**45.8%**	**32,097,938**	**44.8%**	**1,498,168**	**4.7%**	**30,565,172**	**44.4%**	**3,030,934**	**9.9%**
Assets under management	**39,795,632**	**54.2%**	**39,553,848**	**55.2%**	**241,784**	**0.6%**	**38,316,266**	**55.6%**	**1,479,366**	**3.9%**
Customer portfolio management	6,761,695	9.2%	6,940,568	9.7%	-178,873	-2.6%	7,777,365	11.3%	-1,015,670	-13.1%
of which: fund based instruments	*1,623,902*	*2.2%*	*1,588,871*	*2.2%*	*35,031*	*2.2%*	*1,654,707*	*2.4%*	*-30,805*	*-1.9%*
Mutual investment funds and Sicav's	21,173,805	28.8%	20,907,196	29.2%	266,609	1.3%	19,095,297	27.7%	2,078,508	10.9%
Insurance policies and pension funds	11,860,132	16.2%	11,706,084	16.3%	154,048	1.3%	11,443,604	16.6%	416,528	3.6%
of which: Insurance policies	*11,603,181*	*15.8%*	*11,454,276*	*16.0%*	*148,905*	*1.3%*	*11,201,482*	*16.3%*	*401,699*	*3.6%*
Total indirect funding from ordinary customers	**73,391,738**	**100.0%**	**71,651,786**	**100.0%**	**1,739,952**	**2.4%**	**68,881,438**	**100.0%**	**4,510,300**	**6.5%**



Indirect funding of the UBI Banca Group amounted to €73.4 billion at the end of March, a significant increase both during the quarter (+€1.7 billion) and year-on-year (+€4.5 billion).
That performance has benefited since September 2013 mainly from a marked and generalised improvement in conditions on financial markets which in Italy continued particularly strongly also into the first quarter of the new year.

As shown in the chart, indirect funding has been driven over twelve months mainly by assets under custody, which started to recover in the second half of 2013 and has accelerated since October. At the end of March they had reached €33.6 billion (up by €3 billion, half of which relating to the first quarter of 2014), with an increase at the same time as a percentage of the total (up from 44.4% to 45.8%). This recovery, assisted by a recovery in prices, more than compensated for changes in the composition of customer portfolios out of assets under management and into UBI Banca bond issues in particular.

Similarly, assets under management business also made a positive contribution with constant growth to €39.8 billion (+€1.5 billion, of which +€0.24 billion in the first quarter of 2014), accounting for 54.2% of total indirect funding.
This improvement, approximately half of which was attributable to the third quarter of 2013, was driven by mutual investment funds and sicav's which reached €21.2 billion (+€2.1 billion, of which +€0.27 billion in the first quarter of 2014) as a consequence of the results of the placement of UBI Pramerica[5] sicavs (totalling over €2.8 billion between April and October 2013).
This encouraging trend for assets under management was also assisted by the performance of insurance policies and pension funds, amounting to €11.9 billion (+€0.4 billion, of which +€0.15 billion in the first quarter of 2014), while customer portfolio management fell to approximately €6.8 billion (-€1 billion, of which -€0.18 billion since the beginning of the year)

5 High Yield Bond, Protezione Mercati Emergenti, Global Dynamic Allocation – class B, Multiasset Europe 50 – class A.

– primarily attributable to the disposal of BDG at the end of November 2013 – which nevertheless did not affect customer portfolio management in funds, which were unchanged year-on-year at €1.6 billion.

***

At the end of the quarter, Assogestioni (national association of asset management companies) data[6] relating to the UBI Banca Group asset management companies for mutual funds and Sicav's, was as follows for ASSETS UNDER MANAGEMENT ORIGINATED[7]:

- positive net inflows over three months of €302.7 million, amounting to 1.6% of assets under management originated at the end of 2013 (net inflows for the sector nationally on the other hand were positive at €24.8 billion, amounting to 4.4% of assets managed at the end of the year);
- an increase in assets over three months (+€551 million; +3%) largely in line with performance by the sector nationally (+€33.1 billion; +5.9%). The increase, on the other hand, in assets under management by the UBI Banca Group over twelve months was €607 million (+3.3%), compared with an increase of €84.6 billion for the sector (+16.7%);
- assets of €19.1 billion, which puts the Group in ninth place with a progressively decreasing market share down to 3.22% (3.31% in December; 3.64% in March 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 31st March 2014 was 5.54% – recovering from 5.33% in December – placing UBI Banca stably in fourth position among operators in the sector.

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

- a stable and much higher percentage of lower risk funds (monetary funds and bonds), falling progressively but still high, accounting as a whole for 61.4% of the total compared with 52% for the sector nationally. For UBI Banca the reduction in the bond component reflects a fall in the relative totals (-15.9% over twelve months; -4.2% since the end of 2013), moving in the opposite direction to the trend for the sector (+10.3%; +5.1%);
- a greater percentage of balanced funds – up year-on-year from 7.7% to 21.4% – compared with the average Assogestioni figure, in relation partly to some of the new sicav's placed;
- a percentage of equity funds down slightly and constantly lower than the benchmark sample (12.7% compared to 20.9%);
- a modest increase in flexible funds compared with a decidedly stronger trend for the sector;
- no investment in hedge funds (these accounted for 1.1% of the Assogestioni sample).

UBI Pramerica SGR Spa again received important recognition in the first three months of 2014:

- *the UBI Pramerica Privilege 4 fund received a prize in February at the 2014 Diaman Awards for second best fund of funds in the "balanced" category on the basis of performance in 2013 and the application of an indicator which measures risk-adjusted performance;*
- *UBI Pramerica SGR received a prize in March at the 2014 Grands Prix – Fundclass as the best Italian asset management company in the "26-40 funds" category;*
- *UBI Pramerica Obbligazione Dollari received a prize in March as part of the 2013 Premio Alto Rendimento as the "Best America Bond Fund, while UBI Pramerica Obbligazioni Globali Alto Rendimento received a prize as the "Best International Bond Fund".*

6 "Monthly map of assets under management", March 2014.
7 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 (€4.6 billion of mutual funds and sicav's, of which €1.5 billion in equities and €3.1 billion in bonds as at 31st March 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 Figures in millions of euro	31.3.2014 A	%	31.12.2013 B	%	Changes A/B amount	%	31.3.2013 C	%	Changes A/C amount	%
Equities	2,428	12.7%	2,433	13.1%	-5	-0.2%	2,460	13.3%	-32	-1.3%
Balanced	4,076	21.4%	3,067	16.6%	1,009	32.9%	1,414	7.7%	2,662	188.3%
Bond	9,976	52.4%	10,414	56.3%	-438	-4.2%	11,858	64.3%	-1,882	-15.9%
Monetary funds	1,711	9.0%	1,885	10.2%	-174	-9.2%	2,148	11.6%	-437	-20.3%
Flexible	866	4.5%	707	3.8%	159	22.5%	570	3.1%	296	51.9%
TOTAL (a)	**19,057**	**100.0%**	**18,506**	**100.0%**	**551**	**3.0%**	**18,450**	**100.0%**	**607**	**3.3%**

Sector Figures in millions of euro	31.3.2014 A	%	31.12.2013 B	%	Changes A/B amount	%	31.3.2013 C	%	Changes A/C amount	%
Equities	123,571	20.9%	120,598	21.6%	2,973	2.5%	107,353	21.2%	16,218	15.1%
Balanced	35,589	6.0%	29,416	5.3%	6,173	21.0%	22,802	4.5%	12,787	56.1%
Bond	282,763	47.8%	269,064	48.2%	13,699	5.1%	256,310	50.6%	26,453	10.3%
Monetary funds	24,646	4.2%	29,110	5.2%	-4,464	-15.3%	31,219	6.1%	-6,573	-21.1%
Flexible	115,341	19.5%	99,552	17.8%	15,789	15.9%	75,861	15.0%	39,480	52.0%
Hedge funds	6,246	1.1%	6,170	1.1%	76	1.2%	7,206	1.4%	-960	-13.3%
Unclassified	3,204	0.5%	4,384	0.8%	-1,180	-26.9%	5,974	1.2%	-2,770	-46.4%
TOTAL (b)	**591,360**	**100.0%**	**558,294**	**100.0%**	**33,066**	**5.9%**	**506,725**	**100.0%**	**84,635**	**16.7%**
MARKET SHARE OF THE UBI BANCA GROUP (a)/(b)	**3.22%**		**3.31%**				**3.64%**			
MARKET SHARE OF THE UBI BANCA GROUP LIMITED TO BANKING COMPANIES ONLY	**5.54%**		**5.33%**				**5.88%**			

***

Finally, as concerns ASSETS UNDER MANAGEMENT NET OF GROUP FUNDS (which includes collective instruments and customer portfolio management), at the end of the quarter the UBI Banca Group was again positioned in eighth place in the sector (in seventh place among Italian banking groups), with assets amounting to €29.8 billion – including €7.2 billion relating to institutional customers – and market share of 2.27%, slightly down compared with 2.32% in December (2.45% in March 2013).

If the analysis is limited to banks only, the UBI Banca Group's market share as at 31st March 2014 was 4.97% – an improvement compared with 4.86% in December but less than 5.12% recorded in March 2013 – placing the UBI Banca Group in fourth position among operators in the sector.

General banking business with customers: lending

Performance of the loan portfolio

Composition of loans to customers

Figures in thousands of euro	31.3.2014 A	%	*of which deteriorated*	31.12.2013 B	%	*of which deteriorated*	Changes A/B		31.3.2013 C	%	*of which deteriorated*	Changes A/C	
							amount	%				amount	%
Current account overdrafts	11,271,134	12.9%	*1,545,485*	11,534,556	13.1%	*1,569,335*	-263,422	-2.3%	12,469,479	13.5%	*1,396,389*	-1,198,345	-9.6%
Reverse repurchase agreements	187,088	0.2%	-	18,859	0.0%	-	168,229	n.s.	197,176	0.2%	-	-10,088	-5.1%
Mortgage loans and other medium to long-term financing	52,209,804	60.0%	*4,648,109*	52,400,839	59.3%	*4,614,463*	-191,035	-0.4%	54,264,512	58.8%	*4,200,990*	-2,054,708	-3.8%
Credit cards, personal loans and salary-backed loans	4,154,642	4.8%	*444,399*	4,365,692	4.9%	*512,620*	-211,050	-4.8%	4,840,336	5.3%	*513,767*	-685,694	-14.2%
Finance leases	7,226,553	8.3%	*1,293,649*	7,350,865	8.3%	*1,309,584*	-124,312	-1.7%	7,825,777	8.5%	*1,216,225*	-599,224	-7.7%
Factoring	2,171,010	2.5%	*258,731*	2,480,694	2.8%	*300,292*	-309,684	-12.5%	2,503,197	2.7%	*307,377*	-332,187	-13.3%
Other transactions	9,866,559	11.3%	*1,017,862*	10,261,980	11.6%	*1,005,979*	-395,421	-3.9%	10,153,638	11.0%	*881,124*	-287,079	-2.8%
Debt instruments:	7,959	0.0%	-	7,982	0.0%	-	-23	-0.3%	10,463	0.0%	*1,004*	-2,504	-23.9%
- structured instruments	-	-	-	-	-	-	-	-	-	-	-	-	-
- other debt instruments	*7,959*	*0.0%*	-	*7,982*	*0.0%*	-	*-23*	*-0.3%*	*10,463*	*0.0%*	*1,004*	*-2,504*	*-23.9%*
Total loans and advances to customers	**87,094,749**	**100.0%**	***9,208,235***	**88,421,467**	**100.0%**	***9,312,273***	**-1,326,718**	**-1.5%**	**92,264,578**	**100.0%**	***8,516,876***	**-5,169,829**	**-5.6%**

Loans to customers of the UBI Banca Group at the end of the quarter stood at €87.1 billion, down by €1.3 billion compared to €88.4 billion in December (-1.5%). The changes in the total, more or less unchanged compared to the last two quarters, summarise the positive impact of new medium to long-term grants, which, however, were not yet sufficient to offset amortisations and repayments – partly in relation to the progressive reduction in loans to non-captive customers[1] – and the slowdown in short-term lending.
The change in the first quarter consists of €0.8 billion attributable to UBI Banca, of which -€0.6 billion relating to the reduction in the non-captive loan portfolio acquired through the merger of the former Centrobanca and former B@nca 24-7 and -€0.2 billion relating to other types of lending business.

Lending over twelve months was down by €5.2 billion (-5.6%), a trend which is again affected by the already mentioned long-term reduction in non-captive lending (-€2 billion) and also by the fragility of the Italian economy which, notwithstanding the official end of the long recession, is continuing to experience low levels of consumption, output and investment that is reflected in the persistent weakness of demand from households – with a greater propensity to save – but above all from businesses.
The year-on-year trend was partially affected by the reduction in volumes of business at the Parent: a reduction of €1 billion in the non-captive portfolios of the former Centrobanca and the former B@nca 24-7 and -€0.4 billion relating to types of business, mainly of a technical nature, other than ordinary lending.

As concerns *customer market segmentation*, 50% of the consolidated portfolio at the end of March consisted of loans to the retail market (49.8% in December and 49.2% in March 2013), 32% to the corporate market (31.6%; 32%) and 0.9% to the private banking market (0.9%; 0.9%), while the remaining 17.1% consisted of types of lending not included in the commercial banking portfolio such as leasing, factoring and UBI Banca lending other than those of the former merged product companies (17.7%; 17.9%).

1 Total loans originated through the discontinued non-captive channel fell by €1 billion compared to December (-€2 billion year-on-year). On the other hand network bank business recorded a recovery in new grants now equal to maturities and repayments for the period.

From the viewpoint of *type of lending*:

- the fall in mortgages and other medium to long-term lending amounting to €52.2 billion slowed sharply in the first quarter of 2014 (-€0.2 billion[2]) and was again the main form of lending with growth in the percentage of the total to 60%. It must also be considered that the decrease mentioned also incorporates the natural fall in total loans of the former B@nca 24-7, currently managed by the Parent (-€70 million).
  The decrease year-on-year was €2.1 billion, benefiting only partially from a recovery in new grants in progress since the second half of 2013 and which mainly involves mortgages and loans to private individuals and to a lesser extent to the corporate and small business sectors;
- reverse repurchase agreements recovered during the quarter to €0.2 billion, but were more or less unchanged year-on-year and reflect specific UBI Banca business with the *Cassa di Compensazione e Garanzia* (CCG – a central counterparty clearing house);
- finance lease lending, relating almost entirely to UBI Leasing, fell further to €7.2 billion, down by €0.1 billion on December, slowing slightly compared to the two 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 €0.35 billion in outstanding non-captive business);
- factoring lending performed mainly by UBI Factor totalled €2.2 billion, down by €0.3 billion year-on-year relating almost entirely to the first quarter of 2014;
- the different forms of consumer credit, which totalled approximately €4.2 billion, fell by €0.2 billion compared with December as a result of a fall in both 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; -€128 million) and the operations transferred to Prestitalia (salary backed; -€100 million), compared to positive, but still modest performance by network bank business (+€17 million).
  On the other hand, the year-on-year change (-€0.7 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 (down by approximately €0.5 billion) and the former B@nca 24-7 business (-€0.4 billion), which was only partly offset by the increase in network bank business (+€0.2 billion);
- other short-term forms of lending, which totalled €21.1 billion, fell by approximately €0.7 billion over three months: -€0.4 billion for "other transactions" (loans for advances, portfolio, import/export transactions, very short term lending, etc.), and -€0.3 billion for current account overdrafts.
  Changes over twelve months (-€1.5 billion) on the other hand were attributable mainly to current account overdrafts (-€1.2 billion), while the contraction in "other transactions" was more modest (-€0.3 billion) and included a temporary increase of €0.6 billion in the second quarter of 2013.

From the viewpoint of *maturities*, the contraction in the lending portfolio in the first quarter of 2014 seems to have been greater for short-term loans (-€0.8 billion; -€1.8 billion over twelve months), while signs of recovery were seen for the medium and long-term component (-€0.5 billion; -€3.4 billion over twelve months), which increased as a percentage to 73% (72.5% and 72.6% respectively in December and March 2013).

Concentration of risk (largest customers or groups as a percentage of total loans and guarantees)

Customers or Groups	31.3.2014	31.12.2013	30.9.2013	30.6.2013	31.3.2013
Largest 10	2.8%	2.7%	2.8%	2.9%	2.9%
Largest 20	4.6%	4.6%	4.7%	4.8%	4.7%
Largest 30	5.9%	6.0%	6.1%	6.2%	6.0%
Largest 40	6.9%	7.1%	7.1%	7.3%	7.1%
Largest 50	7.8%	7.9%	7.9%	8.2%	7.9%

At the end of March the ratio of loans to deposits was 95.9%, compared with 95.5% in December (93.5% twelve months before).

In terms of *concentration*, the table shows slight improvements to levels that are now low, which confirms the constant attention that the Group pays to this aspect.

2 The decrease over the previous three quarters was -€0.6 billion, -€0.5 billion and -€0.8 billion respectively.

Risk

As the long period of recession has come to a close with the start of an uncertain recovery in Italian economy, the quality of credit also seems to be showing the first signs of stabilising. For the first time since the second quarter of 2007, *total deteriorated loans*, which stood at €12.7 billion, decreased slightly year-on-year between January and March 2014, accompanied by a significant reduction in total migrations from performing status (-41% compared with both the last quarter and the first quarter of 2013), over two thirds of which were into the category exposures past due and/or in arrears.

The stability of the item compared with December (-€15.2 million) is in reality the aggregate result of a reduction in exposures past due and/or in arrears (-€153.9 million; -18.4%), which more than offset the increase in non-performing loans (+€130.2 million; +2.2%) – driven mainly by transfers from other categories of deteriorated loans – and in restructured loans (+€13.5 million; +1.5%), while impaired loans remained virtually unchanged (-€5 million; -0.1%).

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[3] *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*[4]*.*

On the other hand, the overall change year-on-year was +€1.20 billion (+10.5%), and affected non-performing loans (+€0.73 billion), impaired loans (+€0.49 billion) and, to a lesser extent, restructured loans (+€0.20 billion), while exposures past due and/or in arrears decreased (-€0.22 billion).

At the end of March net deteriorated loans had fallen in turn to €9.2 billion, a decrease of €0.10 billion in the quarter (-1.1%), but up year-on-year by €0.69 billion (+8.1%).

In terms of types of loan, as shown in the table, "composition of loans to customers", the annual growth in net deteriorated loans correlates 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).

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* improved to 27.26% compared to both 26.52% in December and to 25.66% in March 2013, also as a result of increased impairment losses recognised.

Coverage for *performing loans* at the end of the quarter was 0.59%, slightly down compared with December (0.61%) – partly in relation to a change in the composition of the portfolio in favour of lower risk classes – but up on March 2013 (0.55%).

3 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.

4 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 31st March 2014

Figures in thousands of euro	Gross exposure		Impairment losses	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 exposure		Impairment losses	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 31st March 2013

Figures in thousands of euro	Gross exposure		Impairment losses	Carrying amount		Coverage (*)
Deteriorated loans	***(11.98%)***	**11,456,762**	**2,939,886**	***(9.23%)***	**8,516,876**	**25.66%**
- Non-performing loans	*(5.52%)*	5,280,408	2,233,566	*(3.30%)*	3,046,842	42.30%
- Impaired loans	*(4.79%)*	4,584,063	582,924	*(4.34%)*	4,001,139	12.72%
- Restructured loans	*(0.72%)*	688,179	94,708	*(0.64%)*	593,471	13.76%
- Past due loans	*(0.95%)*	904,112	28,688	*(0.95%)*	875,424	3.17%
Performing loans	***(88.02%)***	**84,206,657**	**458,955**	***(90.77%)***	**83,747,702**	**0.55%**
Total loans and advances to customers		**95,663,419**	**3,398,841**		**92,264,578**	**3.55%**

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

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

NON-PERFORMING LOANS

Gross *non-performing loans* rose over twelve months from €5.28 billion to €6.01 billion, up by €0.73 billion, of which only +€0.13 billion relating to the first three months of the year, the lowest increase since the second quarter of 2012.

Furthermore, the year-on-year change in this category was affected by the following:

- the classification into non-performing loans in the second quarter of 2013 of the IDI position relating to UBI Factor amounting to €153 million, not written down due to the expected full recovery of the loan;
- disposals of non-performing loans of approximately €90 million concluded in the second half of 2013, almost fully written-down and attributable almost entirely to the UBI Banca loan portfolio acquired from the former B@nca 24-7.

The changes in the total over twelve months were attributable to the network banks – mainly in the first quarter of 2014 – UBI Factor and UBI Leasing, while in the case of UBI Banca the total benefited from the impact of the disposals just mentioned.

Gross non-performing loans backed by collateral rose gradually to €3.8 billion (+€0.4 billion over twelve months; +€0.1 billion in the quarter), but they fell as a percentage of the gross total from 63.8% to 63% (63% also in December), mainly as a result of the new unsecured IDI position. Net of that component, the percentage of secured loans would be 64.7% (64.6% in December).

Net non-performing loans rose from €3.05 billion to €3.55 billion, an increase of €0.50 billion (+16.4%), of which €110 million relating to the first quarter of 2014.

An analysis of *migrations* in the first three months of the year shows the following:

- new positions arising mainly from transfers from other categories of deteriorated loan, mostly impaired loans, which amount to a little more than a quarter of the figure recorded for the whole of 2013. Although they increased compared with the first quarter of 2013, new entries from performing loans were completely negligible and accounted for less than a fifth of the migrations recorded for the whole of the previous year;
- migrations into the performing loan category more than doubled compared with the same period a year earlier;
- an increase, again compared with the first quarter of 2013, of €15 million for repayments and €41 million for write-offs.

The combined effect of the trends reported above and the reduction in the overall loan portfolio caused the ratio of *non-performing loans to loans* to rise progressively over twelve months from 5.52% to 6.61% gross (6.38% in December) and from 3.30% to 4.07% to 3.89% net, which 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 March net non-performing loans as a percentage of the total with no backing in terms of either collateral or personal guarantee stood at 13.30%, an increase compared to 10.4% twelve months before due to the classification of the IDI position already mentioned, but down compared with 13.48% recorded in December.

Coverage for non-performing loans fell year-on-year from 42.30% to 41.02% (41.60% in December), partly due to the negative impact of the classification of the IDI position and to disposals of unsecured non-performing loans.

If positions written-off to the income statement relating to creditor actions still in progress are also considered, coverage would in reality have been 55.80% (56.05% in December, 57.42% in March 2013).
At the end of the March coverage for non-performing loans not backed by collateral considered gross of those write-offs was 71.88% (72.49% in December and 76.06% in March 2013).

IMPAIRED LOANS

Gross *impaired loans* rose over twelve months from €4.58 billion to €5.07 billion, an increase of €0.49 billion (+10.8%), but fell by €5 million compared with December, the first quarter-on-quarter fall since the fourth quarter of 2011.

The year-on-year performance was affected by some short-term factors:

- the new classification out of performing loans and other categories of deteriorated loans (exposures past due and/or in arrears and restructured loans) of a series of substantial positions into this category in relation to the difficult economic environment. More specifically, approximately €80 million related to the first quarter of 2014 and approximately €470 million to the second half of 2013, of which over half relating to just two positions for particularly large sums. Of these €149 million related to the classification out of performing loans of the Sorgenia position in the fourth quarter of 2013;
- the reclassification already mentioned into non-performing loans of the IDI position amounting to €153 million;
- the reclassification in the fourth quarter of 2013 into restructured loans of two large positions totalling €163 million, of which €126 million relating to Carlo Tassara;
- a further classification of approximately €42 million relating to the Pescanova position (€35 million in the second quarter and €7 million in the fourth quarter of 2013).

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 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	**5,142,308**	**4,123,537**	**773,934**	**918,602**	**10,958,381**
Increases	**1,634,316**	**3,455,814**	**480,583**	**2,341,816**	**7,912,529**
transfers from performing exposures	144,761	1,618,972	49,519	2,310,863	4,124,115
transfers from other classes of deteriorated exposures	1,313,399	1,619,718	368,927	5,667	3,307,711
other increases	176,156	217,124	62,137	25,286	480,703
Decreases	**-891,575**	**-2,496,828**	**-382,448**	**-2,426,194**	**-6,197,045**
transfers into performing exposures	-7,001	-486,892	-11,970	-685,728	-1,191,591
write-offs	-463,483	-12,618	-37,042	-1,002	-514,145
payments received	-354,754	-494,817	-73,622	-157,170	-1,080,363
disposals	-13,907	-	-3,941	-	-17,848
transfers to other classes of deteriorated exposure	-8,806	-1,468,680	-249,955	-1,580,270	-3,307,711
other decreases	-43,624	-33,821	-5,918	-2,024	-85,387
Final gross exposure as at 31st December 2013	**5,885,049**	**5,082,523**	**872,069**	**834,224**	**12,673,865**

Loans to customers: changes in gross deteriorated exposures in the first quarter 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	**310,975**	**977,374**	**77,985**	**640,388**	**2,006,722**
transfers from performing exposures	17,952	416,260	4,707	629,600	1,068,519
transfers from other classes of deteriorated exposures	269,554	510,544	56,813	1,532	838,443
other increases	23,469	50,570	16,465	9,256	99,760
Decreases	**-172,875**	**-516,848**	**-163,740**	**-654,878**	**-1,508,341**
transfers into performing exposures	-1,822	-170,588	-1,268	-174,663	-348,341
write-offs	-94,589	-3	-	-	-94,592
payments received	-65,114	-87,463	-15,165	-23,746	-191,488
disposals	-473	-	-	-	-473
transfers to other classes of deteriorated exposure	-3,791	-258,750	-146,931	-428,971	-838,443
other decreases	-7,086	-44	-376	-27,498	-35,004
Final gross exposure as at 31st March 2013	**5,280,408**	**4,584,063**	**688,179**	**904,112**	**11,456,762**

Partly in view of the above, the year-on-year changes were attributable almost entirely to the network banks and to UBI Banca (in relation to the former Centrobanca and former B@nca 24-7 portfolios) and to a small extent to UBI Banca International, in relation to the Pescanova position, and to UBI Leasing, while UBI Factor benefited from the migration of the IDI position to non-performing status.
As, on the other hand, concerns the first quarter of 2014 only, the decrease which involved Prestitalia and to a smaller extent also UBI Banca and UBI Leasing more than offset the increase recorded by the network banks, while UBI Banca International and UBI Factor positions remained more or less unchanged.

At the end of March *gross impaired loans backed by collateral* amounted to €3.2 billion, an increase of over €0.3 billion year-on-year and of €0.1 billion over three months. They accounted for 63.5% of the total (61.8% in December[5] and 62.7% in March 2013).

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

- a significant decrease in new classifications out of performing loans (-€253 million), which was even greater compared with the fourth quarter of 2013 (-€308 million) because it was affected by the new classification of the Sorgenia position amounting to €149 million;
- a fall of €166 million in transfers from other categories of deteriorated loans, consisting almost entirely of exposures past due and/or in arrears;
- an increase of €67 million in transfers to other classes of deteriorated positions, mainly non-performing loans. Nevertheless, transfers decreased by €197 million compared with the fourth quarter, only partly due to the reclassification of the Tassara position out of this category;
- a reduction of €38 million in reclassifications into performing loan status;
- an increase of €18 million in repayments received.

Net impaired loans rose from €4 billion to €4.25 billion, an increase of €0.25 billion (+6.3%), but fell by €60.1 million compared with December.

At the end of March *coverage* of 16.22%, had increased compared with both December (15.12%) and twelve months before (12.72%), incorporating a more than proportional increase in the recognition of impairment losses, the result also in the fourth quarter of the appearance of new heavily written-down positions, including Sorgenia, and of transfers of positions with low or zero coverage percentages (IDI and Carlo Tassara) to other categories.

Coverage for impaired loans not backed by collateral was 25.25%, a significant increase compared with December (23.50%) and March 2013 (18.81%).

PESCANOVA

On 29th of 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.
Consequently, as at 31st March 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.

RESTRUCTURED LOANS

Gross restructured loans rose over twelve months from €0.69 billion to €0.89 billion, up by €0.20 billion (+28.7%), affected by the new classification into the category in the fourth quarter of 2013 of the Carlo Tassara position amounting to €126 million and driven entirely by the network banks, the Parent and UBI Leasing.
The total increased slightly between January and March 2014 by €13.5 million. This increase 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.

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

- a substantial decrease (-€133 million) in transfers to other categories of deteriorated loans and to impaired loans in particular;

5 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.

- a fall of €13 million in transfers from other categories of deteriorated loans;
- a fall in new entries from performing loan status (-€3 million), down almost to zero, which was even greater compared with the fourth quarter of 2013 (-€39.2 million);
- an increase of approximately 80% in repayments received.

As a result of the increase in impairment losses recognised, *coverage* for restructured loans gradually increased over twelve months from 13.76% to 14.16% (13.94% in December), despite the new classification of the Tassara position, written down by only a small amount in consideration of the guarantees provided.

EXPOSURES PAST DUE AND/OR IN ARREARS

As opposed to the preceding categories, *gross exposures past due and/or in arrears* reduced significantly from €0.90 billion to €0.68 billion, a fall over twelve months of €0.22 billion (-24.8%), of which a full €0.15 billion relating to the first quarter of 2014 alone, even if it did record a series of new positions in the category relating to the network banks and to UBI Banca (for the portfolio relating to the former Centrobanca), some of which for large sums.

The year-on-year performance reflects a practically generalised trend for the whole Group, with the sole exception of UBI Leasing, which recorded an increase.

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

- a fall of 31% in new classifications of positions from performing loan status, which confirmed the progressive fall in new positions already in progress in the previous quarters of 2013;
- a decrease at the same time in transfers to other categories of deteriorated loan (-17%), mainly to impaired loans;
- an increase of approximately 25% in reclassifications into the performing category, which confirms the high degree of turnover in this category, due to the automatic nature of the classification procedures.

As a result of the increase in impairment losses recognised in the first quarter of 2014, *coverage* rose to 4.95% (2.83% in December; 3.17% in March 2013), a level already close to the new target set by the Group's lending policies.

The interbank market and the liquidity position

The net interbank position of the UBI Banca Group as at 31st March 2014 was net debt of €11.4 billion, slightly up compared to -€10.9 billion at the end of the year (up by €1.8 billion compared with 31st March 2013).

The balance continues to be related to refinancing operations (LTROs) with the ECB. Net of operations with central banks, the net interbank position was in fact one of funding and slightly up compared with 31st December (+€56 million), but down compared with twelve months before (-€1.4 billion), partly due to a reduction in volumes of lending caused mainly by the repayment of liquidity generated by a Group SPE (UBI Finance Srl[1]) in the second quarter of 2013.

Net interbank position

Figures in thousands of euro	31.3.2014	31.12.2013	30.9.2013	30.6.2013	31.3.2013
Loans and advances to banks	4,009,183	4,129,756	4,118,005	4,774,761	5,505,388
of which: loans to central banks	*309,971*	*860,080*	*681,238*	*874,926*	*698,396*
Due to banks	15,397,770	15,017,266	15,066,091	15,025,192	15,086,195
of which: due to central banks	*12,173,833*	*12,166,333*	*12,155,083*	*12,139,750*	*12,121,417*
Net interbank position	**-11,388,587**	**-10,887,510**	**-10,948,086**	**-10,250,431**	**-9,580,807**
Loans and advances excluding central banks	3,699,212	3,269,676	3,436,767	3,899,835	4,806,992
Due to banks excluding central banks	3,223,937	2,850,933	2,911,008	2,885,442	2,964,778
Net interbank position net of central banks	**475,275**	**418,743**	**525,759**	**1,014,393**	**1,842,214**

Market conditions, together with institutional issuances (EMTNs and covered bonds) and commercial cash flows as well as the increase in the value of the liquidity reserve resulting from a narrowing of the spread on Italian government securities all allowed the Group to maintain a normal positive position, as also demonstrated by the specific short-term (liquidity coverage ratio) and structural (net stable funding ratio) Basel 3 liquidity indicators, both above 100%[2].

It must also be stated that the current level of the indicators will also be confirmed following the repayment of the LTRO financing.

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

Loans and advances to banks stood at €4 billion at the end of March, down by €121 million compared with December, due to opposing trends for the following components:

- on the one hand, reductions in liquidity held with central banks (-€550 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 approximately €430 million, the aggregate result of movements on current accounts (+€237 million) and other financing (+€216 million), as part of ordinary interbank transactions.
  The item includes "other financing" in which reverse repurchase agreements with market counterparties are recognised (to be interpreted in combination with on-balance sheet

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

2 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%.

financial liabilities held for trading – uncovered short positions on European government securities) amounting to €937 million, compared with €959 million as at 31st December 2013.

Loans to banks: composition

Figures in thousands of euro	31.3.2014 A	%	31.12.2013 B	%	Changes A/B amount	Changes A/B %	31.3.2013 C	%
Loans to central banks	**309,971**	**7.7%**	**860,080**	**20.8%**	-550,109	-64.0%	**698,396**	**12.7%**
Term deposits	-	-	-	-	-	-	-	-
Compulsory reserve requirements	308,750	7.7%	858,856	20.8%	-550,106	-64.1%	677,038	12.3%
Reverse repurchase agreements	-	-	-	-	-	-	-	-
Other	1,221	0.0%	1,224	0.0%	-3	-0.2%	21,358	0.4%
Loans and advances to banks	**3,699,212**	**92.3%**	**3,269,676**	**79.2%**	429,536	13.1%	**4,806,992**	**87.3%**
Current accounts and deposits	1,855,643	46.3%	1,618,297	39.2%	237,346	14.7%	1,794,060	32.6%
Term deposits	30,201	0.8%	32,253	0.8%	-2,052	-6.4%	85,542	1.5%
Other financing:	1,809,336	45.1%	1,615,115	39.1%	194,221	12.0%	2,873,264	52.2%
- reverse repurchase agreements	*936,961*	*23.4%*	*959,121*	*23.2%*	*-22,160*	*-2.3%*	*1,198,387*	*21.8%*
- finance leases	-	-	-	-	-	-	*4.0*	*0.0%*
- other	*872,375*	*21.7%*	*655,994*	*15.9%*	*216,381*	*33.0%*	*1,674,873*	*30.4%*
Debt instruments	4,032	0.1%	4,011	0.1%	21	0.5%	54,126	1.0%
Total	**4,009,183**	**100.0%**	**4,129,756**	**100.0%**	-120,573	-2.9%	**5,505,388**	**100.0%**

Interbank funding amounting to €15.4 billion at the end of the quarter consisted primarily of €12.2 billion from the ECB, again unchanged compared not only with December 2013, but also with all previous periods (in consideration of the LTRO financing in place for a total of €12 billion[3] since the first quarter of 2012).
Net of that funding, amounts due to banks stood at €3.2 billion (+€373 million over three months), mainly the result of growth in current accounts (+€298 million) as part of ordinary transactions on the market – as also observed for lending to banks – and in term deposits (+€86 million).
The item other financing also includes medium to long-term transactions with the EIB to support SMEs, amounting to approximately €1.2 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 (€190 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.

Due to banks: composition

Figures in thousands of euro	31.3.2014 A	%	31.12.2013 B	%	Changes A/B amount	Changes A/B %	31.3.2013 C	%
Due to central banks	**12,173,833**	**79.1%**	**12,166,333**	**81.0%**	7,500	0.1%	**12,121,417**	**80.3%**
Due to banks	**3,223,937**	**20.9%**	**2,850,933**	**19.0%**	373,004	13.1%	**2,964,778**	**19.7%**
Current accounts and deposits	1,195,703	7.8%	897,991	6.0%	297,712	33.2%	1,065,917	7.1%
Term deposits	143,864	0.9%	57,700	0.4%	86,164	149.3%	276,653	1.8%
Financing:	1,693,973	11.0%	1,666,187	11.1%	27,786	1.7%	1,327,879	8.8%
- repurchase agreements	*396,615*	*2.6%*	*384,790*	*2.6%*	*11,825*	*3.1%*	*390,641*	*2.6%*
- other	*1,297,358*	*8.4%*	*1,281,397*	*8.5%*	*15,961*	*1.2%*	*937,238*	*6.2%*
Other payables	190,397	1.2%	229,055	1.5%	-38,658	-16.9%	294,329	2.0%
Total	**15,397,770**	**100.0%**	**15,017,266**	**100.0%**	380,504	2.5%	**15,086,195**	**100.0%**

***

3 The carrying amount includes interest expense accruing.

Assets eligible for refinancing

Figures in billions of euro	31.3.2014 nominal amount	31.3.2014 amount eligible (net of haircuts)	31.12.2013 nominal amount	31.12.2013 amount eligible (net of haircuts)	30.9.2013 nominal amount	30.9.2013 amount eligible (net of haircuts)	30.6.2013 nominal amount	30.6.2013 amount eligible (net of haircuts)	31.3.2013 nominal amount	31.3.2013 amount eligible (net of haircuts)
Securities owned (AFS, HTM and L&R) (*)	18.35	19.18	13.40	13.73	13.55	13.71	13.89	13.93	14.65	14.67
Government backed bonds	3.00	2.79	6.00	5.76	6.00	5.66	6.00	5.59	6.00	5.54
Covered bonds *("self-retained" issues)*	4.02	3.33	2.87	2.32	3.05	2.74	3.05	2.73	3.05	2.73
Securitisation of residential mortgages of the former B@nca 24-7	1.17	0.92	1.21	0.94	1.21	0.95	-	-	1.28	0.88
UBI Leasing leased assets securitisation	1.15	0.97	1.27	1.04	1.26	1.16	1.52	1.17	1.79	1.30
Banco di Brescia securitisation of performing loans to SMEs	0.77	0.63	0.81	0.67	0.82	0.69	0.88	0.66	0.91	0.66
Banca Popolare di Bergamo securitisation of performing loans to SMEs	0.73	0.62	0.85	0.70	0.84	0.79	1.09	0.80	1.86	1.29
Banca Popolare Commercio e Industria securitisation of performing loans to SMEs	0.57	0.48	0.58	0.48	0.58	0.47	0.58	0.44	0.58	0.41
Banca Popolare di Ancona securitisation of performing loans to SMEs	0.71	0.59	0.71	0.59	0.71	0.58	0.71	0.54	0.71	0.50
Loans eligible resulting from participation in ABACO (**)	4.04	1.83	3.77	1.68	3.80	1.79	3.90	1.78	3.99	1.95
Total	**34.51**	**31.34**	**31.47**	**27.91**	**31.82**	**28.54**	**31.62**	**27.64**	**34.82**	**29.93**

(*) These include government securities not refinanced with the *Cassa di Compensazione e Garanzia* (central counterparty clearing house) for the following amounts:
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;
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 €10.1 billion available, non-pool;
31st March 2013: €14 billion (net of haircuts), of which €3.2 billion contributed to the pool and €10.8 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 31st March 2014, the liquidity reserve, consisting of the portfolio of assets eligible for refinancing with the central bank, exceeded €31 billion (net of haircuts), compared to €27.9 billion three months before. It was composed of €15.8 billion of assets deposited with the European Central Bank (the "collateral pool") and of €15.5 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 quarter (+€3.4 billion) was the net result – in view of the greater liquidity inflows mentioned above – of the increased availability of government securities not refinanced with the CCG, (+€5.4 billion, inclusive of the increase in their fair value), issuances of self-retained covered bonds (+€1 billion) and modest growth in ABACO receivables (+€156 million), which fully offset the early redemption[4] of government backed bonds (-€3 billion) and the amortisation instalments on own securitisations (-€209 million).

Given the portion already pledged (€12.2 billion both in March 2013 and at the end of 2013), the margin of liquidity still available was €19.1 billion (€15.7 billion in December).

4 Performed on 7th March 2014, once the necessary authorisations had been obtained and a prior communication to the Ministry of the Economy and Finance had been made.

Financial activities

The total financial assets of the Group had reached €23.2 billion as at 31st March 2014, an increase of €1.4 billion compared with the end of 2013. Including financial liabilities, approximately a third of which consisted of financial derivatives, net assets totalled €21.8 billion (€20.4 billion in December).

As shown in the table, the performance of the item was attributable to Italian government securities classified within the held for trading portfolio (following new investments made during the period) and the available-for-sale (AFS) portfolio (as a result of fair value increases).

Financial assets/liabilities

Figures in thousands of euro	31.3.2014 Carrying amount (A)	%	31.12.2013 Carrying amount (B)	%	Changes (A) / (B) amount	%	30.9.2013 Carrying amount (C)	%	30.6.2013 Carrying amount (D)	%	31.3.2013 Carrying amount (E)	%
Financial assets held for trading	3,900,044	16.8%	3,056,264	14.0%	843,780	27.6%	3,318,492	15.4%	4,686,491	21.5%	5,045,199	22.4%
of which: financial derivatives contracts	*456,468*	*2.0%*	*456,884*	*2.1%*	*-416*	*-0.1%*	*474,273*	*2.2%*	*484,285*	*2.2%*	*606,768*	*2.7%*
Financial assets designated at fair value	193,692	0.8%	208,143	1.0%	-14,451	-6.9%	207,370	0.9%	206,860	1.0%	202,979	0.9%
Available-for-sale financial assets	16,030,885	69.0%	15,489,497	70.9%	541,388	3.5%	14,900,979	69.1%	13,746,914	63.2%	14,134,430	62.6%
Held-to-maturity investments	3,113,263	13.4%	3,086,815	14.1%	26,448	0.9%	3,149,620	14.6%	3,122,272	14.3%	3,185,071	14.1%
Financial assets (a)	**23,237,884**	**100.0%**	**21,840,719**	**100.0%**	**1,397,165**	**6.4%**	**21,576,461**	**100.0%**	**21,762,537**	**100.0%**	**22,567,679**	**100.0%**
of which:												
- debt instruments	*22,078,549*	*95.0%*	*20,678,536*	*94.7%*	*1,400,013*	*6.8%*	*20,607,589*	*95.5%*	*20,712,929*	*95.2%*	*21,411,146*	*94.9%*
- of which: Italian government securities	*21,125,559*	*90.9%*	*19,737,806*	*90.4%*	*1,387,753*	*7.0%*	*19,444,979*	*90.1%*	*19,545,124*	*89.8%*	*19,521,140*	*86.5%*
- equity instruments	*264,002*	*1.1%*	*273,915*	*1.3%*	*-9,913*	*-3.6%*	*274,977*	*1.3%*	*345,092*	*1.6%*	*331,446*	*1.5%*
- Units in UCITS.	*438,865*	*1.9%*	*431,384*	*2.0%*	*7,481*	*1.7%*	*219,622*	*1.0%*	*220,231*	*1.0%*	*218,319*	*1.0%*
Financial liabilities held for trading (b)	**1,409,672**	**100.0%**	**1,396,350**	**100.0%**	**13,322**	**1.0%**	**1,294,108**	**100.0%**	**1,548,967**	**100.0%**	**1,801,256**	**100.0%**
of which: financial derivatives contracts	*443,997*	*31.5%*	*417,388*	*29.9%*	*26,609*	*6.4%*	*423,353*	*32.7%*	*444,994*	*28.7%*	*594,059*	*33.0%*
Net financial assets (a-b)	**21,828,212**		**20,444,369**		**1,383,843**	**6.8%**	**20,282,353**		**20,213,570**		**20,766,423**	

Management accounting figures[1] for 31st March 2014, show the following:

- in terms of *type of financial instrument*, the securities portfolio of the Group was composed as follows: 93.8% (93.5% in December) of government securities; 4.2% (4.4%) of corporate securities (of which approximately 72% were issued by major Italian and international banks and financial institutions; 79% of the investments in corporate securities also carry an "investment grade" rating); 1.2% (unchanged) of equities and 0.8% (0.9%) of funds and hedge funds;
- from a *financial viewpoint*, floating rate securities accounted for 19% (19.4%) of the portfolio[2] and fixed rate securities for 76.3% (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*, 99.6% 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).

1 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.

2 Fixed rate securities purchased as part of asset swaps are also considered as floating rate (84% of the floating rate securities).

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

	31.3.2014				31.12.2013				Changes (A) / (B)		31.3.2013			
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	14,648,466	877,392	3,904	15,529,762	14,144,436	852,136	3,513	15,000,085	529,677	3.5%	12,807,403	994,906	3,648	13,805,957
of which: Italian government securities	*14,130,574*	*447,046*	*-*	*14,577,620*	*13,632,023*	*428,529*	*-*	*14,060,552*	*517,068*	*3.7%*	*11,546,038*	*399,483*	*-*	*11,945,521*
Equity instruments	3,559	-	183,564	187,123	2,184	-	180,851	183,035	4,088	2.2%	93,773	-	143,435	237,208
Units in UCITS	262,202	51,798	-	314,000	254,639	51,738	-	306,377	7,623	2.5%	38,703	52,562	-	91,265
Financing	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	**14,914,227**	**929,190**	**187,468**	**16,030,885**	**14,401,259**	**903,874**	**184,364**	**15,489,497**	**541,388**	**3.5%**	**12,939,879**	**1,047,468**	**147,083**	**14,134,430**

Available-for-sale financial assets totalled €16 billion at the end of the first quarter of 2014 and were composed as follows:

- €15,282 million in the UBI Banca AFS portfolio (€14,753 million in December 2013);
- €581 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 change seen during the quarter in the AFS portfolio (+€0.5 billion) was connected mainly with performance of *Italian government securities*, which rose as a result of the significant increase in fair value from which they benefited during the period.

Furthermore, in January UBI Banca also carried out a switch operation on BTPs for a total of €1.55 billion nominal (a sale and purchase for the same nominal quantity, but with longer maturities), which allowed it to realise a gross gain of €34 million, recognised in the consolidated income statement.

Total outstanding debt instruments[3], amounting to €15.5 billion, were composed as follows: €14.6 billion (of which €14.1 billion in government securities) classified in fair value level one and €0.9 billion in level two, consisting of €0.4 billion in Italian sovereign securities and the remainder mainly in bonds issued by major Italian banking groups. The total classified within level three (€3.9 million) remained negligible.

Equity instruments[4] amounted to €187 million (€183 million in December), primarily as a result of purchases, the recognition of shares resulting from the conversion of loans and movements in the fair value of listed instruments.

Instruments classified within fair value level one therefore rose to €3.6 million from €2.2 million before, while instruments in level three rose to €183.6 million (€180.9 million), the aggregate result of increases and decreases in the fair value of some investments (these included S.A.C.B.O., up by €2.8 million before tax).

3 Again as at 31st March 2014, as before as at 31st December 2013, these did not include direct investments in ABS instruments. The only existing investments regarded own securitisations, eliminated in the consolidation, amounting to €22.8 million (€23.9 million in December 2013), composed as follows:
- Lombarda Lease Finance 4 (UBI Banca ABS instruments classified within AFS fair value level one) amounting to €1.8 million (€2.9 million) fully redeemed on 30th of April 2014;
- €21 million relating to Lombarda Lease Finance 4 classified within UBI Leasing loans and receivables (unchanged compared to December 2013).

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

Units in UCITS – relating almost entirely to UBI Banca – grew to €314 million, (€306.4 million in December), incorporating the effects of increases in the fair value of instruments classified within level one.
The latter included an investment in an ETF for €214 million (recognised as at 31st March) made in the fourth quarter of 2013, which was disposed of with value date 1st April 2014.

Property funds contained in the UCITS portfolio totalled €18 million (€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

	31.3.2014					31.12.2013					Changes (A) / (B)		31.3.2013				
	Carrying	Fair Value				Carrying	Fair Value						Carrying	Fair Value			
Figures in thousands of euro	amount (A)	L 1	L 2	L 3	Total	amount (B)	L 1	L 2	L 3	Total	amount	%	amount (C)	L 1	L 2	L 3	Total
Debt instruments	3,113,263	3,167,584	-	-	3,167,584	3,086,815	3,153,553	-	-	3,153,553	26,448	0.9%	3,185,071	3,261,484	-	-	3,261,484
of which: Italian government securities	*3,113,263*	*3,167,584*	-	-	*3,167,584*	*3,086,815*	*3,153,553*	-	-	*3,153,553*	*26,448*	*0.9%*	*3,185,071*	*3,261,484*	-	-	*3,261,484*
Financing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	**3,113,263**	**3,167,584**	**-**	**-**	**3,167,584**	**3,086,815**	**3,153,553**	**-**	**-**	**3,153,553**	**26,448**	**0.9%**	**3,185,071**	**3,261,484**	**-**	**-**	**3,261,484**

Held-to-maturity investments had a book value of €3.1 billion as at 31st March 2014 (unchanged compared with the end of 2013).
The item consists of BTPs purchased in February 2012 with a nominal value of €3 billion and maturity in November 2014.

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

	31.3.2014				31.12.2013				Changes (A) / (B)		31.3.2013			
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 assets														
Debt instruments	3,435,185	*85*	254	3,435,524	2,590,923	*95*	618	2,591,636	843,888	32.6%	4,419,388	89	641	4,420,118
of which: Italian government securities	*3,434,676*	-	-	*3,434,676*	*2,590,439*	-	-	*2,590,439*	*844,237*	*32.6%*	*4,390,548*	-	-	*4,390,548*
Equity instruments	6,762	-	446	7,208	6,490	-	447	6,937	271	3.9%	11,389	-	5,449	16,838
Units in UCITS	203	1	640	844	168	1	638	807	37	4.6%	370	1	1,104	1,475
Financing	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total (a)	**3,442,150**	**86**	**1,340**	**3,443,576**	**2,597,581**	**96**	**1,703**	**2,599,380**	**844,196**	**32.5%**	**4,431,147**	**90**	**7,194**	**4,438,431**
B. Derivative instruments														
Financial derivatives	309	456,159	-	456,468	293	456,591	-	456,884	-416	-0.1%	431	606,337	-	606,768
Credit derivatives	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total (b)	**309**	**456,159**	-	**456,468**	**293**	**456,591**	-	**456,884**	-416	-0.1%	**431**	**606,337**	-	**606,768**
Total (a+b)	**3,442,459**	**456,245**	**1,340**	**3,900,044**	**2,597,874**	**456,687**	**1,703**	**3,056,264**	**843,780**	**27.6%**	**4,431,578**	**606,427**	**7,194**	**5,045,199**

At the end of March 2014, financial assets held for trading had risen to €3.9 billion, up in the quarter by €0.8 billion, attributable to *debt instruments* and more specifically to investments by the Parent in the Italian government securities classified within fair value level one (BOTs and BTPs up by €1 billion), against sales of approximately €0.2 billion (BTPs and CCTs).

Equity instruments rose to €7.2 million from €6.9 million in December 2013, as a result of slight growth recorded in fair value level one, while securities classified within level three were unchanged during the period.

Investments in *units in UCITS* – €0.8 million – relating mostly to hedge funds purchased by UBI Banca before 30th June 2007, were classified within fair value level three and amounted to €0.6 million[5].

Finally, financial assets classified as HFT also included *derivative instruments* amounting to €456 million (unchanged in the quarter), entirely of a financial nature, for which the performance and amount must be interpreted in strict relation to the corresponding item recognised within financial liabilities held for trading.

5 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.

Financial liabilities held for trading

Financial liabilities held for trading: composition

Figures in thousands of euro	31.3.2014 L 1	31.3.2014 L 2	31.3.2014 L 3	31.3.2014 Carrying amount (A)	31.12.2013 L 1	31.12.2013 L 2	31.12.2013 L 3	31.12.2013 Carrying amount (B)	Changes (A) / (B) amount	Changes (A) / (B) %	31.3.2013 L 1	31.3.2013 L 2	31.3.2013 L 3	31.3.2013 Carrying amount (C)
A. On-balance sheet liabilities														
Due to banks	937,522	-	-	937,522	959,994	-	-	959,994	-22,472	-2.3%	1,207,197	-	-	1,207,197
Due to customers	28,153	-	-	28,153	18,968	-	-	18,968	9,185	48.4%	-	-	-	-
Debt instruments	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total (a)	**965,675**	**-**	**-**	**965,675**	**978,962**	**-**	**-**	**978,962**	**-13,287**	**-1.4%**	**1,207,197**	**-**	**-**	**1,207,197**
B. Derivative instruments														
Financial derivatives	112	443,885	-	443,997	52	417,336	-	417,388	26,609	6.4%	16	594,043	-	594,059
Credit derivatives	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total (b)	**112**	**443,885**	**-**	**443,997**	**52**	**417,336**	**-**	**417,388**	**26,609**	**6.4%**	**16**	**594,043**	**-**	**594,059**
Total (a+b)	**965,787**	**443,885**	**-**	**1,409,672**	**979,014**	**417,336**	**-**	**1,396,350**	**13,322**	**1.0%**	**1,207,213**	**594,043**	**-**	**1,801,256**

In March 2014 financial liabilities held for trading amounted to €1.4 billion, almost unchanged over three months both in terms of amount and composition.

With regard to on-balance sheet liabilities, held entirely by UBI Banca, amounts due to banks continued to consist of uncovered short positions on foreign government securities (French and German) amounting to €936.4 million (€958 million in December), while uncovered short positions on Italian government securities of €29.3 million (€21 million at the end of 2013) consisted of €1.1 million recognised within due to banks and €28.2 million within amounts due to customers.

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

Figures in thousands of euro	31.3.2014 L 1	31.3.2014 L 2	31.3.2014 L 3	31.3.2014 Carrying amount (A)	31.12.2013 L 1	31.12.2013 L 2	31.12.2013 L 3	31.12.2013 Carrying amount (B)	Changes (A) / (B) amount	Changes (A) / (B) %	31.3.2013 L 1	31.3.2013 L 2	31.3.2013 L 3	31.3.2013 Carrying amount (C)
Debt instruments	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Equity instruments	-	927	68,744	69,671	-	927	83,016	83,943	-14,272	-17.0%	-	2,506	74,894	77,400
Units in UCITS	117,148	-	6,873	124,021	117,129	-	7,071	124,200	-179	-0.1%	111,858	-	13,721	125,579
Financing	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	**117,148**	**927**	**75,617**	**193,692**	**117,129**	**927**	**90,087**	**208,143**	**-14,451**	**-6.9%**	**111,858**	**2,506**	**88,615**	**202,979**

At the end of the quarter financial assets designated at fair value, relating entirely to the Parent, amounted to €194 million (€208 million in December) and were composed as follows:

- €69.7 million of *equity instruments*, 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 decrease in the period is attributable to the sale of 3.75% of the share capital held in Humanitas Spa for €15 million, a transaction which reduced UBI Banca's stake in the share capital of the company to 5.31%;
- €124 million of *units in UCITS* unchanged compared with the end of the year.
  This category includes €117 million in listed Tages funds in fair value level one and remaining investments of €6.9 million in 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 Tages funds (hedge funds) totalled €7.5 million (largely unchanged compared with the end of the year in terms of both amount and composition or type of fund).

Exposure to sovereign debt risk

UBI Banca Group: exposures to sovereign debt risk

Country / portfolio of classification Figures in thousands of euro	31.3.2014 Nominal amount	31.3.2014 Carrying amount	31.3.2014 Fair value	31.12.2013 Nominal amount	31.12.2013 Carrying amount	31.12.2013 Fair value
- Italy	**20,293,654**	**21,740,295**	**21,794,605**	**19,727,172**	**20,595,425**	**20,662,157**
financial assets and liabilities held for trading (net exposure)	3,417,334	3,405,396	3,405,396	2,605,276	2,569,364	2,569,364
available-for-sale financial assets	13,245,020	14,577,620	14,577,609	13,245,565	14,060,552	14,060,546
held-to-maturity investments	3,000,000	3,113,263	3,167,584	3,000,000	3,086,815	3,153,553
loans and receivables	631,300	644,016	644,016	876,331	878,694	878,694
- Spain	**71,748**	**71,748**	**71,748**	**72,047**	**72,047**	**72,047**
loans and receivables	71,748	71,748	71,748	72,047	72,047	72,047
- Germany	**-599,997**	**-624,795**	**-624,795**	**-600,000**	**-646,519**	**-646,519**
financial assets and liabilities held for trading (net exposure)	-599,997	-624,795	-624,795	-600,000	-646,519	-646,519
- France	**-299,260**	**-310,860**	**-310,860**	**-299,807**	**-311,175**	**-311,175**
financial assets and liabilities held for trading (net exposure)	-300,000	-311,600	-311,600	-300,000	-311,368	-311,368
loans and receivables	740	740	740	193	193	193
- Holland	**10**	**10**	**10**	**10**	**10**	**10**
loans and receivables	10	10	10	10	10	10
- Argentina	**1,240**	**596**	**596**	**2,411**	**687**	**687**
financial assets and liabilities held for trading (net exposure)	1,240	596	596	2,411	687	687
Total on-balance sheet exposures	**19,467,395**	**20,876,994**	**20,931,304**	**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 sovereign debt risk exposures of the UBI Banca Group as at 31st March 2014 was €20.9 billion (€19.7 billion at the end of 2013).

The exposure continues to be concentrated almost totally on Italy consisting of government securities of €21.1 billion (+€1.4 billion since December), of which €14.6 billion classified as available-for-sale (+€0.5 billion), €3.4 billion classified as financial assets held for trading, considered net of the relative uncovered short positions (+€0.8 billion), and €3.1 billion classified as held-to-maturity. Loans to public administrations on the other hand fell during the quarter to €644 million from €879 million at the end of the year, following repayments received from local authority debtors on loans granted by the network banks of the Group.
As concerns other countries, exposure to Spain remained stable (€71.7 million relating to lending business carried out by UBI Banca International in that country[6]), a slight fall was recorded in the sovereign debt exposure to Argentina (€0.6 million) and there was almost no change in the uncovered short positions (as part of trading activities) with Germany (down to -€625 million from -€647 million at the end of 2013) and France (-€312 million). Again with regard to France, outstanding factoring receivables of €0.7 million existed in relation to UBI Banca International business (€0.2 million in December).

* * *

6 These were factoring receivables, for which the receivables purchased relate to government counterparties, totalling €20.3 million inclusive of positions past due relating to Spanish municipalities amounting to €13.5 million and also direct loans to government authorities amounting to €51.4 million of which €50.4 million to the State Railways.

The table below shows the *distribution by maturity of Italian government securities* held in portfolio, net of the relative uncovered short positions.

The average life of the AFS portfolio is 6 years (5.9 years in December 2013) and that of the held to maturity portfolio is 0.6 years (0.9 years), while that of government securities classified within the trading portfolio (HFT) is 1.52 years (1.6 years).

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

- an increase in securities in the "six months to one year" group, due to the investments already mentioned made in BOTs held in the trading portfolio;
- a decrease in the percentage held in the "one year to three years" group (down to 31.1% from 38.1%), with an increase at the same time in the "three years to five years" group (up to 27.9% from 22%), following the switch operation carried out within the AFS portfolio, which lengthened the maturities.

Maturities of Italian government securities

Figures in thousands of euro	31.3.2014					31.12.2013				
	Financial assets held for trading (*)	Available-for-sale financial assets	Held-to-maturity investments	**Carrying amount**	**%**	Financial assets held for trading (*)	Available-for-sale financial assets	Held-to-maturity investments	**Carrying amount**	**%**
Up to six months	3,238	-	-	3,238	0.0%	7,912	-	-	7,912	0.0%
Six months to one year	1,994,141	164,451	3,113,263	5,271,855	25.0%	1,439,942	163,870	3,086,815	4,690,627	23.8%
One year to three years	1,395,950	5,165,169	-	6,561,119	31.1%	1,126,778	6,381,972	-	7,508,750	38.1%
Three years to five years	27,186	5,864,220	-	5,891,406	27.9%	-	4,330,939	-	4,330,939	22.0%
Five years to ten years	-29,279	1,315,616	-	1,286,337	6.1%	-21,075	1,279,939	-	1,258,864	6.4%
Over ten years	14,160	2,068,164	-	2,082,324	9.9%	15,807	1,903,832	-	1,919,639	9.7%
Total	**3,405,396**	**14,577,620**	**3,113,263**	**21,096,279**	**100.0%**	**2,569,364**	**14,060,552**	**3,086,815**	**19,716,731**	**100.0%**

(*) Net of the relative uncovered short positions.

Finally, in March 2014 (as also in December 2013) no credit derivative contracts existed (credit default products), nor did the Group conduct any business in those instruments during the quarter to increase its exposure or to acquire protection.

Equity and capital adequacy

Changes in consolidated shareholders' equity

Reconciliation of equity and profit of the Parent with consolidated equity as at 31st March 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	9,727,212	227,027
Effect of the consolidation of subsidiaries including joint ventures	1,117,354	69,689
Effect of measuring other significant equity investments using the equity method	66,929	10,474
Dividends received during the period	-	-235,771
Other consolidation adjustments (including the effects of the PPA)	-244,013	-13,284
Equity and profit for the period in the consolidated accounts	**10,667,482**	**58,135**

Changes in the consolidated equity of the Group in the first quarter of 2014

Figures in thousands of euro	Balances as at 31.12.2013	Allocation of prior year profit		Changes January-March 2014				31.3.2014
				Changes in reserves	Equity transactions		Consolidated comprehensive income	Equity attributable to the shareholders of the Parent
		Reserves	Dividends and other uses		New share issues	Stock options		
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	-3,647	-2,094	-	-	-	**3,539,503**
Valuation reserves	-170,968	-	-	1	-	-	275,695	**104,728**
Treasury shares	-6,121	-	-	-	-	-	-	**-6,121**
Profit for the period	250,830	-250,830	-	-	-	-	58,135	**58,135**
Equity attributable to the shareholders of the Parent	**10,339,392**	**-**	**-3,647**	**-2,093**	**-**	**-**	**333,830**	**10,667,482**

The equity attributable to the shareholders of the Parent, UBI Banca, as at 31st March 2014, inclusive of profit for the period, was €10,667.5 million, an increase compared with €10,339.4 million at the end of 2013.

As shown in the table "Changes in the consolidated equity of the Group in the first quarter of 2014", the increase of €328.1 million is the result of the following;

- the allocation to other uses of €3.6 million by the network banks for charity purposes;
- an improvement of €275.7 million in the balance for valuation reserves – which became positive – generated almost entirely by the impact of comprehensive income as follows: +€280.6 million for available-for-sale financial assets; +€0.3 million for cash flow hedges; -€5.2 million for gains/losses relating to defined benefit pension plans;
- an aggregate negative impact of €2.1 million for other reserves of profits;
- the posting of profit for the period of €58.1 million.

Valuation reserves attributable to the Group: composition

Figures in thousands of euro	31.3.2014	31.12.2013
Available-for-sale financial assets	125,046	-155,515
Cash flow hedges	-1,735	-2,037
Currency translation differences	-243	-243
Actuarial gains/losses for defined benefit pension plans	-77,081	-71,914
Special revaluation laws	58,741	58,741
Total	**104,728**	**-170,968**

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

Figures in thousands of euro	31.3.2014			31.12.2013		
	Positive reserve	Negative reserve	Total	Positive reserve	Negative reserve	Total
1. Debt instruments	256,684	-226,533	30,151	96,032	-336,633	-240,601
2. Equity instruments	75,797	-2,418	73,379	72,847	-2,481	70,366
3. Units in UCITS	24,564	-3,048	21,516	17,698	-2,978	14,720
4. Financing	-	-	-	-	-	-
Total	**357,045**	**-231,999**	**125,046**	**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	**353,365**	**4,327**	**8,244**	**-**	**365,936**
2.1 Increases in fair value	353,150	4,294	8,009	-	365,453
2.2 Transfer to income statement of negative reserves	215	33	235	-	483
- following impairment losses	*-*	*-*	*190*	*-*	*190*
- from disposal	*215*	*33*	*45*	*-*	*293*
2.3 Other changes	-		-	-	-
3. Negative changes	**-82,613**	**-1,314**	**-1,448**	**-**	**-85,375**
3.1 Reductions in fair value	-61,819	-1,097	-1,361	-	-64,277
3.2 Impairment losses	-	-	-	-	-
3.3 Transfer to income statement of positive reserves: from disposal	-20,794	-216	-87	-	-21,097
3.4 Other changes	-	-1	-	-	-1
4. Closing balances as at 31st March 2014	**30,151**	**73,379**	**21,516**	**-**	**125,046**

As shown in the table, the increase mentioned above of €280.6 million in the "fair value reserve for available-for-sale financial assets" is mainly attributable to debt instruments held in portfolio (for which the balance improved by €270.8 million to +€30.2 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 €13.9 million (+€251.3 million since the beginning of the year, of which €246.5 million relating to the Parent).

The reserve relating to debt securities recorded an increase in fair value of €353.2 million in the first three months of the year, of which €280.8 million relating to the Parent (over 95% on Italian government securities), €63.1 million to Lombarda Vita, €5.2 million to IW Bank (from the Italian government securities portfolio) and €2.9 million to UBI Assicurazioni.
The table also shows decreases: falls in fair value of €61.8 million, relating almost entirely to Lombarda Vita, and transfers to the income statement of positive reserves from disposals of €20.8 million in relation to the disposal of three government securities in the UBI Banca portfolio.

As concerns equity instruments, increases in fair value came to €4.3 million, mainly in relation to Lombarda Vita (€1.3 million) and to the Parent (€2.8 million, relating almost entirely to the interest held in S.A.C.B.O.)
On the other hand reductions in fair value of €1.1 million were attributable to Lombarda Vita.

Units in UCITS benefited from increases in fair value of €8 million, of which €6.7 million relating to UBI Banca and €1.3 million to Lombarda Vita, against reductions in fair value of €1.4 million, attributable primarily to Lombarda Vita.

Information on the shareholder structure of UBI Banca

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 must notify this to the company and to the Consob (Italian securities market authority).

On 18th March 2014 Silchester International Investors LLP reported that, through its asset management companies, it held 4.90% of the share capital of UBI Banca (5.001% reported previously on the 1st November 2011).

It must in any case be considered that the percentage interests reported in the previous annual report and in this financial report may no longer be those actually held if a change has occurred in the meantime which does not involve disclosure obligations by the shareholders (Art. 119 bis *"exemptions" of the Issuers' Regulations, paragraph 7 and 8).*

On the basis of updates of the shareholders' register, the registered shareholders of UBI Banca numbered 97,254 on 31st March 2014 (94,544 at the end of 2013). If shareholders who are not listed in the shareholders' register are also considered, then the total of registered and unregistered shareholders was over €151 thousand.
On 24th of April 2014, 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.
At the date of this report, registered shareholders of UBI Banca numbered 77,500.

Capital adequacy

The new supervisory 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 17th December 2013 the Bank of Italy published Circular No. 285 "Rules for the prudential supervision of banks", which implements the new EU regulations. Subsequently, with a communication of 23rd April 2014, the central bank postponed the deadline for filing supervisory reports as at 31st March 2014 until 30th June 2014, in consideration of the numerous changes introduced to reports resulting from the entry into force of CRR and CRD IV and also in consideration of the process for the integrated preparation of supervisory reports.

As shown in the table, at the end of March the UBI Banca Group's common equity tier one capital (CET1) stood at €7.5 billion and its total own funds at €10.9 billion.

As already reported, on the basis of supervisory rules, the calculation of capital ratios as at 31st March 2014 does not include profit for the period and the consequent changes in filters and deductions.

On the basis of the new supervisory rules, the CET1 is impacted in particular by the negative effects of the following: the lower calculation of non-controlling interests, previously fully recognised in own funds; the new deduction of equity investments held indirectly through funds or other capital instruments; the application of a transition (phasing-in) regime relating to the differences between expected losses and provisions; valuation reserves (except for those for Italian government securities).
These impacts are partially offset by the risk weighting (250%) of directly held significant equity investments, previously deducted from the tier one capital.

As, on the other hand, concerns risk-weighted assets (RWA) of €61.5 billion, the most significant negative impact regarded the inclusion of deferred tax assets (DTA)s among RWAs, only partially offset by the benefit resulting from the introduction of a "supporting factor", i.e. a factor which allows the capital requirement to be reduced for exposures to SMEs that satisfy particular conditions.

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 12.23% and a total capital ratio of 17.72%.

If self-financing for the period is included within own funds, then the CET1 ratio would be 12.31% (+8 basis points).

The fully phased-in common equity tier one ratio is estimated in terms of management accounting figures at approximately 10.5%.

Finally, the leverage ratio[1] according to Basel 3 rules, estimated in terms of management accounting figures on the basis of carrying amounts recognised as at 31st December 2013 was 5.16%. The measurement as at 31st March 2014 will be included in the supervisory reports to be filed by the deadline of 30th June 2014.

Capital ratios (Basel 3)

Figures in thousands of euro	31.3.2014
Common equity tier one capital before filters and transitionalal provisions	7,841,670
Effects of transitional provisions provided for by the regulations (minority interests)	383,303
Effects of transitional provisions provided for by the regulations (AFS reserves)	-130,593
Adjustments to common equity tier one capital due to prudential filters provided for by the regulations	-5,191
Government securities sterilisation effect	5,547
Common equity tier one capital net of prudential filters	**8,094,736**
Regulatory adjustments to common equity tier one capital	-572,229
of which: negative elements due to the excess of expected losses over impairment losses recognised, inclusive of the application of transitional provisions	*-535,172*
Common equity tier one capital after filters and deductions	**7,522,507**
Tier one capital after filters and deductions	**7,522,507**
Tier two capital before transitional provisions	**3,688,037**
Effects of grandfathering provisions on tier two instruments	31,835
Tier two capital after transitional provisions	**3,719,872**
Regulatory adjustments to tier two capital	-345,977
of which: negative elements due to the excess of expected losses over impairment losses recognised, inclusive of the application of transitional provisions	*-356,782*
Tier two capital after specific deductions	**3,373,895**
Total own funds	**10,896,402**
Credit risk	4,457,665
Market risk	103,535
Operational risk	359,124
Other calculation elements	-
Total capital requirements	**4,920,324**
Risk-weighted assets	**61,504,050**
Common equity tier one ratio (common equity tier one capital after filters and deductions/risk-w eighted assets)	**12.23%**
Tier one ratio (tier one capital after filters and deductions/risk-w eighted assets)	**12.23%**
Total capital ratio (total ow n funds/risk-w eighted assets)	**17.72%**

In compliance with transitorial provisions concerning own funds contained in Part II, Chapter 14 of Bank of Italy Circular No. 285 of 17th December 2013, advantage was taken in the calculation of regulatory capital as at 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.

1 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%.

Information on risks and on hedging policies

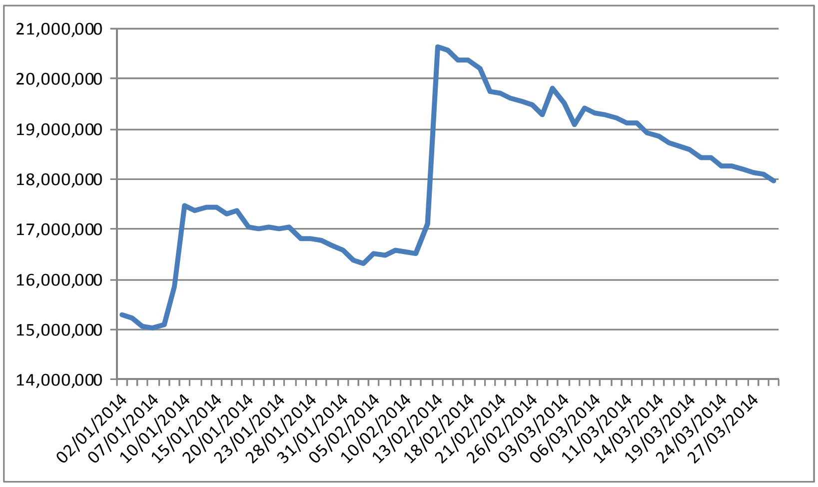
An update of the main risk indicators is given in quantitative terms in this interim report. Part E of the Notes to the Consolidated Financial Statements as at and for the period ended 31st December 2013 may be consulted for the general aspects, the risk management policies and the organisational models and measurement methods.

Market risk

Interest rate risk and price risk - Supervisory trading book

Supervisory trading book: internal models and other methods of sensitivity analysis

Change in market risk:
daily market VaR for the Group trading portfolios in the first three months of 2014



VaR by risk factor calculated on the entire trading book of the UBI Group as at 31st March 2014 is given below.

Trading book of the UBI Banca Group	31.3.2014	Average	Minimum	Maximum	31.12.2013	31.3.2013
Currency risk	798,559	980,912	706,426	1,239,529	1,096,417	151,515
Interest rate risk	1,695,784	1,638,654	1,230,247	1,945,182	1,790,539	581,771
Equity risk	181,845	165,659	147,313	181,845	161,084	442,869
Credit risk	16,684,720	16,581,784	13,909,258	18,901,460	14,012,264	14,142,676
Volatility risk	224,622	277,414	215,106	320,266	309,114	96,775
Diversification effect (1)	(1,624,179)				(2,023,928)	(724,721)
Total (2)	**17,961,351**	**17,944,764**	**15,029,658**	**20,628,449**	**15,345,490**	**14,690,885**

(1) The diversification effect is due to the imperfect correlation between the different risk factors present in the Group's portfolio.
(2) The maximum VaR was recorded on 13th February 2014 and the minimum VaR on 7th January 2014.

The increase in total VaR is related to net investments in Italian government securities made in the first quarter.

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

The exposure of the Group to interest rate risk in terms of core sensitivity measured in a scenario of a change in interest rates of -100 bp on balance sheet items as at 31st March amounted to -€246.25 million, accounting for 2.26% of total consolidated own funds, compared with an early warning threshold of -€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.
Sensitivity originated by the network banks was -€117.52 million and the sensitivity generated by the product companies was approximately +€110.70 million, while the Parent contributed a total of -€239.43 million.
The sensitivity for an increase in interest rates (+100 bp) was +€346.66 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 first quarter of 2014, given as a percentage of the tier one capital and total own funds.

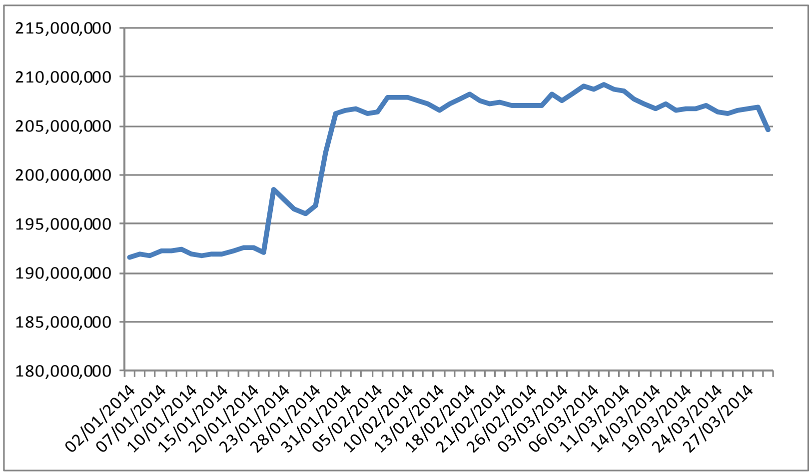
Risk indicators - annual average	March 2014 / March 2013	FY 2013
parallel shift of +200 bp		
sensitivity/tier one capital	2.75%	3.14%
sensitivity/total own funds*	1.90%	2.20%

Risk indicators - end of period values	31.3.2014	31.12.2013
parallel shift of +200 bp		
sensitivity/tier one capital	0.05%	0.21%
sensitivity/total own funds*	0.04%	0.14%

* The 2013 figures were calculated on the basis of the regulatory capital (Basel 2 AIRB)

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 contributes to the overall determination of exposure. 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 +€39.75 million for the period ended 31st March 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.

Change in market risk:
daily market VaR for the Group banking book in the first three months of 2014



VaR by risk factor calculated on the banking book of the UBI Group as at 31st March 2014 is given below.

Banking book of the UBI Banca Group	31.3.2014	Average	Minimum	Maximum	31.12.2013	31.3.2013
Currency risk	50,820	58,157	45,461	62,115	58,633	106,824
Interest rate risk	24,081,173	24,656,477	22,518,476	27,140,347	25,788,208	12,621,606
Equity risk	580,154	7,276,505	580,154	7,640,752	7,517,896	1,680,526
Credit risk	200,657,197	196,669,849	186,117,157	202,075,491	185,236,883	225,728,647
Volatility risk	461,995	459,310	438,324	475,714	460,909	825,485
Diversification effect (1)	(21,185,161)				(28,009,406)	(12,943,897)
Total (2)	**204,646,178**	**203,050,524**	**191,619,112**	**209,197,187**	**191,053,123**	**228,019,191**

(1) The diversification effect is due to the imperfect correlation between the different risk factors present in the Group's portfolio.
(2) The maximum VaR was recorded on 7th March 2013, the minimum VaR on 2nd January 2014.

Liquidity risk

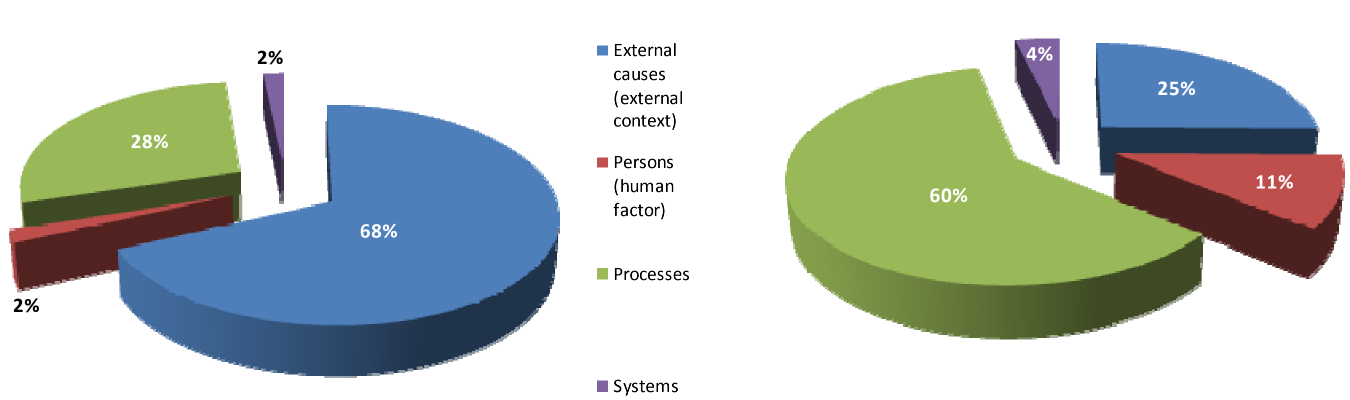
Details of net interbank debt recognised in the balance sheet and details of the Group liquidity reserve are given in the section on the interbank market in this interim financial report which may be consulted.
Short term liquidity analysis is monitored using a net liquidity balance model of analysis 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 quarter was one of ample funds.
The structural balance between assets and liabilities, measured on the basis of their degree of liquidity is 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.

Operational risks

From 1st April 2009 until 31st March 2014, 22,778 events were detected for a cost of €229 million (of which €23 million recovered) concentrated in the risk drivers "processes" (28% of the number of events detected and 60% of the total losses, principally attributable to litigation for compounding of interest) and "external causes" (68% of the number of events detected and 25% of the total losses, primarily due to financial and payment card fraud).

Percentage of operational losses by risk driver
(detection 1st April 2009 – 31st March 2014)

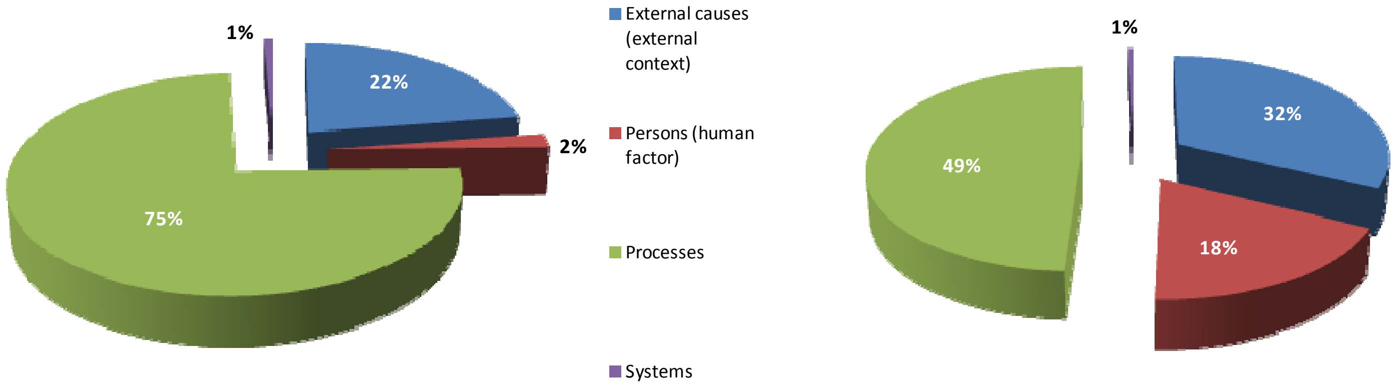
Event frequency | Profit impact



In the first three months of 2014, 430 events were detected for a cost of €3 million, concentrated in the risk drivers "processes" (75% of the number of events detected and 49% of the total losses, again attributable mainly to litigation for compounding of interest) and "external causes" (22% of the number of events detected and 32% of the total losses, largely robberies and thefts).

Percentage of operational losses by risk driver
(detection 1st January 2014 - 31st March 2014)

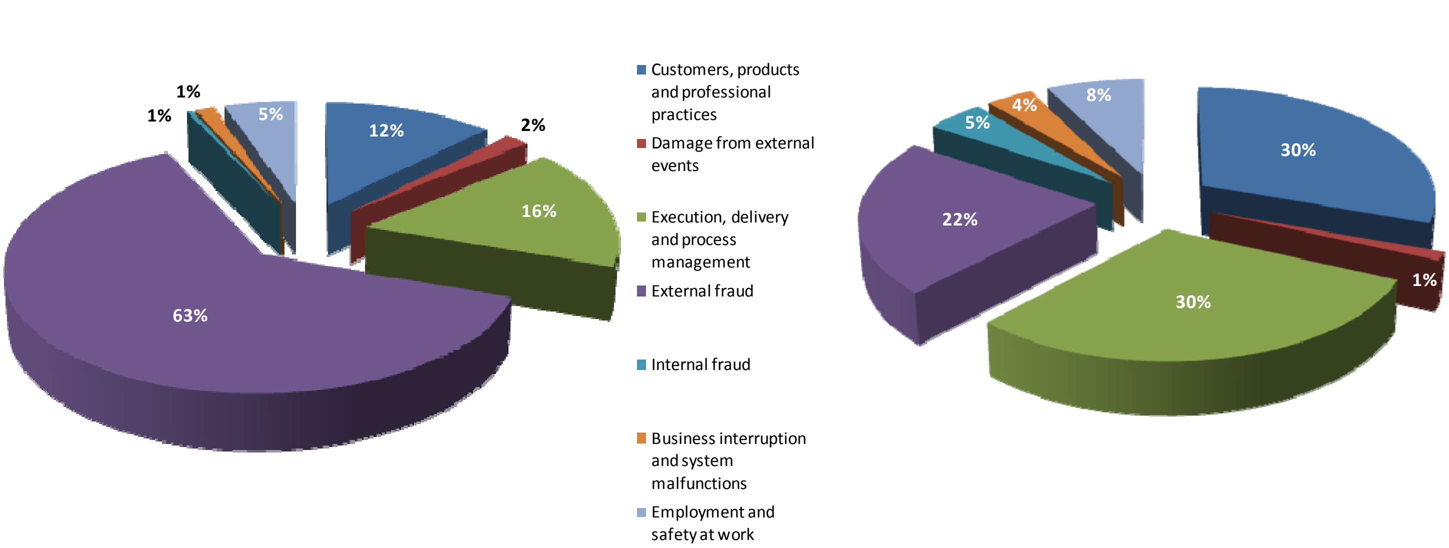
Event frequency | Profit impact



The 22,778 events detected for a total cost of €229 million (of which €23 million recovered) in the period from 1st April 2009 until 31st March 2014 were concentrated principally in the event types "execution, delivery and process management" (16% of the number of events detected and 30% of the total losses, due mostly to mistaken execution instructions), "customers, products and professional practices" (12% of the events detected and 30% of the losses, attributable principally to litigation for compounding of interest) and "external fraud" (63% of the number of events and 22% of the total losses, mainly due to payment card fraud and thefts and robberies).

Percentage of operational losses by type of event
(detection 1st April 2009 – 31st March 2014)

Event frequency | Profit impact

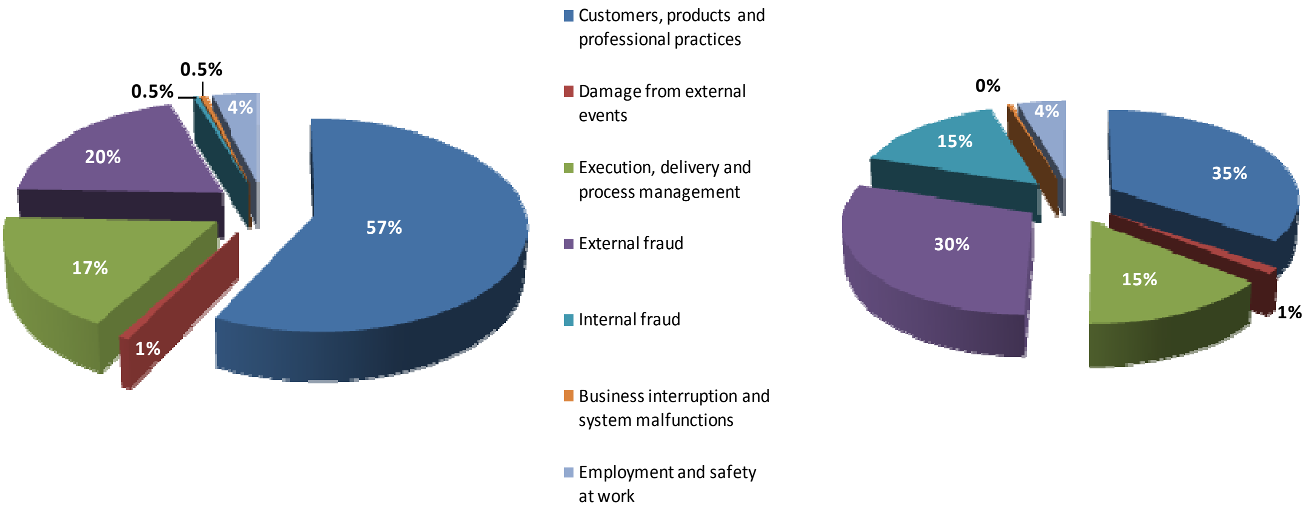


As concerns, on the other hand, the 430 events detected, for a cost of €3 million, in the first three months of 2014, these were concentrated in the event types "customers, products and professional practices" (57% of the number of events detected and 35% of the total losses, mainly litigation for compounding of interest), "external fraud" (20% of the number of events detected and 30% of the total losses, principally robberies and thefts) and "internal fraud" (0.5% of the number of events detected and 15% of the total Losses).

Percentage of operational losses by type of event

(detection 1st January 2014 - 31st March 2014)

Event frequency | Profit impact



Capital requirements

Part E of the Notes to the Consolidated Financial Statements in the 2013 Annual report may be consulted for the calculation of the capital requirement, measurement of which is carried out on a half yearly basis.

Consolidated companies: the principal figures

Profit

Figures in thousands of euro	1st Quarter 2014 A	1st Quarter 2013 B	Change A-B	% change A/B	FY 2013 C
Unione di Banche Italiane Scpa (1)	227,027	96,002	131,025	136.5%	71,340
Banca Popolare di Bergamo Spa	42,971	45,020	(2,049)	(4.6%)	138,720
Banco di Brescia Spa	20,625	16,293	4,332	26.6%	3,386
Banca Popolare Commercio e Industria Spa	14,826	16,750	(1,924)	(11.5%)	36,539
Banca Regionale Europea Spa	6,654	10,316	(3,662)	(35.5%)	26,530
Banca Popolare di Ancona Spa	602	7,313	(6,711)	(91.8%)	4,645
Banca Carime Spa	(293)	7,576	(7,869)	n.s.	24,010
Banca di Valle Camonica Spa	1,589	1,071	518	48.4%	1,860
UBI Banca Private Investment Spa	803	1,045	(242)	(23.2%)	4,039
Centrobanca Spa	-	6,966	(6,966)	(100.0%)	-
Centrobanca Sviluppo Impresa SGR Spa	(57)	(136)	(79)	(58.1%)	(407)
Banque de Dépôts et de Gestion Sa (*) (2)	-	(2,066)	(2,066)	(100.0%)	(8,532)
IW Bank Spa	3,277	1,208	2,069	171.3%	2,295
UBI Banca International Sa (*)	(11,221)	(8,399)	2,822	33.6%	(10,328)
UBI Pramerica SGR Spa	6,976	6,220	756	12.2%	30,866
UBI Leasing Spa	(9,328)	(6,237)	3,091	49.6%	(67,001)
UBI Factor Spa	3,496	4,490	(994)	(22.1%)	7,342
Prestitalia Spa (*)	(4,125)	(4,420)	(295)	(6.7%)	(20,243)
BPB Immobiliare Srl	164	229	(65)	(28.4%)	1,036
Società Bresciana Immobiliare Mobiliare - S.B.I.M. Spa	559	538	21	3.9%	1,527
UBI Sistemi e Servizi SCpA (3)	3,028	3,594	(566)	(15.7%)	-
UBI Fiduciaria Spa	(192)	(89)	103	115.7%	(307)
UBI Assicurazioni Spa (49,99%)	2,166	1,964	202	10.3%	7,513
Aviva Assicurazioni Vita Spa (49,99%)	1,800	850	950	111.8%	9,100
Aviva Vita Spa (50%)	4,350	3,550	800	22.5%	16,150
Lombarda Vita Spa (40%)	2,140	1,980	160	8.1%	13,346
UBI Management Co. Sa	153	-	153	-	420
UBI Trustee Sa	177	(67)	244	n.s.	18
CONSOLIDATED	**58,135**	**26,458**	**31,677**	**119.7%**	**250,830**

(*) The result shown is from the financial statements prepared for the consolidation according to the accounting policies followed by the Parent.

(1) The figures for the first quarter of 2013 do not take account of the result for Centrobanca, merged on 6th May 2013, but relate to UBI Banca only.

(2) 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.

(3) 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	31.3.2014 A	31.12.2013 B	31.3.2013 C	Change A-C	% change A/C
Unione di Banche Italiane Scpa (1)	23,962,361	25,168,913	21,539,134	2,423,227	11.3%
Banca Popolare di Bergamo Spa	18,713,453	18,841,272	19,061,405	-347,952	-1.8%
Banco di Brescia Spa	12,890,362	12,644,164	13,145,401	-255,039	-1.9%
Banca Popolare Commercio e Industria Spa	8,311,848	8,378,292	8,342,045	-30,197	-0.4%
Banca Regionale Europea Spa	8,827,583	8,811,291	9,419,173	-591,590	-6.3%
Banca Popolare di Ancona Spa	7,665,203	7,622,923	7,776,685	-111,482	-1.4%
Banca Carime Spa	4,437,857	4,719,756	4,615,967	-178,110	-3.9%
Banca di Valle Camonica Spa	1,827,498	1,836,012	1,812,021	15,477	0.9%
UBI Banca Private Investment Spa	486,021	475,611	477,820	8,201	1.7%
Prestitalia Spa	2,339,972	2,439,690	2,781,649	-441,677	-15.9%
Centrobanca Spa	-	-	6,067,883	-6,067,883	-100.0%
Banque de Dépôts et de Gestion Sa (2)	-	-	197,866	-197,866	-100.0%
UBI Banca International Sa	664,413	774,489	945,833	-281,420	-29.8%
IW Bank Spa	334,344	314,484	287,527	46,817	16.3%
UBI Factor Spa	2,033,192	2,286,120	2,110,421	-77,229	-3.7%
UBI Leasing Spa	7,318,585	7,440,930	7,954,497	-635,912	-8.0%
CONSOLIDATED	**87,094,749**	**88,421,467**	**92,264,578**	**-5,169,829**	**-5.6%**

Risk indicators

Percentages	Net non-performing loans/ Net loans 31.3.2014	31.12.2013	31.3.2013	Net impaired loans/Net loans 31.3.2014	31.12.2013	31.3.2013	Net non-performing loans + Net impaired loans/Net loans 31.3.2014	31.12.2013	31.3.2013
Unione di Banche Italiane Scpa (1)	1.20%	1.18%	1.02%	3.43%	3.39%	1.40%	4.63%	4.57%	2.42%
Banca Popolare di Bergamo Spa	3.65%	3.37%	2.91%	3.00%	3.11%	3.64%	6.65%	6.48%	6.55%
Banco di Brescia Spa	2.31%	2.34%	2.14%	6.00%	5.58%	4.05%	8.31%	7.92%	6.19%
Banca Popolare Commercio e Industria Spa	4.14%	4.03%	3.89%	2.58%	2.45%	1.85%	6.72%	6.48%	5.74%
Banca Regionale Europea Spa	4.29%	4.17%	3.00%	4.12%	4.00%	3.82%	8.41%	8.17%	6.82%
Banca Popolare di Ancona Spa	6.00%	5.77%	5.00%	5.21%	5.52%	5.33%	11.21%	11.29%	10.33%
Banca Carime Spa	3.77%	3.39%	2.97%	5.95%	5.42%	4.40%	9.72%	8.81%	7.37%
Banca di Valle Camonica Spa	4.68%	4.63%	4.12%	3.91%	3.86%	3.27%	8.59%	8.49%	7.39%
UBI Banca Private Investment Spa	2.84%	2.91%	2.73%	2.09%	1.79%	1.54%	4.93%	4.70%	4.27%
Prestitalia Spa	0.55%	0.45%	0.17%	12.03%	14.18%	11.34%	12.58%	14.63%	11.51%
Centrobanca Spa	-	-	2.39%	-	-	4.68%	-	-	7.07%
Banque de Dépôts et de Gestion Sa (2)	-	-	0.10%	-	-	1.76%	-	-	1.86%
UBI Banca International Sa	2.57%	2.28%	1.03%	6.95%	7.79%	5.46%	9.52%	10.07%	6.49%
IW Bank Spa	-	-	-	0.17%	0.17%	1.06%	0.17%	0.17%	1.06%
UBI Factor Spa	11.16%	9.90%	3.48%	0.19%	0.16%	7.77%	11.35%	10.06%	11.25%
UBI Leasing Spa	7.80%	7.41%	6.73%	6.03%	5.98%	5.70%	13.83%	13.39%	12.43%
CONSOLIDATED	**4.07%**	**3.89%**	**3.30%**	**4.88%**	**4.88%**	**4.34%**	**8.95%**	**8.77%**	**7.64%**

(1) The figures as at 31st March 2013 do not take account of the result for Centrobanca, merged on 6th May 2013, but relate to UBI Banca only.

(2) This bank was sold on 29th November 2013.

Direct funding from customers

Figures in thousands of euro	31.3.2014 A	31.12.2013 B	31.3.2013 C	Change A-C	% change A/C
Unione di Banche Italiane Scpa (1)	35,269,640	35,559,531	28,320,357	6,949,283	24.5%
Banca Popolare di Bergamo Spa	16,813,681	16,771,292	19,113,237	-2,299,556	-12.0%
Banco di Brescia Spa	9,699,736	10,214,529	11,552,429	-1,852,693	-16.0%
Banca Popolare Commercio e Industria Spa	6,165,446	6,454,020	7,457,189	-1,291,743	-17.3%
Banca Regionale Europea Spa	5,742,046	5,989,089	7,054,098	-1,312,052	-18.6%
Banca Popolare di Ancona Spa	5,621,023	5,909,274	6,524,231	-903,208	-13.8%
Banca Carime Spa	6,088,497	6,383,495	7,026,889	-938,392	-13.4%
Banca di Valle Camonica Spa	1,253,382	1,289,306	1,462,788	-209,406	-14.3%
UBI Banca Private Investment Spa	563,649	544,281	675,533	-111,884	-16.6%
Centrobanca Spa	-	-	3,938,030	-3,938,030	-100.0%
Banque de Dépôts et de Gestion Sa (2)	-	-	311,797	-311,797	-100.0%
UBI Banca International Sa (3)	1,128,747	1,292,882	1,753,834	-625,087	-35.6%
IW Bank Spa	2,544,043	2,757,511	3,159,878	-615,835	-19.5%
CONSOLIDATED	**90,844,201**	**92,603,936**	**98,678,415**	**-7,834,214**	**-7.9%**

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	31.3.2014	31.12.2013	31.3.2013
Unione di Banche Italiane Scpa (1)	1,878.9	1,875.5	2,377.8
Banca Popolare di Bergamo Spa	848.7	386.1	-
Banco di Brescia Spa	1,370.1	1,154.8	650.0
Banca Regionale Europea Spa	937.0	690.5	608.5
Banca Popolare di Ancona Spa	697.5	612.5	-
Banca di Valle Camonica Spa	393.7	253.1	252.5
Centrobanca Spa	-	-	2,328.3

(1) The figure as at 31st March 2013 does not include Centrobanca, merged on 6th May 2013, but relates to UBI Banca only.

(2) This bank was sold on 29th November 2013.

(3) The figure as at 31st March 2014 is net of issues of French certificates of deposit and euro commercial paper which totalled €3,799 million (€3,075 million as at 31st December 2013; €2,627.6 million as at 31st March 2013).

Indirect funding from customers (at market prices)

Figures in thousands of euro	31.3.2014 A	31.12.2013 B	31.3.2013 C	Change A-C	% change A/C
Unione di Banche Italiane Scpa	5	5	5	-	-
Banca Popolare di Bergamo Spa	28,765,209	27,641,234	24,510,297	4,254,912	17.4%
Banco di Brescia Spa	14,503,301	13,612,421	12,168,524	2,334,777	19.2%
Banca Popolare Commercio e Industria Spa	10,487,025	10,252,248	9,633,794	853,231	8.9%
Banca Regionale Europea Spa	9,611,724	9,018,269	8,052,405	1,559,319	19.4%
Banca Popolare di Ancona Spa	4,363,580	4,033,300	3,382,056	981,524	29.0%
Banca Carime Spa	6,577,132	6,259,293	5,612,542	964,590	17.2%
Banca di Valle Camonica Spa	1,270,750	1,205,143	1,040,201	230,549	22.2%
UBI Banca Private Investment Spa	5,754,357	5,465,073	5,377,653	376,704	7.0%
Banque de Dépôts et de Gestion Sa (1)	-	-	658,657	-658,657	-100.0%
Lombarda Vita Spa	4,923,460	4,853,289	4,563,566	359,894	7.9%
UBI Pramerica SGR Spa	22,616,890	22,718,642	21,433,060	1,183,830	5.5%
UBI Banca International Sa	2,980,045	2,781,767	2,492,903	487,142	19.5%
IW Bank Spa	3,223,715	3,131,886	3,158,136	65,579	2.1%
Aviva Assicurazioni Vita Spa	2,184,259	2,188,441	2,102,101	82,158	3.9%
Aviva Vita Spa	4,622,813	4,512,424	4,441,060	181,753	4.1%
CONSOLIDATED	**73,391,738**	**71,651,786**	**68,881,438**	**4,510,300**	**6.5%**

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	31.3.2014 A	31.12.2013 B	31.3.2013 C	Change A-C	% change A/C
Unione di Banche Italiane Scpa	-	-	-	-	-
Banca Popolare di Bergamo Spa	12,997,910	12,922,812	12,378,765	619,145	5.0%
Banco di Brescia Spa	6,695,911	6,740,007	6,359,633	336,278	5.3%
Banca Popolare Commercio e Industria Spa	4,659,534	4,597,080	4,316,448	343,086	7.9%
Banca Regionale Europea Spa	4,339,465	4,296,394	4,105,645	233,820	5.7%
Banca Popolare di Ancona Spa	1,785,064	1,730,853	1,582,998	202,066	12.8%
Banca Carime Spa	3,045,310	3,060,765	2,888,857	156,453	5.4%
Banca di Valle Camonica Spa	481,307	464,283	427,824	53,483	12.5%
UBI Banca Private Investment Spa	4,438,225	4,379,076	4,254,281	183,944	4.3%
Banque de Dépôts et de Gestion Sa (1)	-	-	658,657	-658,657	-100.0%
Lombarda Vita Spa	4,923,460	4,853,289	4,563,566	359,894	7.9%
UBI Pramerica SGR Spa	22,616,890	22,718,642	21,433,060	1,183,830	5.5%
UBI Banca International Sa	141,978	150,592	176,021	-34,043	-19.3%
IW Bank Spa	581,318	588,409	603,380	-22,062	-3.7%
Aviva Assicurazioni Vita Spa	2,184,259	2,188,441	2,102,101	82,158	3.9%
Aviva Vita Spa	4,622,813	4,512,424	4,441,060	181,753	4.1%
CONSOLIDATED	**39,795,632**	**39,553,848**	**38,316,266**	**1,479,366**	**3.9%**

(1) This bank was sold on 29th November 2013.

Other information

Tax aspects

A summary of the contents of the main issues and provisions arising during the quarter is given below.

Accounts register

As already reported, since 2011 (Decree Law No. 201/2011, converted into Law No 214/2011) financial intermediaries have been required to periodically furnish the financial authorities with detailed quantitative information (balances, movements, etc.) on customer relationships. As the deadline approached for filing the information relating to 2013, on 4th April the tax authorities suspended the data transmission – already mostly processed – in view of a further modification to the data series that intermediaries are required to acquire and communicate. In this circumstance also, mention must necessarily be made of the costliness of the processing that must be carried out to meet these requests, as yet still not decided, from the financial authorities.
As already reported, the information relating to 2011 and 2012 was sent, as required, by 31st October 2013 and 31st March 2014.

FATCA law

On 10th January 2014 Italy signed a specific agreement (IGA) with the USA government designed to facilitate the application of this legislation, under which, amongst other things, information is automatically exchanged between governments on their respective taxpayers.
Despite the approach of the date of first application, set for 1st July 2014, the law to ratify the agreement has yet to be enacted and the necessary provisions containing the regulations to implement it and supplement it have yet to be issued.
As already reported, the legislation in question, initiated to fight United States tax evasion by United States citizens has a significant customer relationship, operational and organisational impacts on the activities of banks and their customers, because it also imposes stronger obligations on non-United States financial intermediaries, including the companies in the UBI Banca Group, to identify and document customers (United States and other customers) and to file returns with the USA tax authorities, according to procedures defined by them.
In view of the above, the Group is still carrying out activities to implement the regulations in question, in order to acquire FATCA compliant status.

Withholding taxes on foreign cash inflows (Decree Law No. 66 of 24th April 2014)

As already reported, Law No. 97/2013 introduced an obligation on financial intermediaries to apply a withholding tax on cash inflows from abroad, relating to a wide range of types of capital income and other types of income from investments and on foreign financial assets held by natural persons, non-commercial entities and partnerships resident for tax purposes in Italy.
The recent Decree Law No. 66/2014 repealed the above obligation for which concrete application had already been postponed until 1st July 2014 by a Directorate Provision of 19th February 2014 due to difficulties in application encountered by intermediaries and by taxpayers and also in view of its elimination in the light of understandings reached internationally in the fight against cross-border tax evasion through the exchange of information between countries (Ministry of Economics and Finance press release No. 46 of 19th February 2014).

Law No. 23 of 11th March 2014 – Law to revise the tax system

After a long passage through Parliament the "Implementation Law" was enacted to revise the tax system with a view to fairness, transparency and an orientation towards growth. The regulations to implement it must maintain revenues unchanged and be completed by 27th March 2015, the date on which the legislative degrees to implement it must be issued, unless the postponements are made.

Mention is made of the following issues of greater importance to Group operations, also in view of possible positive impacts on some tax litigation currently in progress:

- abuse of rights: a general principle is to be introduced to define that concept, co-ordinated with EU recommendations on the value of aggressive tax planning and centred on the notion that the abuse of a right only occurs when a distorted use is made of laws in order to achieve savings on taxes. Taxpayers must have the freedom to choose between different operations which involve different tax burdens, while the abuse of a right must be excluded where non-tax and non-marginal reasons exist, including those of an organisational nature to improve the structure and functioning of companies. The onus of proof of abusive of conduct lies with the financial administration, while it is up to the taxpayer to prove valid non-tax reasons;
- management of tax risk: closer forms of co-operation and communication between companies and the tax authorities are to be introduced. Structured systems to manage and control tax risk are to be introduced for large taxpayers with a clear attribution of responsibilities within the overall framework of the system of internal controls (compliance);
- penalty system: a revision of the penalty system is planned, to be based on the principle of proportionality and the actual seriousness of the conduct. The time limits within which the tax authorities may carry out tax assessments can only be doubled (see Art. 37 of Decree Law No. 223/2006) where a criminal charge has been made within the normal time limits (normally within five years);
- corporate income and net production; the following is planned in order to reduce uncertainty and increase the international activity of businesses: rationalisation of the procedures for determining corporate income for corporate income tax (IRES) purposes by introducing clear criteria that are consistent with standard accounting practices, especially for loan losses (an aspect already anticipated in the significant amendments introduced by the recent Law No. 147/2013); a revision of the criteria for the deductibility of depreciation and amortisation, general expenses and particular cost categories, and also clearer specification of the issue of "related costs". The criteria applicable to transborder transactions (the controlled foreign companies – CFC – regime and the deductibility of expenses with tax havens), the system of transborder withholding taxes and the tax regime for stable organisations are to be revised;
- VAT and other indirect taxes: rationalisation of VAT and other indirect taxes (registration tax, stamp duty, etc.) with a view to simplifying obligations and rationalising tax rates. With regard to VAT, it is also planned to implement "Group VAT" in Italy as provided for by article 11 of Directive 2006/112/EC, with a single Group VAT number and the consequent neutralisation of intragroup transactions.

Legislative Decree No. 44 of 4th March 2014

This Decree is to implement Directive 2011/61/EU on mutual investment funds and mainly amends provisions and regulations (Legislative Decree No 58/1998 – Consolidated Finance Act) on the collective management of investments, on transborder operations by managers and on the marketing of undertakings for collective investment in transferable securities (UCITS).
It also intervenes on the tax regime for financial income from UCITS.
While official clarifications on when the tax provisions will run from – probably from 1st July 2014 – have not yet been given, the main tax aspects regard the following:

- rationalisation of the tax regime for capital income from investments in all types of foreign UCITS (except for property UCITS) to bring it more into in line with that for Italian UCITS;
- simplification of the calculation of the tax base for income from non-property UCITS;
- the introduction of a tax regime for income from foreign property funds similar to that for Italian property funds;
- new specifications on the identification of intermediaries who fill the role of tax substitutes in certain circumstances.

Decree Law No. 66 of 24th April 2014

This decree, currently being converted, introduces new aspects for the banking sector. In detail:

- IRAP (local production tax) rates: the tax rate to be applied on the value of production will be reduced from the tax year 2014. The base rate will be reduced from 4.65% to 4.20% for banks and other financial entities. Similarly the surtax which regions have the power to

apply will also be reduced from 1% to 0.92% (as is known governments of the regions in which the Group operates generally take advantage of that surtax for banks).
As concerns the calculation of payments on account for IRAP, for 2014 banks and other financial entities should use the base rate of 4.40% where it is determined using what is termed the "forecasting" method.
The new measurement of IRAP rates will also have an impact on deferred tax assets and liabilities already recognised.
From an initial estimate based on consolidated figures as at and for the period ended 31st March 2014, this provision will result in a benefit for current taxation of approximately €2 million. On the other hand, a one-off negative impact is estimated in terms of adjustments to deferred tax assets and liabilities of approximately €20 million;

- a substitute tax on the revaluation of stakes held in the Bank of Italy: the substitute tax rate on the revaluation recognised as at and for the period ended 31st December 2013, which was originally set at 12% – and therefore recognised in those accounts – was raised to 26% and the terms of payment were also changed from payment in instalments to one single payment to be made next June.
  As a consequence of the above, with specific regard to the two Group banks that hold stakes in the Bank of Italy (Banca Regionale Europea Spa and Banca Carime Spa), taxation for 2014 will increase by approximately €4.3 million (€3.5 million net of non-controlling interests);
- tax rate on financial returns: with effect from 1st July 2014, the rate for withholding taxes and substitute taxes applicable to capital income and income not of a financial nature (i.e. gains and losses) will be raised from 20% to 26%. The increase does not affect government securities and similar items for which the tax rate remains at 12.50%. The procedure for the changeover to the new taxation basically follows that already employed for the previous rise in rates under Decree Law No. 138/2011 effective from 1st January 2012. The application of the legislation will involve an appreciable operational, IT and documentation commitment, at the same time, moreover, as other provisions are applied (FATCA law, Legislative Decree No. 44/2014, etc.).

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We report the following procedural documents on interpretation.

Tax Authority Circular No. 4 of 24th February 2014

The tax authority acted, with regard to the tax regime for the revaluation of stakes held in the capital of the Bank of Italy to clarify that the realignment regulated by article 1, paragraph 148 of Law No. 147/2013 – which provides for the payment of a 12% substitute tax – is a special regime incompatible with the participation exemption regime on capital gains provided for by article 87 of the Consolidated Income Tax Act, which therefore cannot be applied.

Litigation

Ordinary litigation

No significant changes occurred with respect to the position reported in the 2013 Annual Report, which may be consulted.

Tax litigation

The tax inspection into UBI Pramerica SGR conducted by the Milan tax unit of the *Guardia of Finanza* (finance police), with specific regard to relations held with foreign subsidiaries of the Group continued during the period and is still in progress.

Assessment notices

SUBSTITUTE TAX PURSUANT TO PRESIDENTIAL DECREE NO. 601/1973 ON MEDIUM TO LONG-TERM LOANS

During the quarter the following notices for payment were received addressed to UBI Banca ScpA (the former Centrobanca):

- notice on a loan stipulated abroad on 29th November 2010 for a total of €112 thousand;
- notice on a loan stipulated abroad on 25th November 2010 for a total of €150 thousand;

The claim made by the tax authorities originates from the alleged failure to pay a substitute tax pursuant to Presidential Decree No. 601/1973 on loan contracts stipulated abroad which, in the opinion of the tax authorities, were entirely stipulated in Italy and therefore subject to the tax in question.

As concerns proceedings already commenced, the following events occurred in the reporting period:

- a notice on a loan stipulated abroad by Banca Popolare di Bergamo in the second half of 2009 for a total of €22 thousand: on 18th March 2014 a hearing was held for an appeal to the Tax Commission of the Province of Bergamo. The relative judgement on the case has not yet been issued;
- a notice on a loan stipulated abroad by Banco di Brescia in the second half of 2010 for a total of €187 thousand: on 28th March 2014 a hearing was held for an appeal to the Tax Commission of the Province of Brescia. The relative judgement on the case has not yet been issued.

LITIGATION CONCERNING THE VAT REGIME FOR THE MUTUAL INVESTMENT FUND DEPOSITORY BANKING SERVICES

On the basis of the contents of Ministerial Resolution No. 97/E of December 2013, payment demands are currently being drawn up by the competent tax authorities concerning the various tax years subject to assessment.
It is estimated that the relative disputes can be settled during the year with a payment of approximately €4 million for the taxation and approximately €0.8 million for the interest.
In accordance with article 60 of Presidential Decree No. 633/1972, the Group will proceed to recoup the taxation due from its respective clients.

PREFERENCE SHARES – UBI BANCA AND BANCO DI BRESCIA

The litigation in question concerns the alleged failure to apply (and consequently to pay) a withholding tax at source pursuant to article 26, paragraph 5 of Presidential Decree No. 600/1973 (at a rate of 12.5%, now 20%) on the interest due from Italian banks (the former BPU Banca, Banca Popolare di Bergamo, Banca Popolare Commercio e Industria, Banco di Brescia) on deposits which the foreign special purpose entity subsidiary (Llc) resident in Delaware had made in the early 2000s, as part of complex operations to strengthen regulatory capital. More specifically, the tax authorities reclassified those deposits as financing from which the alleged failure to apply a withholding tax arises.

Overall additional withholding tax totalling €29.9 million was assessed for the years from 2004 to 2008 (€22 million for UBI Banca and €7.9 million for Banco di Brescia) plus penalties and interest.
All the assessments received were officially appealed against before the competent tax commissions under the assumption that:
- it was not a case of abuse of law since the transactions in question had been carried out on foot of specific prior authorisation from the Bank of Italy;
- it was erroneous to reclassify the deposits solely for tax purposes considering them as financing since they were still relevant at the time for Regulatory Capital calculation purposes. No such reclassification is actually envisaged by current tax law governing withholding taxes.

The following judgements were made and hearings held before the competent tax commissions in 2014:
- on 15th January: a hearing at the Provincial Tax Commission of Milan for UBI Banca relating to 2005. The relative judgement still has to be issued;
- on 5th February: the Provincial Tax Commission of Milan for Banco di Brescia Year relating to 2004 issued a judgement against, which, however, excluded penalties due to the uncertainty surrounding the legislation;
- on 7th February: a hearing before the Provincial Tax Commission of Milan for Banco di Brescia relating to 2005. The hearing was postponed to further date while waiting for the decision by the Regional Tax Commission on UBI Banca relating to 2004 (hearing set for 24th of June 2014);
- on 14th April: a hearing before the Provincial Tax Commission of Milan for UBI Banca relating to 2006, The relative judgement still has to be issued;
- on 15th April: a hearing before the Provincial Tax Commission of Milan for Banco di Brescia relating to 2007. The hearing was postponed until 7th October 2014;
- 28th April 2014: a hearing before the Provincial Tax Commission of Milan for Banco di Brescia relating to 2006.

Finally, as already reported the issue also involves other major banks and therefore it is possible that a solution to the litigation may be found at industry level.

UBI LEASING

On 21st January 2014 a settlement was reached for 2007 – the litigation had regarded normal marine lease transactions with a "maxi-instalment", or in other words transactions alleged to be objectively non-existent – entailing a total payment of €0.35 million (plus interest) as opposed to an original claim for €2.1 million (plus interest), while on 11th February 2014 a settlement was reached for 2005 – also regarding transactions alleged to be objectively non-existent – entailing a total payment of €0.17 million (plus interest) as opposed to an original claim of €0.31 million (plus interest).
Further settlements are also currently being negotiated on the basis of the same criteria for the years from 2005 to 2007 for which the assessments for taxes and fines plus interest come to €9.76 million with an estimated actual payout of €2.32 million (plus interest).

Inspections

As already reported in the 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 26th March 2014.

In line with similar activities carried out at fifteen major national banks, on 10th March 2014 the Bank of Italy commenced specific activity to analyse the quality of credit assets (an “asset quality review” – AQR) as part of a detailed assessment of banking groups in view of the launch of the single supervisory mechanism at the European Central Bank. According to the programme already announced, that assessment – currently in progress – must necessarily be completed for the whole sector by the end of October 2014.

In relation to inspections conducted at Prestitalia between November and December 2013 – within the context of supervisory activities concerning the transparency and integrity of relationships with customers (Title VI of the Consolidated Banking Act) – on 20th 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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Finally, we report that with a letter of 30th 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 30th April 2014 – concerning a report of a possible violation of article 149 of the Consolidated Finance Act. Preparation of the relative defence is currently in progress.

Events subsequent to the end of the first quarter and the outlook for consolidated operations

No events of significance that might affect the operating results and financial position presented occurred after 31st March 2014, the reporting date of this interim financial report, and until 13th May 2014 the date of its approval by the Management Board of UBI Banca Scpa.

The following is nevertheless reported for your information:

Equity investments

- On 9th April 2014 Prisma Srl (an equity accounted investee in which a 20% interest in the share capital was held) was sold to Cattolica Assicurazioni for €28,000.
- On 15th April 2014 an operation to increase the share capital of UBI Leasing Spa was completed (see the section "Significant events in the first quarter of 2014" for further details).
- On 7th May 2014 the Board of Directors of IW Bank resolved to increase the share capital up to a maximum of €12 million, subject to authorisation by the bank of Italy and to be submitted to an Extraordinary Shareholders' Meeting. It is designed to furnish this bank with the capital means needed to comply with capital limits set by the Supervisory Board as part of the "risk appetite framework".
  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 – was made necessary 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 11th 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 €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.

The strategic partnership with the Aviva Group

On 16th 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 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 Assicurazioni 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 bp on the common equity tier one ratio when phased-in.

     Following the repurchase, the Group will hold 83.8% of BPCI, 99.5% of BPA and 100% of Carime and it will be able to benefit fully from the progressive recovery in the economy from the current year.

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

Resolutions approved by an Ordinary Shareholders' Meeting of UBI Banca

On 10th May 2014 a Shareholders' Meeting of UBI Banca met in second call under the chairmanship of Andrea Moltrasio (the Chairman of the Supervisory Board) and approved the following resolutions (see the previous section "significant events in the first quarter of 2014" for details of the ordinary session):

1. the allocation of the profit of the Parent for the year and the distribution of a dividend of €0.06 per share on the 900,048,572 ordinary shares of UBI Banca outstanding, for a total dividend of approximately €54 million drawn from the profit of the Parent. The dividend will be paid with ex dividend date, record date and payment date on 19th, 21st and 22nd May 2014 respectively;
2. the appointment of members of the Board of Arbitrators, confirming the appointment of Attilio Rota, who on 14th September 2013 took the place of the late Mario Caffi, as a full arbitrator and appointing Rodolfo Luzzana as Alternate Arbitrator. The term of office of both these members will expire on the same date as those already in office on the date of the 2015 annual Shareholders' Meeting;
3. determination of the additional remuneration to be paid to members of the Supervisory Board who are also members of the Internal Control Committee for carrying out Supervisory Body functions pursuant to Legislative Decree No. 231/2001, as a consequence of updates to the UBI Banca 231 Model which involves the assignment of Supervisory Body functions pursuant to Legislative Decree No. 231/2001 to a collegial body with the same composition as that of UBI Banca's Internal Control Committee, formed in accordance with article 49 of the Articles of Association internal to the Supervisory Board. The remuneration set was 15% of the current remuneration due to members of the Internal Control Committee (i.e. a total of €51,000 from 1st January 2014);
4. the new regulations for Shareholders' Meetings, which update the previous text in force for compliance with the new Articles of Association and they also implement further measures designed to streamline proceedings in Shareholders' Meetings. The main changes introduced are basically a consequence of the amendments made to the Articles of

Association and concern the following: the introduction of videoconferences as a method of holding shareholders meetings to allow the remote participation of Registered Shareholders; the appointment of members of the Board of Arbitrators in order to bring the text into line with the new criterion for appointment by lists provided for in the Articles of Association.
The new text of the regulations will become effective the moment today's resolution to amend the Articles of Association is filed with the Bergamo Registrar of Companies;

5. approval of the first section of the Remuneration Report, prepared for public disclosure purposes, in compliance with regulations in force and made available to the public in accordance with the law. This section contains the main information on the following: the decision-making processes for remuneration schemes, the main features, the means by which remuneration is linked to results, the main performance indicators employed, the reasons behind the choice of variable remuneration schemes and the other non-monetary schemes;
6. the approval of remuneration policies for members of the Management Board as proposed by the Supervisory Board;
7. approval of the 2014 incentive scheme based on financial instruments, which provides for a part of the variable component of remuneration for "key personnel" to be granted in ordinary shares of the Parent, UBI Banca. In view of the estimate of the total number of shares which may be granted, the procedure that has been selected is that of making grants against treasury shares already held by the Parent;
8. finally, again on the subject of remuneration, having taken into consideration the current regulations in force on the matter and the discretion allowed by the European Directive, an increase in the ratio between variable and fixed remuneration to a maximum of 2:1 for limited and particular situations, which will be defined from year to year and promptly reported to Shareholders' Meetings, in order to ensure competitive and flexible management of remuneration for specific activities, markets and business. That maximum is set for 2014 for five positions in the asset management company, UBI Pramerica SGR, of which one position is a member of "key personnel".

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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 is expected to continue to improve and it should also continue to benefit in terms of expense from easing pressure on the cost of funding and in terms of income from the progressive replacement of medium to long-term loans, made in the past at lower spreads than those practised at present.
On the other hand, resilient performance by fee and commission income is also expected to continue.
A further decrease in sovereign debt risk could also allow positive results to be achieved for trading and hedging activity again in the remaining part of the year.

The downward trend for administrative expenses 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 allows expectations of an improvement in loan losses compared with 2013 to be confirmed.

Bergamo, 13th May 2014

THE MANAGEMENT BOARD

INTERIM CONSOLIDATED FINANCIAL STATEMENTS

AS AT AND FOR THE PERIOD ENDED 31ST MARCH 2014

Mandatory interim consolidated financial statements as at and for the period ended 31st March 2014

Consolidated balance sheet

Figures in thousands of euro		31.3.2014	31.12.2013	31.3.2013
ASSETS				
10.	Cash and cash equivalents	492,398	589,705	487,951
20.	Financial assets held for trading	3,900,044	3,056,264	5,045,199
30.	Financial assets designated at fair value	193,692	208,143	202,979
40.	Available-for-sale financial assets	16,030,885	15,489,497	14,134,430
50.	Held-to-maturity investments	3,113,263	3,086,815	3,185,071
60.	Loans and advances to banks	4,009,183	4,129,756	5,505,388
70.	Loans and advances to customers	87,094,749	88,421,467	92,264,578
80.	Hedging derivatives	323,782	253,609	410,003
90.	Fair value change in hedged financial assets (+/-)	36,493	33,380	78,088
100.	Equity investments	427,438	411,886	447,352
120.	Property, plant and equipment	1,780,575	1,798,353	1,940,484
130.	Intangible assets	2,903,371	2,918,509	2,956,402
	of which: *- goodwill*	*2,511,679*	*2,511,679*	*2,536,574*
140.	Tax assets	2,824,368	2,833,188	2,625,658
	a) current	551,822	552,039	606,934
	b) deferred	2,272,546	2,281,149	2,018,724
	- of which pursuant to Law No. 214/2011	*1,876,841*	*1,864,579*	*1,438,509*
150.	Non-current assets and disposal groups held for sale	79,769	79,877	23,205
160.	Other assets	773,252	931,388	1,089,100
TOTAL ASSETS		**123,983,262**	**124,241,837**	**130,395,888**

Figures in thousands of euro		31.3.2014	31.12.2013	31.3.2013
LIABILITIES AND EQUITY				
10.	Due to banks	15,397,770	15,017,266	15,086,195
20.	Due to customers	46,366,664	50,702,157	54,816,744
30.	Debt securities issued	44,477,537	41,901,779	43,861,671
40.	Financial liabilities held for trading	1,409,672	1,396,350	1,801,256
60.	Hedging derivatives	528,059	483,545	1,167,314
80.	Tax liabilities	908,372	756,359	748,223
	a) current	499,203	404,246	407,387
	b) deferred	409,169	352,113	340,836
100.	Other liabilities	2,704,318	2,111,533	1,647,419
110.	Post-employment benefits	387,412	382,262	389,246
120.	Provisions for risks and charges:	320,253	309,219	329,075
	a) pension and similar obligations	76,251	77,387	79,575
	b) other provisions	244,002	231,832	249,500
140.	Valuation reserves	104,728	-170,968	-611,646
170.	Reserves	3,539,503	3,294,414	3,338,878
180.	Share premiums	4,716,866	4,716,866	4,716,862
190.	Share capital	2,254,371	2,254,371	2,254,368
200.	Treasury shares (-)	-6,121	-6,121	-6,121
210.	Non-controlling interests (+/-)	815,723	841,975	829,946
220.	Profit for the period/year (+/-)	58,135	250,830	26,458
TOTAL LIABILITIES AND EQUITY		**123,983,262**	**124,241,837**	**130,395,888**

Consolidated income statement

Figures in thousands of euro		1Q 2014	1Q 2013	FY 2013
10.	Interest and similar income	785,367	830,652	3,254,962
20.	Interest and similar expense	(330,895)	(413,475)	(1,504,247)
30.	**Net interest income**	**454,472**	**417,177**	**1,750,715**
40.	Fee and commission income	347,332	352,026	1,382,528
50.	Fee and commission expense	(47,222)	(47,240)	(195,462)
60.	**Net fee and commission income**	**300,110**	**304,786**	**1,187,066**
70.	Dividends and similar income	787	455	10,409
80.	Net trading income	34,085	26,286	107,234
90.	Net hedging income	(4,188)	(1,297)	(3,318)
100.	Income from disposal or repurchase of:	32,115	14,731	217,475
	a) loans and receivables	(705)	(626)	(3,149)
	b) available-for-sale financial assets	34,090	15,847	220,025
	d) financial liabilities	(1,270)	(490)	599
110.	Net profit on financial assets and liabilities designated at fair value	599	2,296	3,163
120.	**Gross income**	**817,980**	**764,434**	**3,272,744**
130.	Net impairment losses on:	(196,953)	(166,055)	(990,489)
	a) loans and receivables	(198,626)	(157,742)	(942,978)
	b) available-for-sale financial assets	297	(9,732)	(26,898)
	d) other financial transactions	1,376	1,419	(20,613)
140.	**Net financial income**	**621,027**	**598,379**	**2,282,255**
170.	**Net income from banking and insurance operations**	**621,027**	**598,379**	**2,282,255**
180.	Administrative expenses	(525,804)	(530,396)	(2,194,758)
	a) staff costs	(326,094)	(331,353)	(1,337,687)
	b) other administrative expenses	(199,710)	(199,043)	(857,071)
190.	Net provisions for risks and charges	(10,063)	(2,329)	(12,372)
200.	Depreciation and net impairment losses on property, plant and equipment	(22,141)	(24,578)	(119,956)
210.	Amortisation and net impairment losses on intangible assets	(19,212)	(19,637)	(78,535)
220.	Other net operating income/expense	70,460	63,132	310,511
230.	**Operating expenses**	**(506,760)**	**(513,808)**	**(2,095,110)**
240.	Profits of equity investments	10,009	7,605	46,506
260.	Net impairment losses on goodwill	-	-	(24,895)
270.	Profits (losses) on disposal of investments	230	377	(7,251)
280.	**Pre-tax profit from continuing operations**	**124,506**	**92,553**	**201,505**
290.	Taxes on income for the period/year from continuing operations	(58,702)	(56,579)	72,632
300.	**Post-tax profit from continuing operations**	**65,804**	**35,974**	**274,137**
310.	Post-tax profit (loss) from discontinued operations	-	-	-
320.	**Profit for the period/year**	**65,804**	**35,974**	**274,137**
330.	Profit for the period/year attributable to non-controlling interests	(7,669)	(9,516)	(23,307)
340.	**Profit for the year/period attributable to the shareholders of the Parent**	**58,135**	**26,458**	**250,830**

	1Q 2014	1Q 2013	FY 2013
Annualised basic earnings per share	0.2192	0.1236	0.2689
Annualised diluted earnings per share	0.2192	0.1236	0.2689

Consolidated statement of comprehensive income

Figures in thousands of euro		1Q 2014	1Q 2013	FY 2013
10.	**PROFIT FOR THE PERIOD/YEAR**	**65,804**	**35,974**	**274,137**
	Other comprehensive income net of taxes without transfer to the income statement			
40.	Defined benefit plans	-5,590	-1,096	-7,399
	Other comprehensive income net of taxes with transfer to the income statement			
90.	Cash flow hedges	322	73	3,081
100.	Available-for-sale financial assets	275,838	-36,666	412,156
120.	Share of valuation reserves of equity-accounted investees	4,822	-2,802	-6,118
130.	**Total other comprehensive income net of taxes**	**275,392**	**-40,491**	**401,720**
140.	**COMPREHENSIVE INCOME (item 10 + 130)**	**341,196**	**-4,517**	**675,857**
150.	CONSOLIDATED COMPREHENSIVE INCOME ATTRIBUTABLE TO NON-CONTROLLING INTERESTS	7,366	9,506	23,259
160.	**CONSOLIDATED COMPREHENSIVE INCOME ATTRIBUTABLE TO THE SHAREHOLDERS OF THE PARENT**	**333,830**	**-14,023**	**652,598**

Statement of changes in consolidated equity for the period ended 31st March 2014

Figures in thousands of euro	Balances as at 31.12.2013	Restatement of opening balances	Balances as at 1.1.2014	Allocation of prior year profit		Changes January - March 2014									31st March 2014		
							Equity transactions										
				Reserves	Dividends and other uses	Changes in reserves	New share issues	Repurchase of treasury shares	Extraordinary distribution of dividends	Change in equity instruments	Derivatives on treasury shares	Stock options	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	-	-	-	-	-	-	-	-	-	-46	-	**2,762,401**	***2,254,371***	***508,030***
a) ordinary shares	2,717,340	-	2,717,340	-	-			-	-	-	-	-	-46	-	2,717,294	*2,254,371*	*462,923*
b) other shares	45,107	-	45,107	-	-	-	-	-	-	-	-	-	-	-	45,107	-	*45,107*
Share premiums	4,772,267	-	4,772,267	-	-	-	-	-	-	-	-	-	-49	-	**4,772,218**	***4,716,866***	***55,352***
Reserves	3,553,596	-	3,553,596	274,137	-37,169	-170	-	-	-	-	-	-	-1,924	-	**3,788,470**	***3,539,503***	***248,967***
a) retained earnings	1,508,859	-	1,508,859	274,137	-37,169	-	-	-	-	-	-	-	-1,924	-	1,743,903	*1,494,936*	*248,967*
b) other	2,044,737	-	2,044,737	-	-	-170	-	-	-	-	-	-	-	-	2,044,567	*2,044,567*	-
Valuation reserves	-174,959	-	-174,959	-	-		-	-	-	-	-	-	-	275,392	**100,433**	***104,728***	***-4,295***
Equity instruments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Treasury shares	-6,121	-	-6,121	-	-	-	-		-	-	-	-	-	-	**-6,121**	***-6,121***	-
Profit for the period	274,137	-	274,137	-274,137	-	-	-	-	-	-	-	-	-	65,804	**65,804**	***58,135***	***7,669***
Equity	**11,181,367**	**-**	**11,181,367**	**-**	**-37,169**	**-170**	**-**	**-**	**-**	**-**	**-**	**-**	**-2,019**	**341,196**	**11,483,205**	***10,667,482***	***815,723***
Equity attributable to the shareholders of the Parent	***10,339,392***	**-**	***10,339,392***	**-**	***-3,647***	***-170***	**-**	**-**	**-**	**-**	**-**	**-**	***-1,923***	***333,830***	***10,667,482***	***X***	***X***
Equity attributable to non-controlling interests	***841,975***	**-**	***841,975***	**-**	***-33,522***	**-**	**-**	**-**	**-**	**-**	**-**	**-**	***-96***	***7,366***	***815,723***	***X***	***X***

Statement of changes in consolidated equity for the period ended 31st March 2013

Figures in thousands of euro	Balances as at 31.12.2012	Restate-ment of opening balances	Balances as at 1.1.2013	Allocation of prior year profit		Changes January - March 2013								31st March 2013		
							Equity transactions									
				Reserves	Dividends and other uses	Changes in reserves	New share issues	Repur-chase 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	-	-	-1,505	-	-	-	-	-	-	-	**2,763,390**	***2,254,368***	***509,022***
a) ordinary shares	2,719,788	-	2,719,788	-	-	-1,505	-	-	-	-	-	-	-	2,718,283	*2,254,368*	*463,915*
b) other shares	45,107	-	45,107	-	-	-	-	-	-	-	-	-	-	45,107	-	*45,107*
Share premiums	4,772,714	-	4,772,714	-	-	-348	1	-	-	-	-	-	-	**4,772,367**	***4,716,862***	***55,505***
Reserves	3,527,244	-	3,527,244	91,666	- 17,731	-2,448	-	-	-	-	-	-	-	**3,598,731**	***3,338,878***	***259,853***
Valuation reserves	-574,975	-	-574,975	-	-	-130	-	-	-	-	-	-	-40,491	**-615,596**	***-611,646***	***-3,950***
Equity instruments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Treasury shares	-4,375	-	-4,375	-	-	-	-	**-1,746**	-	-	-	-	-	**-6,121**	***-6,121***	-
Profit for the period	91,666	-	91,666	-91,666	-	-	-	-	-	-	-	-	**35,974**	**35,974**	***26,458***	***9,516***
Equity	**10,577,169**	**-**	**10,577,169**	**-**	**-17,731**	**-4,431**	**1**	**-1,746**	**-**	**-**	**-**	**-**	**-4,517**	**10,548,745**	***9,718,799***	***829,946***
Equity attributable to the shareholders of the Parent	***9,737,882***	***-***	***9,737,882***	***-***	***-***	***-3,315***	***1***	***-1,746***	***-***	***-***	***-***	***-***	***-14,023***	***9,718,799***	***X***	***X***
Equity attributable to non-controlling interests	***839,287***	***-***	***839,287***	***-***	***-17,731***	***-1,116***	***-***	***-***	***-***	***-***	***-***	***-***	***9,506***	***829,946***	***X***	***X***

Consolidated statement of cash flows (indirect method)

Figures in thousands of euro	1Q 2014	1Q 2013
A. OPERATING ACTIVITIES		
1. Ordinary activities	**417,471**	**183,890**
- profit for the period (+/-)	65,804	35,974
- gains/losses on financial assets held for trading and on financial assets/liabilities at fair value (+/-)	-34,684	-28,582
- gains/losses on hedging activities (-/+)	4,188	1,297
- net impairment losses on loans (+/-)	196,953	166,055
- depreciation, amortisation and net impairment losses on property, plant and equipment and intangible assets (+/-)	41,353	44,215
- net provisions for risks and charges and other expense/income (+/-)	10,063	2,329
- net premiums not received (-)	-	-
- other insurance income/expense not received(-/+)	-	-
- outstanding taxes and duties	160,833	-27,602
- net impairment losses on disposal groups held for sale after tax (-/+)	-	-
- other adjustments (+/-)	-27,039	-9,796
2. Net cash flows from/used by financial assets	**214,471**	**1,753,313**
- financial assets held for trading	-809,695	-994,979
- financial assets designated at fair value	15,050	-242
- available-for-sale financial assets	-507,001	-143,553
- loans and advances to banks: repayable on demand	-	-
- loans and advances to banks: other loans and receivables	120,573	566,958
- loans and advances to customers	1,128,092	465,649
- other assets	267,452	1,859,480
3. Net cash flows from/used by financial liabilities	**-722,489**	**-2,093,437**
- amounts due to banks repayable on demand	-	-
- amounts due to banks: other payables	380,504	-124,976
- due to customers	-4,335,493	1,058,337
- debt securities issued	2,575,758	-1,197,482
- financial liabilities held for trading	13,322	27,382
- financial liabilities designated at fair value	-	-
- other liabilities	643,420	-1,856,698
Net cash flows from/used in operating activities	**-90,547**	**-156,234**
B. INVESTING ACTIVITIES		
1. Cash flows from	**1,677**	**832**
- disposals of equity investments	890	377
- dividends received on equity investments	787	455
- 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	**-8,437**	**-**
- purchases of equity investments	-	-
- purchases of held-to-maturity investments	-	-
- purchases of property, plant and equipment	-4,363	-
- purchases of intangible assets	-4,074	-
- purchases of subsidiaries and lines of business	-	-
Net cash flows from/used in investing activities	**-6,760**	**832**
C. FINANCING ACTIVITIES		
- issues/purchases of treasury shares	-	1,745
- issues/purchases of equity instruments	-	-
- distribution of dividends and other uses	-	-
Net cash flows from/used in financing activities	**-**	**1,745**
NET CASH GENERATED/USED DURING THE PERIOD	**-97,307**	**-153,657**

Reconciliation

Figures in thousands of euro	1Q 2014	1Q 2013
Cash and cash equivalents at beginning of period	589,705	641,608
Total net cash flows generated/absorbed during the period	-97,307	-153,657
Cash and cash equivalents: effect of changes in exchange rates	-	-
Cash and cash equivalents at the end of the period	**492,398**	**487,951**

Notes

Basis of preparation

This interim financial report as at and for the period ended 31st March 2014 of the UBI Group, approved by the Management Board on 13th May 2014, has been prepared in compliance with Art. 154 *ter* of Legislative Decree No. 58/1998, which implemented the "Transparency Directive", and in accordance with IFRS international accounting standards[1], to which no exceptions have been made.

The criteria adopted in its preparation for the classification, recognition, measurement and derecognition of balance sheet and income and expense items are the same as those adopted for the financial statements as at and for the period ended 31st December 2013, which may be consulted in full, except for that which is described in the subsequent sub-section "Regulatory developments" where accounting standards, amendments and interpretations applied from the 1st January 2014 are described.

The preparation of the interim financial statements requires the Bank to make estimates and assumptions that affect the reported amounts of revenues, expenses, assets, liabilities and the disclosure of contingent assets and liabilities at the reporting date of the Interim Financial Report. If in the future those estimates and assumptions, which are based on the Bank's best judgment at the date of this Interim Financial Report, should differ from the actual circumstances, they will be modified appropriately in the period in which circumstances deviate.
Part A.1, section 2, sub-section "Accounting policies" in the Notes to the Consolidated Financial Statements of the Group as at and for the period ended 31st December 2013 may be consulted for a description of the most significant accounting measurement processes for the Group.

For consistency with previous periodic financial reports and in order to guarantee full comparability of quantitative data, this financial report, not subject to audit by the independent auditors, includes both the mandatory consolidated financial statements in compliance with Bank of Italy Circular No. 262/2005[2] and subsequent amendments[3] and additions and the reclassified consolidated financial statements both prepared in as the accounting currency.

This document also contains tables furnishing details of the contents of the main items in the reclassified consolidated income statement and the reclassified consolidated balance sheet with the relative comments and a summary report on financial and operational risks.
A specific section has also been provided on the performance of the Parent, Unione di Banche Italiane Scpa, in the reporting period.

This interim financial report relates to the scope of consolidation reported in the 2013 Annual Report, which has not been modified, except for those changes reported in the relative section of the "Interim consolidated management report as at and for the period ended 31st March 2014.

With regard to the provisions of IAS 10, concerning events occurring after the balance sheet date of the Interim Financial Report, subsequent to 31st March 2014, the balance sheet date of the Report in question, and until 13th May 2014, the date on which the Management Board approved the Report, no events occurred to make adjustments to the figures presented in the financial statements necessary.

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1 Those standards, implemented in Italian law by Legislative Decree No. 38/2005, which took advantage of the option allowed under EC Regulation 1606/2002 on international accounting standards, 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.

2 The balance sheet lists assets and liabilities in order of decreasing liquidity and the income statement recognises expenses according to their nature.

3 This interim financial report therefore complies with the provisions of the second update of Circular No. 262/2005 issued on 21st January 2014 by the Bank of Italy.

Other aspects

REGULATORY DEVELOPMENTS

As already reported in the 2013 Annual Report, which may be consulted for full details, some provisions relating to regulations issued by the European Union have come into force during the current year.

In this respect, with regard to the most important aspects, we report that the provisions of Regulation EU 1254/2012 came into force from the 1st January 2014. These have:

- introduced IFRS 10 "Consolidated financial statements", IFRS 11 "Joint arrangements" and IFRS 12 "Disclosure of interests in other entities";
- amended IAS 27 "Consolidated and separate financial statements" renamed IAS 27 "Separate financial statements" and IAS 28 "Investments in associates";

inserting changes to the rules for the preparation of and compulsory disclosures for consolidated and separate financial statements.

As a consequence of the above, in 2013 the UBI Banca Group started and completed an analysis of the impact in order to determine possible changes to the scope of consolidation.

For the most important aspects, the analysis in question regarded the interests held in the "*banc assurance*" [4] companies, and in this respect detailed analysis of the governance procedures and significant activities led to the establishment of the existence of joint control in accordance with IFRS 11, with regard to the investments in Aviva Vita, Aviva insurance Vita and UBI Assicurazioni.

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.

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, because the investments in question, previously recognised in accordance with IAS 28 as shareholdings subject to significant influence, continue to be recognised according to the equity method. Consequently, the main changes introduced regard compliance with disclosures in the financial statements resulting from the introduction of IFRS 12.

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 31st December 2013 in accordance with IAS 27 and SIC 12, then in force, in line with the provisions of IFRS 10.

IMPAIRMENT OF AFS SECURITIES

The fair value measurement of available-for-sale securities as at 31st March 2014 resulted in the recognition of impairment losses through profit and loss of €0.93 million (gross of tax and non-controlling interests), of which €0.78 million relating to UBI Banca.

These impairment losses are attributable to equity instruments and to a large extent to investments in UCITS units (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 are recognised, in compliance with Group policy on the impairment of available-for-sale equity instruments, when the fair value of the instruments either remains below the historical cost of purchase for a period of longer than 18 months or falls below that level by more than 35% or in cases of impairment following the recognition of previous impairment losses.

The UBI Banca Group applies IAS 34 "Interim financial reporting" to its half year reports, but not to its quarterly reports, with the consequent identification of a half year "interim period", and therefore any appreciations in the value of the securities which might occur in the second quarter, will reduce the impairment losses recognised through profit and loss in the first quarter up to the amount of the loss itself.

[4] The reference is to the companies Aviva Vita Spa, Aviva Assicurazioni Vita Spa, Lombarda Vita Spa and UBI Assicurazioni Spa.

STATEMENT OF THE SENIOR OFFICER RESPONSIBLE FOR THE PREPARATION OF CORPORATE ACCOUNTING DOCUMENTS

Statement of the senior officer responsible for the preparation of corporate accounting documents

The undersigned, Elisabetta Stegher, as the senior officer responsible for the preparation of the corporate accounting documents of Unione di Banche Italiane Scpa, hereby declares, in compliance with the second paragraph of article 154 bis *of the "*Testo unico delle disposizioni in materia di intermediazione finanziaria*" (consolidated finance act), that the information contained in this "Quarterly financial report as at and for the period ended 31st March 2014" is reliably based on the records contained in corporate documents and accounting records.*

the Senior Officer Responsible for the preparation of the corporate accounting documents

(signed on the original)

Bergamo, 13th May 2014

REPORT ON THE PERFORMANCE OF THE PARENT, UBI BANCA Scpa,

IN THE FIRST QUARTER OF 2014

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

Reclassified balance sheet

Figures in thousands of euro		31.3.2014 A	31.12.2013 B	Changes A-B	% changes A/B	31.3.2013 C	Changes A-C	% changes A/C
	ASSETS							
10.	Cash and cash equivalents	129,992	151,927	-21,935	-14.4%	124,660	5,332	4.3%
20.	Financial assets held for trading	4,011,024	3,191,080	819,944	25.7%	4,831,209	-820,185	-17.0%
30.	Financial assets designated at fair value	193,692	208,143	-14,451	-6.9%	125,579	68,113	54.2%
40.	Available-for-sale financial assets	15,281,956	14,753,276	528,680	3.6%	12,192,040	3,089,916	25.3%
50.	Held-to-maturity investments	3,113,263	3,086,815	26,448	0.9%	3,185,071	-71,808	-2.3%
60.	Loans and advances to banks	14,460,750	13,487,366	973,384	7.2%	15,283,251	-822,501	-5.4%
70.	Loans and advances to customers	23,962,361	25,168,913	-1,206,552	-4.8%	21,539,134	2,423,227	11.3%
80.	Hedging derivatives	300,274	215,310	84,964	39.5%	108,737	191,537	176.1%
90.	Fair value change in hedged financial assets (+/-)	5,606	5,418	188	3.5%	-	5,606	n.s.
100.	Equity investments	10,708,381	10,608,614	99,767	0.9%	11,235,287	-526,906	-4.7%
110.	Property, plant and equipment	645,244	650,742	-5,498	-0.8%	581,597	63,647	10.9%
120.	Intangible assets	410	410	-	-	410	-	-
130.	Tax assets	1,684,885	1,727,626	-42,741	-2.5%	1,630,799	54,086	3.3%
140.	Non-current assets and disposal groups held for sale	2,329	2,329	-	-	2,329	-	-
150.	Other assets	699,446	656,676	42,770	6.5%	729,573	-30,127	-4.1%
	Total assets	**75,199,613**	**73,914,645**	**1,284,968**	**1.7%**	**71,569,676**	**3,629,937**	**5.1%**
	LIABILITIES AND EQUITY							
10.	Due to banks	25,086,834	24,285,811	801,023	3.3%	28,606,811	-3,519,977	-12.3%
20.	Due to customers	2,658,889	7,223,913	-4,565,024	-63.2%	7,456,576	-4,797,687	-64.3%
30.	Debt securities issued	34,489,699	30,211,092	4,278,607	14.2%	23,238,243	11,251,456	48.4%
40.	Financial liabilities held for trading	1,513,524	1,531,436	-17,912	-1.2%	1,693,378	-179,854	-10.6%
60.	Hedging derivatives	462,440	377,702	84,738	22.4%	950,122	-487,682	-51.3%
80.	Tax liabilities	451,208	323,144	128,064	39.6%	284,167	167,041	58.8%
100.	Other liabilities	705,434	631,077	74,357	11.8%	608,383	97,051	16.0%
110.	Post-employment benefits	43,545	40,166	3,379	8.4%	35,218	8,327	23.6%
120.	Provisions for risks and charges:	60,828	58,488	2,340	4.0%	39,133	21,695	55.4%
	a) pension and similar obligations	1,052	1,061	-9	-0.8%	-	1,052	n.s.
	b) other provisions	59,776	57,427	2,349	4.1%	39,133	20,643	52.8%
130.+160. +170.+ 180.+190.	Share capital, share premiums, reserves, valuation reserves and treasury shares	9,500,185	9,160,476	339,709	3.7%	8,561,643	938,542	11.0%
200.	Profit for the period/year	227,027	71,340	155,687	218.2%	96,002	131,025	136.5%
	Total liabilities and equity	**75,199,613**	**73,914,645**	**1,284,968**	**1.7%**	**71,569,676**	**3,629,937**	**5.1%**

The balance sheet figures as at 31st March 2014 and as at 31st December 2013 include the impacts of the merger of the former Centrobanca (effective from 6th May 2013 and from 1st January 2013 for accounting and tax purposes).

Reclassified quarterly balance sheets

Figures in thousands of euro		31.3.2014	31.12.2013	30.9.2013	30.6.2013	31.3.2013
	ASSETS					
10.	Cash and cash equivalents	129,992	151,927	127,012	115,362	124,660
20.	Financial assets held for trading	4,011,024	3,191,080	3,449,192	4,858,058	4,831,209
30.	Financial assets designated at fair value	193,692	208,143	207,370	206,860	125,579
40.	Available-for-sale financial assets	15,281,956	14,753,276	13,968,794	12,813,746	12,192,040
50.	Held-to-maturity investments	3,113,263	3,086,815	3,149,620	3,122,272	3,185,071
60.	Loans and advances to banks	14,460,750	13,487,366	12,491,061	13,717,646	15,283,251
70.	Loans and advances to customers	23,962,361	25,168,913	26,013,350	26,527,303	21,539,134
80.	Hedging derivatives	300,274	215,310	231,834	246,075	108,737
90.	Fair value change in hedged financial assets (+/-)	5,606	5,418	5,692	5,961	-
100.	Equity investments	10,708,381	10,608,614	10,976,197	10,975,983	11,235,287
110.	Property, plant and equipment	645,244	650,742	628,686	633,267	581,597
120.	Intangible assets	410	410	410	410	410
	of which: goodwill	-	-	-	-	-
130.	Tax assets	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	2,329	2,329	2,329	2,329	2,329
150.	Other assets	699,446	656,676	420,688	714,059	729,573
	Total assets	**75,199,613**	**73,914,645**	**73,203,469**	**75,491,903**	**71,569,676**
	LIABILITIES AND EQUITY					
10.	Due to banks	25,086,834	24,285,811	26,916,219	28,531,411	28,606,811
20.	Due to customers	2,658,889	7,223,913	7,280,405	7,441,689	7,456,576
30.	Debt securities issued	34,489,699	30,211,092	26,743,945	26,717,190	23,238,243
40.	Financial liabilities held for trading	1,513,524	1,531,436	1,457,552	1,787,611	1,693,378
60.	Hedging derivatives	462,440	377,702	835,256	881,210	950,122
80.	Tax liabilities	451,208	323,144	231,797	172,210	284,167
100.	Other liabilities	705,434	631,077	516,425	833,387	608,383
110.	Post-employment benefits	43,545	40,166	39,127	38,995	35,218
120.	Provisions for risks and charges:	60,828	58,488	59,854	60,520	39,133
	a) pension and similar obligations	1,052	1,061	1,083	1,083	-
	b) other provisions	59,776	57,427	58,771	59,437	39,133
130.+160. +170.+ 180.+190.	Share capital, share premiums, reserves, valuation reserves and treasury shares	9,500,185	9,160,476	8,983,798	8,883,660	8,561,643
200.	Profit for the period/year	227,027	71,340	139,091	144,020	96,002
	Total liabilities and equity	**75,199,613**	**73,914,645**	**73,203,469**	**75,491,903**	**71,569,676**

From 30th June 2013 the figures show the effects of the merger of the former Centrobanca (effective from 6th May 2013).

Reclassified income statement

Figures in thousands of euro		1Q 2014 A	1Q 2013 B	Changes A-B	% changes A/B	FY 2013 C
10.-20.	Net interest income (expense)	24,938	(12,511)	37,449	n.s.	119,390
70.	Dividends and similar income	236,558	165,817	70,741	42.7%	247,205
40.-50.	Net fee and commission income (expense)	401	(3,427)	3,828	n.s.	5,239
80.+90.+ 100.+110.	Net income (loss) from trading, hedging and disposal/repurchase activities and from assets/liabilities designated at fair value	57,720	(3,705)	61,425	n.s.	232,945
190.	Other net operating income/expense	27,664	28,091	(427)	(1.5%)	108,317
	Operating income	**347,281**	**174,265**	**173,016**	**99.3%**	**713,096**
150.a	Staff costs	(37,761)	(32,050)	5,711	17.8%	(153,334)
150.b	Other administrative expenses	(38,694)	(38,772)	(78)	(0.2%)	(164,991)
170.+180.	Depreciation, amortisation and net impairment losses on property, plant and equipment and intangible assets	(5,532)	(5,562)	(30)	(0.5%)	(22,977)
	Operating expenses	**(81,987)**	**(76,384)**	**5,603**	**7.3%**	**(341,302)**
	Net operating income	**265,294**	**97,881**	**167,413**	**171.0%**	**371,794**
130.a	Net impairment losses on loans	(25,646)	(24,541)	1,105	4.5%	(188,115)
130.b+c+d	Net impairment losses on other financial assets and liabilities	886	(1,223)	(2,109)	n.s.	(40,367)
160.	Net provisions for risks and charges	(1,002)	618	1,620	n.s.	(1,354)
210.+240.	Losses from the disposal of equity investments	(914)	(23)	(891)	n.s.	(6,170)
250.	**Pre-tax profit from continuing operations**	**238,618**	**72,712**	**165,906**	**228.2%**	**135,788**
260.	Taxes on income for the period/year from continuing operations	(11,591)	24,191	(35,782)	n.s.	246,813
280.	Post-tax profit (loss) from discontinued operations	-	-	-	-	-
	Profit for the period/year before expenses for leaving incentives and impairment losses/reversals on Group equity investments	**227,027**	**96,903**	**130,124**	**134.3%**	**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)
290.	**Profit for the period/year**	**227,027**	**96,002**	**131,025**	**136.5%**	**71,340**

The income statement figures for the first quarter of 2014 and the full year 2013 include the impacts of the merger of the former Centrobanca (effective from 6th May 2013).

Quarterly reclassified income statements

Figures in thousands of euro		2014	2013			
		1st Quarter	4th Quarter	3rd Quarter	2nd Quarter	1st Quarter
10.-20.	Net interest income (expense)	24,938	50,933	29,802	51,166	(12,511)
70.	Dividends and similar income	236,558	16,568	1,115	63,705	165,817
40.-50.	Net fee and commission income (expense)	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	57,720	121,023	50,158	65,469	(3,705)
190.	Other net operating income/expense	27,664	27,147	25,592	27,487	28,091
	Operating income	**347,281**	**215,386**	**105,787**	**217,658**	**174,265**
150.a	Staff costs	(37,761)	(40,788)	(37,812)	(42,684)	(32,050)
150.b	Other administrative expenses	(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	(5,532)	(5,692)	(5,683)	(6,040)	(5,562)
	Operating expenses	**(81,987)**	**(82,675)**	**(84,820)**	**(97,423)**	**(76,384)**
	Net operating income	**265,294**	**132,711**	**20,967**	**120,235**	**97,881**
130.a	Net impairment losses on loans	(25,646)	(99,321)	(33,552)	(30,701)	(24,541)
130.b+c+d	Net impairment losses on other financial assets and liabilities	886	(3,103)	(3,197)	(32,844)	(1,223)
160.	Net provisions for risks and charges	(1,002)	(523)	160	(1,609)	618
210.+240.	Profits (losses) from the disposal of equity investments	(914)	(6,152)	(18)	23	(23)
250.	**Pre-tax profit (loss) from continuing operations**	**238,618**	**23,612**	**(15,640)**	**55,104**	**72,712**
260.	Taxes on income for the period/year from continuing operations	(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	**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 for the period**	**227,027**	**(67,751)**	**(4,929)**	**48,018**	**96,002**

From 30th June 2013 the figures show the effects of the merger of the former Centrobanca (effective from 6th May 2013).

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

Figures in thousands of euro	**1Q 2014** *net of non-recurring items*	**1Q 2013** *net of non-recurring items*	Changes	% changes
Net interest income (expense)	24,938	(12,511)	37,449	n.s.
Dividends and similar income	236,558	165,817	70,741	42.7%
Net fee and commission income (expense)	401	(3,427)	3,828	n.s.
Net income (loss) from trading, hedging and disposal/repurchase activities and from assets/liabilities designated at fair value	57,720	(16,216)	73,936	n.s.
Other net operating income/expense	27,664	28,091	(427)	(1.5%)
Operating income	**347,281**	**161,754**	**185,527**	**114.7%**
Staff costs	(37,761)	(32,050)	5,711	17.8%
Other administrative expenses	(38,694)	(36,064)	2,630	7.3%
Depreciation, amortisation and net impairment losses on property, plant and equipment and intangible assets	(5,532)	(5,562)	(30)	(0.5%)
Operating expenses	**(81,987)**	**(73,676)**	**8,311**	**11.3%**
Net operating income	**265,294**	**88,078**	**177,216**	**201.2%**
Net impairment losses on loans	(25,646)	(24,541)	1,105	4.5%
Net impairment losses on other financial assets and liabilities	432	(705)	1,137	n.s.
Net provisions for risks and charges	(1,002)	618	(1,620)	n.s.
Losses from the disposal of equity investments	(24)	(23)	1	4.3%
Pre-tax profit from continuing operations	**239,054**	**63,427**	**175,627**	**276.9%**
Taxes on income for the period from continuing operations	(11,466)	23,212	(34,678)	n.s.
Post-tax profit (loss) from discontinued operations	-	-	-	-
Profit for the period	**227,588**	**86,639**	**140,949**	**162.7%**

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

Figures in thousands of euro	1Q 2014	Non-recurring items: Impairment losses and recoveries in value on shares, bonds and units in UCITS (AFS)	Non-recurring items: Settlement of balance on the sales price of BDG	1Q 2014 net of non-recurring items	1Q 2013	Non-recurring items: Impairment losses on Group equity investments	Non-recurring items: Impairment losses on equity instruments and on units in UCITS (AFS)	Non-recurring items: Disposal of Intesa Sanpaolo and A2A shares (AFS)	Non-recurring items: Service fee for migration of Centrobanca onto the target system	Non-recurring items: Cerved Group (formerly Centrale Bilanci) earn-out	1Q 2013 net of non-recurring items
Net interest income (expense)	24,938			24,938	(12,511)						(12,511)
Dividends and similar income	236,558			236,558	165,817						165,817
Net fee and commission income (expense)	401			401	(3,427)						(3,427)
Net income (loss) from trading, hedging and disposal/repurchase activities and from assets/liabilities designated at fair value	57,720			57,720	(3,705)			(11,974)		(537)	(16,216)
Other net operating income/expense	27,664			27,664	28,091						28,091
Operating income	**347,281**	**-**	**-**	**347,281**	**174,265**	**-**	**-**	**(11,974)**	**-**	**(537)**	**161,754**
Staff costs	(37,761)			(37,761)	(32,050)						(32,050)
Other administrative expenses	(38,694)			(38,694)	(38,772)				2,708		(36,064)
Depreciation, amortisation and net impairment losses on property, plant and equipment and intangible assets	(5,532)			(5,532)	(5,562)						(5,562)
Operating expenses	**(81,987)**	**-**	**-**	**(81,987)**	**(76,384)**	**-**	**-**	**-**	**2,708**	**-**	**(73,676)**
Net operating income	**265,294**	**-**	**-**	**265,294**	**97,881**	**-**	**-**	**(11,974)**	**2,708**	**(537)**	**88,078**
Net impairment losses on loans	(25,646)			(25,646)	(24,541)						(24,541)
Net impairment losses on other financial assets and liabilities	886	(454)		432	(1,223)		518				(705)
Net provisions for risks and charges	(1,002)			(1,002)	618						618
Losses from the disposal of equity investments	(914)		890	(24)	(23)						(23)
Pre-tax profit from continuing operations	**238,618**	**(454)**	**890**	**239,054**	**72,712**	**-**	**518**	**(11,974)**	**2,708**	**(537)**	**63,427**
Taxes on income for the period from continuing operations	(11,591)	125		(11,466)	24,191		(135)		(881)	37	23,212
Post-tax profit (loss) from discontinued operations	-			-	-						-
Profit for the period before expenses for leaving incentives and impairment losses/reversals on Group equity investments	**227,027**	**(329)**	**890**	**227,588**	**96,903**	**-**	**383**	**(11,974)**	**1,827**	**(500)**	**86,639**
Expenses for the leaving incentives programme net of taxes	-			-	-						-
Net impairment losses on Group equity investments net of taxes	-			-	(901)	901					-
Profit for the period	**227,027**	**(329)**	**890**	**227,588**	**96,002**	**901**	**383**	**(11,974)**	**1,827**	**(500)**	**86,639**

Reconciliation schedule for the first quarter of 2014

Items	RECLASSIFIED INCOME STATEMENT Figures in thousands of euro	1Q 2014 Separate mandatory financial statement	Reclassifications: Tax recoveries	Reclassifications: Depreciation for leasehold improvements	1Q 2014 Reclassified financial statement
10.-20.	Net interest income	24,938			24,938
70.	Dividends and similar income	236,558			236,558
40.-50.	Net fee and commission income	401			401
80.+90.+ 100.+110.	Net income from trading, hedging and disposal/repurchase activities and from assets/liabilities designated at fair value	57,720			57,720
190.	Other net operating income/expense	29,476	(1,844)	32	27,664
	Operating income	**349,093**	**(1,844)**	**32**	**347,281**
150.a	Staff costs	(37,761)			(37,761)
150.b	Other administrative expenses	(40,538)	1,844		(38,694)
170.+180.	Depreciation, amortisation and net impairment losses on property, plant and equipment and intangible assets	(5,500)		(32)	(5,532)
	Operating expenses	**(83,799)**	**1,844**	**(32)**	**(81,987)**
	Net operating income	**265,294**	**-**	**-**	**265,294**
130.a	Net impairment losses on loans	(25,646)			(25,646)
130. b+c+d	Net impairment losses on other financial assets and liabilities	886			886
160.	Net provisions for risks and charges	(1,002)			(1,002)
210.+240.	Losses from the disposal of equity investments	(914)			(914)
250.	**Pre-tax profit from continuing operations**	**238,618**	**-**	**-**	**238,618**
260.	Taxes on income for the period from continuing operations	(11,591)			(11,591)
280.	Post-tax profit (loss) from discontinued operations	-			-
290.	**Profit for the period**	**227,027**	**-**	**-**	**227,027**

Reconciliation schedule for the first quarter of 2013

Items	RECLASSIFIED INCOME STATEMENT Figures in thousands of euro	1Q 2013 Separate mandatory financial statement	Reclassifications: Tax recoveries	Reclassifications: Depreciation for leasehold improvements	Reclassifications: Impairment losses on Group equity investments	1Q 2013 Reclassified financial statement
10.-20.	Net interest expense	(12,511)				(12,511)
70.	Dividends and similar income	165,817				165,817
40.-50.	Net fee and commission expense	(3,427)				(3,427)
80.+90.+ 100.+110.	Net loss from trading, hedging and disposal/repurchase activities and from assets/liabilities designated at fair value	(3,705)				(3,705)
190.	Other net operating income/expense	29,502	(1,443)	32		28,091
	Operating income	**175,676**	**(1,443)**	**32**	**-**	**174,265**
150.a	Staff costs	(32,050)				(32,050)
150.b	Other administrative expenses	(40,215)	1,443			(38,772)
170.+180.	Depreciation, amortisation and net impairment losses on property, plant and equipment and intangible assets	(5,530)		(32)		(5,562)
	Operating expenses	**(77,795)**	**1,443**	**(32)**	**-**	**(76,384)**
	Net operating income	**97,881**	**-**	**-**	**-**	**97,881**
130.a	Net impairment losses on loans	(24,541)				(24,541)
130. b+c+d	Net impairment losses on other financial assets and liabilities	(1,223)				(1,223)
160.	Net provisions for risks and charges	618				618
210.+240.	Losses from the disposal of equity investments	(924)			901	(23)
250.	**Pre-tax profit from continuing operations**	**71,811**	**-**	**-**	**901**	**72,712**
260.	Taxes on income for the period from continuing operations	24,191				24,191
280.	Post-tax profit (loss) from discontinued operations	-				-
	Profit for the period before impairment losses on equity investments of the Group	**96,002**	**-**	**-**	**901**	**96,903**
210.	Impairment losses on Group equity investments net of taxes	-			(901)	(901)
290.	**Profit for the period**	**96,002**	**-**	**-**	**-**	**96,002**

Reconciliation schedule for the full year 2013

Items	RECLASSIFIED INCOME STATEMENT Figures in thousands of euro	31.12.2013 Separate mandatory financial statement	Reclassifications: Tax recoveries	Reclassifications: Depreciation for leasehold improvements	Reclassifications: Impairment losses on Group equity investments	Reclassifications: Expenses for leaving incentives programme	31.12.2013 Reclassified financial statement
10.-20.	Net interest income	119,390					119,390
70.	Dividends and similar income	247,205					247,205
40.-50.	Net fee and commission income	5,239					5,239
80.+90.+ 100.+110.	Net income from trading, hedging and disposal/repurchase activities and from assets/liabilities designated at fair value	232,945					232,945
190.	Other net operating income/expense	116,334	(8,144)	127			108,317
	Operating income	**721,113**	**(8,144)**	**127**	**-**	**-**	**713,096**
150.a	Staff costs	(153,453)				119	(153,334)
150.b	Other administrative expenses	(173,135)	8,144				(164,991)
170.+180.	Depreciation, amortisation and net impairment losses on property, plant and equipment and intangible assets	(22,850)		(127)			(22,977)
	Operating expenses	**(349,438)**	**8,144**	**(127)**	**-**	**119**	**(341,302)**
	Net operating income	**371,675**	**-**	**-**	**-**	**119**	**371,794**
130.a	Net impairment losses on loans	(188,115)					(188,115)
130. b+c+d	Net impairment losses on other financial assets and liabilities	(40,367)					(40,367)
160.	Net provisions for risks and charges	(1,354)					(1,354)
210.+240.	Losses from the disposal of equity investments	(316,390)			310,220		(6,170)
250.	**Pre-tax profit (loss) from continuing operations**	**(174,551)**	**-**	**-**	**310,220**	**119**	**135,788**
260.	Taxes on income for the year from continuing operations	245,891			955	(33)	246,813
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**	**-**	**-**	**311,175**	**86**	**382,601**
150.a	Expenses for the leaving incentives programme net of taxes	-				(86)	(86)
210.	Net impairment losses on Group equity investments net of taxes	-			(311,175)		(311,175)
290.	**Profit for the year**	**71,340**	**-**	**-**	**-**	**-**	**71,340**

Notes to the financial statements

The reclassified financial statements have been prepared on the basis of Bank of Italy Circular No. 262 of 22nd 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 21st 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, 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 statements and the reclassified statements for the comparative periods and the tables providing details included in the subsequent sections have also been prepared on that same basis.

As already reported, since the merger of Centrobanca Spa occurred on 6th May 2013, the first quarter of 2013 presented for the comparison 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:

1st Quarter 2014:
- impairment losses and recoveries in value on shares, bonds and units in UCITS (AFS);
- settlement of the balance on the sales price of the subsidiary Banque de Dépôts et de Gestion Sa (Switzerland);

1st Quarter 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 both changes that occurred in the first quarter of 2014 compared to the first quarter of 2013 and also compared to the fourth quarter of 2013 (the latter are highlighted with a slightly different background colour).
The first three months of 2013 do not include figures for the former Centrobanca merged from the second quarter, because the merger was completed on 6th May 2013. Moreover, the comparative figures have not been restated to take account of the intragroup company ownership transaction.

The income statement

The first quarter of 2014 ended with a **profit** of €227 million, an appreciable improvement compared to €96 million in the first three months of the previous year[1].
Business with customers determined greater operating expenses (+€5.6 million) and greater net impairment losses on loans (+€1.1 million), but at the same time resulted in income instead of expense for revenue items of general banking business (net interest income and net fee and commission income – +€41.3 million taken together), which in the past had consisted of expense due to UBI Banca's nature as a holding company.

On the other hand, the fourth quarter of 2013 had ended in a net loss of €67.8 million, caused by impairment losses on some Group investments, as a consequence of periodic impairment tests, despite recognition of a tax credit for deferred tax assets (on IRAP – local production tax), not recognised in previous years, relating to the realignment of goodwill, and notwithstanding the positive impacts of business relating to the former Centrobanca (as had already occurred for the former B@nca 24-7).

Ordinary activities generated **operating income** in the first months of 2014 of €347.3 million, up by €173 million on the period January-March 2013, as a result of the following performance:

- *dividends* rose to €236.6 million (+€70.7 million), resulting almost entirely from Group equity investments (as shown in the table). Over €209 million of the total amount received was distributed by the network banks, with growth of €77.1 million. The latter 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, while the dividend of €36.1 million from BRE was distributed from the reserve pursuant to 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.

Dividends and similar income

Figures in thousands of euro	1Q 2014	1Q 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
UBI Factor Spa	-	2,275
Other equity investments (item 100)	2,384	2,779
Dividends received from item 100 equity investments	**235,771**	**165,363**
Dividends received from item 40 AFS	**780**	**454**
Dividends received from item 20 for trading and item 30 fair value options	**7**	**-**
Total dividends and similar income	**236,558**	**165,817**

1 Both periods included non-recurring items. They consisted of expense of €561 thousand in 2014 (generated by an addition to the sales price of the Swiss subsidiary BDG) and income of €9.4 million in 2013 (mainly attributable to the disposal of Intesa Sanpaolo and A2A shares, partially offset by the service fee for the migration of Centrobanca and some impairment losses). Net of those items the result for the first three months of the year was €227.6 million, compared to €86.6 million in the same quarter of 2013.

The trend for Banco di Brescia (-€10.2 million) and the Product Companies, however, was in the opposite direction: UBI Pramerica SGR (-€5.6 million) and UBI Factor (-€2.3 million), which have not declared a dividend in the current year.

On the basis of the organisational configuration of the Group, UBI Banca fills the role of a holding company and holds equity investments in all the main consolidated companies. It follows that the profits that they distribute constitute its primary source of income;

Net trading income (loss)

Figures in thousands of euro	Gains (A)	Income from trading (B)	Losses (C)	Losses from trading (D)	Net income 1Q 2014 [(A+B)-(C+D)]	1Q 2013
1. Financial assets held for trading	**18,011**	**2,261**	**(415)**	**(1,264)**	**18,593**	**8,213**
1.1 Debt instruments	17,578	1,553	(365)	(110)	18,656	2,609
1.2 Equity instruments	430	35	(47)	0	418	(147)
1.3 Units in UCITS	3	-	(3)	- 1	(1)	2
1.4 Financing	-	-	-	-	-	-
1.5 Other	-	673	-	(1,153)	(480)	5,749
2. Financial liabilities held for trading	**7,763**	**-**	**(1,299)**	**-**	**6,464**	**12,379**
2.1 Debt instruments	7,763	-	(1,299)	-	6,464	12,379
2.2 Payables	-	-	-	-	-	-
2.3 Other	-	-	-	-	-	-
3. Other financial liabilities: exchange rate differences	**X**	**X**	**X**	**X**	**1,012**	**(5,854)**
4. Derivative instruments	**147,979**	**92,116**	**(156,101)**	**(83,924)**	**556**	**(34,545)**
4.1 Financial derivatives	147,979	92,116	(156,009)	(83,473)	1,099	(33,269)
- on debt instruments and interest rates	*147,740*	*91,041*	*(155,777)*	*(82,420)*	*584*	*(33,299)*
- on equity instruments and share indices	*27*	*1*	*-*	*-*	*28*	*(17)*
- on currencies and gold	*X*	*X*	*X*	*X*	*486*	*47*
- other	*212*	*1,074*	*(232)*	*(1,053)*	*1*	*-*
4.2 Credit derivatives	-	-	(92)	(451)	(543)	(1,276)
Total	**173,753**	**94,377**	**(157,815)**	**(85,188)**	**26,625**	**(19,807)**

Net hedging income (loss)

Figures in thousands of euro	1Q 2014	1Q 2013
Net hedging loss	**(1,648)**	**(519)**

Profit from disposal or repurchase

Figures in thousands of euro	Profits	Losses	Net profit 1Q 2014	1Q 2013
Financial assets				
1. Loans and advances to banks	-	-	-	-
2. Loans and advances to customers	-	(705)	(705)	-
3. Available-for-sale financial assets	34,126	-	34,126	14,851
3.1 Debt instruments	*34,126*	*-*	*34,126*	*2,381*
3.2 Equity instruments	*-*	*-*	*-*	*12,470*
3.3 Units in UCITS	*-*	*-*	*-*	*-*
3.4 Financing	*-*	*-*	*-*	*-*
4. Held-to-maturity investments	-	-	-	-
Total assets	**34,126**	**(705)**	**33,421**	**14,851**
Financial liabilities				
1. Due to banks	-	-	-	-
2. Due to customers	-	-	-	-
3. Debt securities issued	17	(1,294)	(1,277)	(186)
Total liabilities	**17**	**(1,294)**	**(1,277)**	**(186)**
Total	**34,143**	**(1,999)**	**32,144**	**14,665**

Net profit on financial assets and liabilities designated at fair value

Figures in thousands of euro	1Q 2014	1Q 2013
Net profit on financial assets and liabilities designated at fair value	**599**	**1,956**

Net income (loss) from trading, hedging and disposal/repurchase activities and from assets/liabilities designated at fair value	**57,720**	**(3,705)**

- the *net result for financial activities* increased to €57.7 million (it recorded a loss of €3.7 million in the first three months of 2013), as a consequence of the following results:

- +€26.6 million from trading (-€19.8 million in 2013), consisting of +€18.7 million from debt instruments[2] (of which €17.6 million from profit-taking), +€6.5 million from net gains on uncovered short positions on debt instruments, +€1 million from foreign exchange business, +€0.6 million from derivatives on debt instruments and interest rates (profits, gains and accruals)[3], +€0.4 million from equity instruments and the relative derivatives and -€0.5 million from credit derivatives held for trading;
- +€0.6 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 (+€2 million in 2013);
- -€1.6 million from hedging – consisting of changes in the fair value of derivatives and the relative items hedged – relating mainly to available-for-sale securities (-€0.5 million in 2013 in relation to bonds);
- +€32.1 million from the disposal of available-for-sale securities and from the repurchase of financial liabilities, of which €34.1 million from the sale of €1.5 billion of Italian government securities; -€0.7 million from the disposal of former Centrobanca deteriorated positions (restructured and impaired) and -€1.3 million from the repurchase of debt securities issued as part of normal business with customers.
  In the first quarter of 2013, €14.7 million was earned as follows: €2.4 million from the sale of two bonds issued by banks; €12.5 million from equity instruments (in detail, a gain of €11.4 million on the Intesa Sanpaolo shares, €0.6 million on A2A shares and an addition of €0.5 million to the price for the disposal of the Cerved Group performed in 2008; all these amounts are normalised); and -€0.2 million from the buyback of debt securities issued;

- *other net operating income/expense* amounted to €27.7 million (€28.1 million in the first three months of 2013), a reflection primarily of the total amount, but also of the changes in operating income. Details of the item show a reduction in "recoveries of other expenses" (-€0.4 million from sending credit card statements and from financing to customers) and in "rental and other property management income" (-€1.4 million, partly as a result of the process to rationalise properties), but also an increase in "other income and prior year income" (+€1.1 million, inclusive of income of €0.8 million from securitisations).
  "Income for services provided to Group companies" increased (+€0.4 million) in relation to growth in volumes of business in the finance area and to greater provision of some services (these included money laundering, the finance of terrorism and commercial risks), partially offset by the impacts of the merger of Centrobanca into UBI Banca;

Other net operating income

Figures in thousands of euro	1Q 2014	1Q 2013
Other operating income	**28,093**	**28,422**
Recovery of expenses and other income on current accounts	1	-
Recovery of other expenses	2,344	2,750
Recoveries of taxes	1,844	1,443
Rents and other income for property management	8,276	9,712
Income for services to Group member companies	16,159	15,771
Other income and prior year income	1,313	189
Reclassification of "tax recoveries"	*(1,844)*	*(1,443)*
Other operating expenses	**(429)**	**(331)**
Depreciation of leasehold improvements	(32)	(32)
Costs relating to finance lease contracts	-	-
Other expenses and prior year expense	(429)	(331)
Depreciation on improved leaseholds for rented assets	*32*	*32*
Total other net operating income	**27,664**	**28,091**

- partly as a result of the financing operations acquired in 2012 from the consumer bank and from the corporate bank in May 2013, *net interest expense* became *net interest income* of €24.9 million (-€12.5 million in the first quarter of 2013[4]), incorporating, amongst other things, also a moderate rise in the yield curve in the two periods[5].
  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).

2 In view of UBI Banca's current operations on markets, a disaggregated reading of the results for debt instruments and the relative derivatives is proposed. The combined interpretation proposed in past years remains valid for those situations subject to examination in the past.
3 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.
4 Net interest income was negative because it incorporated the financing expense that UBI Banca incurred for its investments in Group subsidiaries, while the relative financial revenues were recognised within the item dividends.
5 The average one month Euribor rate did in fact rise over the two quarters from 0.119% in 2013 to 0.229% in the current year.

In detail[6]:

- the securities portfolio generated interest of €103 million (€99.1 million in 2013[7]), due to investments in debt instruments, which grew over twelve months by approximately €2 billion. Purchases of Italian government securities continued to make a substantial contribution to net interest income (€99.9 million from the AFS portfolio and €26.4 million from the HTM portfolio), although these investments incorporate the costs of uncovered short positions and hedges on fixed interest rate bonds (the differentials paid on the derivatives, although in decline);
- business on the interbank market, focused mainly on intragroup activities, generated a loss of €15.2 million, sharply up on -€60.9 million previously. This is due to both a fall in funding from banks (-€3.5 billion over twelve months), while loans remained unchanged (even if lending of approximately €1.6 billion from the former Centrobanca was lost[8]) and also to a decrease in interest income paid on LTRO financing (down from €22.5 million to €7.5 million, following reductions in the rate for principal refinancing operations down from 0.75% in the first three months of 2013 to the current 0.25%);
- business with customers recorded expense of €62.8 million, (-€50.6 million in 2013), despite an increase in interest income from retail and corporate lending (€128.6 million, compared with €109.1 million before) and a fall in interest expense on amounts due to customers (-44%). The item includes expense for debt securities issued (issued by UBI Banca for all ordinary and institutional customers of Group) up to €217 million from €160.8 million in the first quarter of 2013, accompanied by growth at the same time in outstanding items (+€11.3 billion over twelve months, partly as a result of the merger of the former Centrobanca). The net balance also includes the differentials received on hedges on own issue fixed rate bonds (€35.9 million, compared with €19.6 million in the comparative period).

Interest and similar income: composition

Figures in thousands of euro	Debt instruments	Financing	Other transactions	1Q 2014	1Q 2013
1. Financial assets held for trading	10,211	-	-	10,211	14,884
2. Available-for-sale financial assets	99,918	-	-	99,918	98,618
3. Held-to-maturity investments	26,448	-	-	26,448	27,058
4. Loans and advances to banks	10,850	7,358	-	18,208	21,021
5. Loans and advances to customers	6,855	121,731	-	128,586	109,071
6. Financial assets designated at fair value	-	-	-	-	-
7. Hedging derivatives	X	X	11,102	11,102	-
8. Other assets	X	X	6	6	7
Total	**154,282**	**129,089**	**11,108**	**294,479**	**270,659**

Interest and similar expense: composition

Figures in thousands of euro	Borrowings	Securities	Other liabilities	1Q 2014	1Q 2013
1. Due to central banks	(7,500)	-	-	(7,500)	(22,500)
2. Due to banks	(25,894)	X	-	(25,894)	(59,410)
3. Due to customers	(10,325)	X	-	(10,325)	(18,568)
4. Debt securities issued	X	(216,966)	-	(216,966)	(160,750)
5. Financial liabilities held for trading	(8,757)	-	-	(8,757)	(12,686)
6. Financial liabilities designated at fair value	-	-	-	-	-
7. Other liabilities and provisions	X	X	(99)	(99)	(97)
8. Hedging derivatives	X	X	-	-	(9,159)
Total	**(52,476)**	**(216,966)**	**(99)**	**(269,541)**	**(283,170)**

Net interest income				**24,938**	**(12,511)**

6 The calculation of net balances was performed by allocating interest income and expense on hedging derivatives within the different areas of business (financial, with banks, with customers).

7 The figure does not include interest of €4.3 million on AFS debt securities held by the former Centrobanca, relating to a corporate bond portfolio amounting to €365 million.

8 The item interest on loans to banks for the period ended 31st March 2013 (€21 million) included the interest that UBI Banca received from the former Centrobanca for loans granted and the bonds subscribed amounting to €8.9 million (of which €6.1 million on debt instruments).

- *net fee and commission income* was positive at €0.4 million (net expense of €3.4 million in 2013), a result of the expansion in items of income (+€2.4 million), mainly from trading in financial instruments, investment advisory activities and other services (these include €7.4 million earned on credit card business and €4.4 million for lending activities) and a reduction at the same time in expense items (-€1.4 million), attributable mainly to the provision of financial instruments (credit cards and other products) through indirect networks, originated by the network banks, and also to guarantees received.
  The latter, down from -€11.5 million to -€10.2 million, incorporated the first effects of the early redemption on 7th March 2014 for €3 billion nominal of bonds issued in the first months of 2012 backed by the Italian government. UBI Banca had in fact issued bonds for a nominal amount of €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 bonds issued.
  Because these were issued by the Parent, subscribed by Centrobanca and then repurchased entirely by UBI Banca, on the basis of IFRS international accounting standards they are not recognised in the accounts, just as the interest income and expense attributable to them is not. They are, however, included within the assets eligible for refinancing that form part of the cover pool available to the European Central Bank.

From a quarterly viewpoint, operating income (€347.3 million) compares with €215.4 million in the fourth quarter of 2013. The increase (+€131.9 million) is a result of partially diverging trends for the items of which the total is composed. On the one hand, increases in the following items were recorded,

- *dividends* (+€220 million), as a consequence of good results posted mainly by BPB, BPCI, Carime and BPA and also of the distribution of reserves pursuant to the Articles of Association by BRE. On the other hand, holding shareholders' meetings earlier in the year allowed profits to be distributed before 31st March 2014. Dividends of €16.6 million were received in the fourth quarter, almost entirely from the distribution of reserves by the insurance companies Aviva Vita (€12 million) and Aviva Assicurazioni Vita (€3.5 million) in December;
- *net fee and commission income* (+€0.4 million compared with -€0.3 million before), although affected by the presence already mentioned of expenses (€10.1 million) relating to the guarantee received from the government on bonds (the partial redemption of the issues performed on 7th March only marginally cushioned the impact on the item as a whole), recorded the effects of revenues relating to commercial operations acquired with the merger of B@nca 24-7 and Centrobanca, with an improvement in the structural composition;
- *other net operating income/expense* increased by €0.5 million, attributable in part to expense recoveries from customers due to the seasonal differences between the two periods. Furthermore, the item again stood at the average level recorded for the 2013 quarterly figures.

On the other hand, the contribution from the following items fell:

- *net interest income* fell from €50.9 million to €24.9 million due to the result for banking business with customers in the first months of the year and in particular to the fall in lending during the quarter (-€1.2 billion, which prevented the bank from fully benefiting from the increase in market interest rates, although by just a few basis points, on shorter term maturities) and also to the increase in costs for debt securities issued (for which the total amounts increased over the quarter by €4.3 billion). This performance was only partially offset by the improvement in the contribution, although still negative, from interbank business;
- *financial activities*: after the brilliant results achieved in the fourth quarter of the year (€121 million, of which €89.1 million from the sale of government securities held in portfolio and €11.8 million, non-recurring, on the disposal of Intesa Sanpaolo shares, fully disposed of at the end of the period) the first three months of the year furnished a result of €57.7 million from both Italian government securities and from debt securities held for trading.

On the costs front, **operating expenses** totalled €82 million in the first three months of the year (€76.4 million in the same period of 2013), an increase of €5.6 million, connected primarily with the acquisition of the former Centrobanca. They performed as follows:

- *staff costs* rose to €37.8 million (€32.1 million), an increase of €5.7 million, the net result of varying performance within the item. On the one hand, new staff from the former Centrobanca arrived (approximately 300 employees actually in service as at 31st March 2013 equivalent to an expense of €7.1 million), which impacted the total cost of employee personnel, while on the other hand, as shown in the table, expense recoveries increased (+€5.4 million) for staff "on secondment" at other companies. These are the effects of the partial "transfer of contracts" relating to staff on secondment between the Parent and UBI.S, as provided for by the trade union agreement of 29th November 2012, which in reality are fully offset by an expense item recognised within expenses for employee staff.

  An examination of the figures on a like-for-like basis (i.e. including Centrobanca in the first quarter of 2013) shows that in reality staff expenses fell by €1.4 million, as a result of the effectiveness of action taken over the last 18 months as follows: a reduction in workforce numbers (-91 on average) and the relative wages (-€1.7 million), which fully offset the effects of ordinary salary trends;

Staff costs: composition

Figures in thousands of euro	1Q 2014	1Q 2013
1) Employees	**(50,321)**	**(38,950)**
a) Wages and salaries	(35,300)	(26,944)
b) Social security charges	(9,563)	(7,392)
c) Post-employment benefits	(1,898)	(1,511)
d) Pension expense	-	-
e) Provision for post-employment benefits	(80)	(120)
f) Pensions and similar obligations	(7)	-
- defined benefit	(7)	-
g) Payments to external supplementary pension plans:	(1,650)	(1,483)
- defined contribution	(1,650)	(1,483)
i) Other employee benefits	(1,823)	(1,500)
2) Other staff in service	**(59)**	**(59)**
- Expenses for agency staff on staff leasing contracts	-	-
- Other expenses	(59)	(59)
3) Directors	**(1,653)**	**(1,740)**
4) Expenses for retired staff	**-**	**-**
5) Recoveries of expenses for staff on secondment to other companies	**21,751**	**16,332**
6) Reimbursements of expenses for staff on secondment at the Bank	**(7,479)**	**(7,633)**
Total	**(37,761)**	**(32,050)**

- *other administrative expenses* remained stable at €38.7 million – despite the acquisition of Centrobanca, whose current expenses for the first quarter of 2013 came to over €4 million, a reflection of the stability of both indirect taxation (€1.6 million), and current expenses (€37.1 million), which continue to undergo rigorous cuts.

  The further expansion of commercial operations (with the merger of the former corporate bank in the second quarter of 2013) impacted the following specific items: credit recovery, outsourced services, telephone and data transmission expenses and to a lesser extent hardware and software license fees, while fees for services provided by UBI.S remained more or less unchanged.

  At the same time reductions were seen in the following: rent payable (mainly intragroup, following the release of offices in Via Moscova in Milan, owned by BPCI) and strategic and organisational advisory services (partly due to the absence of costs incurred for calculating the capital requirement using advanced internal methods). These were partially offset by increased costs for the issue of ratings by specialists international agencies (other professional services) and higher fees paid to the Consob (Italian securities market authority) due to a rise in rates and for the centralisation of bond issuance at the Parent, previously issued by the network banks (membership fees).

Other administrative expenses: composition

Figures in thousands of euro	1Q 2014	1Q 2013
A. Other administrative expenses	**(37,069)**	**(37,073)**
Rent payable	(1,935)	(2,301)
Professional and advisory services	(4,113)	(5,759)
Rentals on hardware, software and other assets	(937)	(832)
Maintenance of hardware, software and other assets	(139)	(146)
Tenancy of premises	(1,689)	(1,724)
Property and equipment maintenance	(451)	(362)
Counting, transport and management of valuables	(1)	(1)
Membership fees	(856)	(445)
Information services and land registry searches	(139)	(125)
Books and periodicals	(115)	(109)
Postal	(666)	(706)
Insurance premiums	(1,306)	(1,317)
Advertising	(497)	(730)
Entertainment expenses	(78)	(43)
Telephone and data transmission expenses	(2,696)	(2,386)
Services in outsourcing	(2,173)	(1,741)
Travel expenses	(853)	(666)
Fees for services provided by Group companies (UBI.S)	(15,285)	(15,128)
Credit recovery expenses	(2,339)	(1,874)
Forms, stationery and consumables	(108)	(146)
Transport and removals	(69)	(68)
Security	(422)	(266)
Other expenses	(202)	(198)
B. Indirect taxes	**(1,625)**	**(1,699)**
Indirect taxes and duties	(107)	(142)
Stamp duty	(1,641)	(1,592)
IMU/ICI (municipal property taxes)	(1,438)	(1,307)
Other taxes	(283)	(101)
Reclassification of "tax recoveries"	*1,844*	*1,443*
Total	**(38,694)**	**(38,772)**

Furthermore, the first quarter of 2013 included a non-recurring item of €2.7 million consisting of the service fee for activities preparatory to the migration of Centrobanca onto the target IT system. It was recognised within the service fees paid to UBI.S;

- *depreciation, amortisation and net impairment losses on property, plant and equipment and intangible assets* remained stable at €5.5 million (€5.6 million in the same period of 2013).

In quarterly terms, *operating expenses* (€82 million compared with €82.7 million in the fourth quarter of 2013) recorded no significant changes, although the following occurred on an item by item basis: *staff costs* fell by €3 million as a result of the trade union agreements mentioned above; *other administrative expenses* increased by €2.5 million, mainly due to seasonal differences between the two periods in the timing of invoices, in consideration of the very rigorous spending policies pursued; *net impairment losses on property, plant and equipment and intangible assets* (-€0.2 million) remained almost unchanged compared to the previous quarter.

As a result of the performance reported above, **net operating income** increased to €265.3 million (+171% compared with 2013).
On a quarterly basis, net operating income recovered very satisfactorily, compared with €132.7 million in the fourth quarter of 2013.

The following items were also recognised in the first quarter of 2014:

- €25.6 million (compared with €24.5 million in 2013) of *net impairment losses on loans* relating to the former B@nca 24-7 and the former Centrobanca portfolios, of which €34 million consisting of specific net write-downs (which benefited from reversals – other than for present value discounts – of €12.4 million) and €8.4 million of net reversals on the performing portfolio (due to a decrease in volumes of lending);

Net impairment losses on loans: composition

Figures in thousands of euro	Impairment losses/ reversals of impairment losses, net		1Q 2014
	Specific	Portfolio	
A. Loans and advances to banks	-	-	-
B. Loans and advances to customers	(34,002)	8,356	(25,646)
C. Total	**(34,002)**	**8,356**	**(25,646)**

Figures in thousands of euro	Impairment losses/ reversals of impairment losses, net		1Q 2013
	Specific	Portfolio	
A. Loans and advances to banks	-	-	-
B. Loans and advances to customers	(23,203)	(1,338)	(24,541)
C. Total	**(23,203)**	**(1,338)**	**(24,541)**

- €0.9 million of *net reversals of impairment losses on other financial assets/liabilities* (compared with net impairment losses of €1.2 million[9] previously) consisting of -€0.8 million of impairment losses on instruments held in the AFS portfolio, mainly units in UCITS, and of +€1.2 million from the recovery in value of a bond held in portfolio (both classified within non-recurring items). The remaining amount (approximately €0.4 million) relates to reversals of impairment losses on personal guarantees;
- €1 million of *net provisions for risks and charges* for defence litigation involving various types of counterparty.
In 2013 the item was the net result of 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.

Net provisions for risks and charges

Figures in thousands of euro	1Q 2014	1Q 2013
Net provisions for revocation clawback risks	(100)	-
Net provisions for litigation	(902)	(157)
Total	**(1,002)**	**618**

- €0.9 million of *net losses of equity investments*, as a result of the settlement of the balance on the price made necessary by the disposal of the former Swiss subsidiary BDG (normalised).

The following were recognised in the fourth quarter of 2013: €99.3 million within item 130a, *net impairment losses on loans* relating to the corporate portfolio of the former Centrobanca; €3.1 million of *net impairment losses on other financial assets and liabilities*, relating to personal guarantees; €0.5 million of *net provisions for risks and charges*; and -€6.2 million from the disposal of equity investments, relating from the loss incurred (€6.6 million non-recurring, inclusive of transaction costs) as part of the disposal of Banque de Dépôts et de

9 The figure was composed of €0.5 million of non-recurring impairment losses on instruments held in the AFS portfolio, mainly units in UCITS, and of €0.7 million of impairment losses on personal guarantees.

Gestion in November 2013, partially offset by a price adjustment of +€0.4 million, following the disposal of the former UBI Insurance Broker in December 2012.

Pre-tax profit from continuing operations therefore rose to €238.6 million, compared with €72.7 million in the first three months of 2013 (€242.6 million in the last quarter of 2013).

In line with the trend for taxpayers, the first three months of the year recorded *taxes on income for the period from continuing operations* amounting to €11.6 million, attributable to the positive performance of pre-tax profit for the period, 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.
In the same quarter of 2013, *taxes* consisted of income of €24.2 million, the result on the one hand to the smaller impact of the pre-tax result and on the other of a different composition, above all with regard to trading activities which in the period concerned included gains on equity instruments – classified within the available for sale items – and not subject to taxation.

Finally, in the first quarter 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.

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 €37.1 billion as at 31st March 2014, with growth of approximately €6.5 billion year-on-year and more or less unchanged (-€0.3 billion) compared with the end of 2013, although accompanied by a change in the composition.
As shown in the table, growth was driven by debt securities issued (+€11.3 billion over twelve months, of which +€4.3 billion in the quarter), which more than compensated for the decrease in amounts due to customers, concentrated almost entirely in the first three months of 2014 (-€4.8 billion over twelve months, of which -€4.6 billion in the quarter).

Direct funding from customers

Figures in thousands of euro	31.3.2014 A	%	31.12.2013 B	%	Changes A/B amount	Changes A/B %	31.3.2013 C	%	Changes A/C amount	Changes A/C %
Current accounts and deposits	769,552	2.1%	671,987	1.8%	97,565	14.5%	1,376,500	4.5%	-606,948	-44.1%
Term deposits	-	-	-	-	-	-	-	-	-	-
Financing	1,876,068	5.1%	6,535,873	17.5%	-4,659,805	-71.3%	6,019,017	19.6%	-4,142,949	-68.8%
- repurchase agreements	*1,410,227*	*3.8%*	*5,499,671*	*14.7%*	*-4,089,444*	*-74.4%*	*4,916,887*	*16.0%*	*-3,506,660*	*-71.3%*
of which: repos with the CCG	*1,410,227*	*3.8%*	*5,499,671*	*14.7%*	*-4,089,444*	*-74.4%*	*4,916,887*	*16.0%*	*-3,506,660*	*-71.3%*
- other	*465,841*	*1.3%*	*1,036,202*	*2.8%*	*-570,361*	*-55.0%*	*1,102,130*	*3.6%*	*-636,289*	*-57.7%*
Other payables	13,269	0.0%	16,053	0.0%	-2,784	-17.3%	61,059	0.2%	-47,790	-78.3%
Total amounts due to customers	**2,658,889**	**7.2%**	**7,223,913**	**19.3%**	**-4,565,024**	**-63.2%**	**7,456,576**	**24.3%**	**-4,797,687**	**-64.3%**
Bonds	34,444,917	92.7%	30,161,233	80.6%	4,283,684	14.2%	23,238,243	75.7%	11,206,674	48.2%
- bonds subscribed by institutional customers	*13,862,114*	*37.3%*	*11,865,463*	*31.7%*	*1,996,651*	*16.8%*	*12,150,386*	*39.6%*	*1,711,728*	*14.1%*
of which: EMTN (*)	*5,147,408*	*13.9%*	*4,157,406*	*11.1%*	*990,002*	*23.8%*	*5,859,468*	*19.1%*	*-712,060*	*-12.2%*
Covered Bond	*8,714,706*	*23.4%*	*7,708,057*	*20.6%*	*1,006,649*	*13.1%*	*6,290,918*	*20.5%*	*2,423,788*	*38.5%*
- bonds subscribed by ordinary customers	*18,703,855*	*50.3%*	*16,420,296*	*43.9%*	*2,283,559*	*13.9%*	*8,713,395*	*28.4%*	*9,990,460*	*114.7%*
of which: non-captive customers (former Centrobanca)	*3,535,010*	*9.5%*	*3,683,725*	*9.8%*	*-148,715*	*-4.0%*	*-*	*-*	*3,535,010*	*n.s.*
- bonds subscribed by Group banks (intragroup)	*1,878,948*	*5.1%*	*1,875,474*	*5.0%*	*3,474*	*0.2%*	*2,374,462*	*7.7%*	*-495,514*	*-20.9%*
Other certificates	44,782	0.1%	49,859	0.1%	-5,077	-10.2%	-	-	44,782	n.s.
Total debt securities issued	**34,489,699**	**92.8%**	**30,211,092**	**80.7%**	**4,278,607**	**14.2%**	**23,238,243**	**75.7%**	**11,251,456**	**48.4%**
Total funding from customers	**37,148,588**	**100.0%**	**37,435,005**	**100.0%**	**-286,417**	**-0.8%**	**30,694,819**	**100.0%**	**6,453,769**	**21.0%**
of which:										
subordinated liabilities	*4,265,480*	*11.5%*	*4,955,561*	*13.2%*	*-690,081*	*-13.9%*	*5,422,403*	*17.7%*	*-1,156,923*	*-21.3%*
of which: subordinated deposits	*-*	*-*	*572,479*	*1.5%*	*-572,479*	*-100.0%*	*572,370*	*1.9%*	*-572,370*	*-100.0%*
subordinated securities	*4,265,480*	*11.5%*	*4,383,082*	*11.7%*	*-117,602*	*-2.7%*	*4,850,033*	*15.8%*	*-584,553*	*-12.1%*
of which: EMTN (*)	*-*	*-*	*-*	*-*	*-*	*-*	*181,579*	*0.6%*	*-181,579*	*-100.0%*

(*) The corresponding nominal amounts were €5,090 million as at 31st March 2014, €4,125 million as at 31st December 2013 and €5,771 million (€182 million subordinated) as at 31st March 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 31st March 2013).

More specifically, amounts DUE TO CUSTOMERS, totalling €2.7 billion, performed as follows:

- a year-on-year fall in current accounts (-€0.6 billion) attributable to action taken to optimise the cost of funding taken in the first part of 2013, in order to reduce the more costly types of funding. The item increased slightly (+€0.1 billion) compared with December;
- a significant fall in repurchase agreements with the *Cassa di Compensazione e Garanzia* (a central counterparty clearing house) (-€3.5 billion year-on-year, -€4.1 billion in the quarter) as a consequence of greater liquidity available in the first months of 2014, partly as a result of issuances made during the period;
- a decrease in the item financing – other (-€0.6 billion), also in the first quarter of this year, attributable to the withdrawal of subordinated deposits to back the three issuances of preference shares subject to early redemption between February and March.

DEBT SECURITIES ISSUED reached a total of €34.5 billion benefiting on the one hand from a constant increase in bonds subscribed by ordinary customers, which rose to €18.7 billion (+€10 billion year-on-year and +€2.3 billion in the quarter), and on the other hand from a recovery in institutional issuances, firstly in October 2013 and then in January and February

2014, which brought total institutional bonds up to €13.9 billion (+€1.7 billion over twelve months and +€2 billion over three months).

In detail, UBI Banca *institutional funding* was composed as follows as at 31st March:

- €5.1 billion of EMTN securities issued as part of a programme for a maximum issuance of €15 billion.
  The total decreased by €0.7 billion year-on-year and increased by approximately €1 billion between January and March of 2014. 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 €2.431 billion nominal (concentrated in 2013).

- €8.7 billion of covered bonds (+€2.4 billion over twelve months and +€1 billion in the quarter), an increase 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), relating to 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 €10 billion ceiling for a nominal amount of €8,165 billion (net of amortisation instalments totalling €84.6 million)[10], against a segregated portfolio which stood at €14.3 billion as at 31st March 2014[11].
  A second programme, again "multioriginator", is also operational with a ceiling of €5 billion, backed by commercial mortgages and by residential mortgages not used in the first programme (a segregated portfolio of €3.1 billion at the end of period). So far this programme has only been used for self retained issuances[12].

Bond funding from ordinary customers – consisting mainly of bonds subscribed by network bank customers – reached €18.7 billion (+€10 billion approximately year-on-year, +€2.3 billion over three months). The performance over twelve months was primarily the result of a strategic decision made to centralise issues destined to ordinary customers at the Parent from 2013. However, the item was also affected by the merger of the former Centrobanca in May 2013 (non-captive bonds outstanding at the end of the quarter amounted to €3.5 billion).
Placement activity in the first three months of the year regarded 38 bond issuances for €2.7 billion (only slightly offset by maturities and repurchases of €0.4 billion).

Intragroup bond funding (€1.9 billion), consisting of debt subscribed by some of the banks in the Group in order to invest their liquidity, was unchanged during the quarter, while it fell year-on-year by €0.5 billion – attributable above all to the absence, as a result of the merger, of bonds that had been subscribed by the former Centrobanca (€1.6 billion nominal) and also to maturities and redemptions of €58 million, only partially offset by issuances totalling €1.2 billion nominal (in the fourth quarter of 2013).

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10 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.

11 Detailed information on the composition of the segregated portfolio of residential mortgages held by UBI Finance is given in the consolidated management report, which may be consulted.

12 Two issuances in 2012 for a total of €2.12 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.

Composition of loans to customers

Figures in thousands of euro	31.3.2014 A	%	*of which deteriorated*	31.12.2013 B	%	*of which deteriorated*	Changes A/B amount	Changes A/B %	31.3.2013 C	%	*of which deteriorated*	Changes A/C amount	Changes A/C %
Current account overdrafts	971,014	4.0%	*2,319*	1,297,643	5.2%	*2,306*	-326,629	-25.2%	782,845	3.6%	*3,207*	188,169	24.0%
Reverse repurchase agreements	1,152,982	4.8%	-	1,053,956	4.2%	-	99,026	9.4%	1,495,548	7.0%	-	-342,566	-22.9%
Mortgage loans and other medium to long-term financing	11,180,069	46.7%	*1,143,806*	11,334,202	45.0%	*1,161,847*	-154,133	-1.4%	6,451,020	30.0%	*467,626*	4,729,049	73.3%
Credit cards, personal loans and salary-backed loans	1,081,354	4.5%	*113,119*	1,209,478	4.8%	*117,507*	-128,124	-10.6%	1,494,532	6.9%	*105,672*	-413,178	-27.6%
Factoring	6,121	0.0%	-	6,054	0.0%	-	67	1.1%	-	-	-	6,121	-
Other transactions	9,459,465	39.5%	*111,454*	9,926,369	39.4%	*111,946*	-466,904	-4.7%	10,993,398	51.0%	*26,415*	-1,533,933	-14.0%
Debt instruments	111,356	0.5%	-	341,211	1.4%	-	-229,855	-67.4%	321,791	1.5%	-	-210,435	-65.4%
of which: structured securities	*110,106*	*0.5%*	-	*339,944*	*1.4%*	-	*-229,838*	*-67.6%*	*321,791*	*1.5%*	-	*-211,685*	*-65.8%*
other debt instruments	*1,250*	*0.0%*	-	*1,267*	*0.0%*	-	*-17*	*-1.3%*	-	-	-	*1,250*	-
Total loans and advances to customers	**23,962,361**	**100.0%**	*1,370,698*	**25,168,913**	**100.0%**	*1,393,606*	-1,206,552	-4.8%	**21,539,134**	**100.0%**	*602,920*	2,423,227	11.3%

Lending by the Parent as at 31st March 2014 reached almost €24 billion, an increase over twelve months (+€2.4 billion), but down compared with the end of 2013 (-€1.2 billion).

With account taken of a year-on-year reduction in lending to Group companies (-€1.6 billion year-on-year, -€0.7 billion quarter-on-quarter) – to be interpreted in relation to the impact of the difficult economic environment on operating volumes – the increase over March 2013 is due mainly to the effects of the Centrobanca merger carried out in May 2013, with the consequent acquisition by the Parent of the merged bank's loan portfolio.

At the end of the quarter, the operation mentioned had an impact of €5.4 billion (€5.5 billion in December) on UBI Banca's assets, of which:

- €4.9 billion attributable to the item "Mortgage loans and other medium to long-term financing" (€5 billion in December);
- €0.5 billion relating to "other transactions" (unchanged compared with December);
- €6.1 million for factoring transactions (€6.1 million also in December).

The reduction continued in lending to UBI Leasing and to UBI Factor, which received loans of €6.9 billion and €1.9 billion respectively, accounting for 36.7% of total loans[13]. In March 2013 loans granted to Group companies operating in the leasing and factoring sectors amounted to €7.7 billion and €2 billion respectively, accounting for 44.8% of lending to customers (€7.1 billion and €2.2 billion in December 2013).

In July 2012 Prestitalia, a subsidiary operating in the salary and pension-backed loan sector, also started to receive loans directly, which at the end of March stood at approximately €2.7 billion of which approximately €1.4 billion recognised within "mortgage loans and other medium to long-term financing" and €1.3 billion within short-term transactions[14].
Total lending to Prestitalia was more or less unchanged during the first quarter of 2014, but fell slightly by €0.1 billion year-on-year, with a partial change in the composition out of short-term financing (-€0.5 billion relating entirely to the fourth quarter of 2013) into "mortgage loans and other medium to long-term financing" (+€0.4 billion[15], of which half relating to the last quarter of 2013).

The trend for Parent lending continued to be affected partly by changes in the total outstanding loans of the former B@nca 24-7, which amounted to €5.8 billion at the end of the quarter (-€0.8 billion over twelve months; -€0.2 billion compared with December) of which:

- €4.6 billion attributable to the item "mortgage loans and other medium to long-term financing". The figure is in progressive and organic decline due to the residual nature of this business (-€0.3 billion year-on-year; -€0.1 billion in the first quarter of 2014);

13 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).
14 With the exception of €203 million of "mortgages" granted by the former Centrobanca, these are loans previously granted to B@nca 24-7.
15 Inclusive of the €203 million from the Centrobanca merger.

- €1.1 billion relating to various forms of consumer credit (-€0.4 billion over twelve months; -€0.1 billion compared with December);
- €87 million included within other transactions (-€94 million year-on-year; -€17 million compared with December).

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* (CCG – a central counterparty clearing house) totalled €0.4 billion at the end of March (-€0.3 billion year-on-year; -€0.1 billion in the first quarter of 2014). After falling to more or less zero in 2013, the first quarter of the new year saw a recovery in reverse repurchase agreements with Italian government securities as the underlying (+€0.2 billion), entered into as an investment of liquidity. On the other hand margin deposits required to guarantee repurchase agreements on Italian government securities remained unchanged in 2013 and then 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 to €0.7 billion (+€0.2 billion over twelve months; +€30 million compared with December), consisting entirely of current accounts.

Loans and advances to customers as at 31st March 2014

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

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

Loans and advances to customers as at 31st March 2013

Figures in thousands of euro	Gross exposure		Impairment losses	Carrying amount		Coverage (*)
Deteriorated loans	***(4.66%)***	**1,025,390**	**422,470**	***(2.80%)***	**602,920**	**41.20%**
- Non-performing loans	*(2.68%)*	590,443	369,833	*(1.02%)*	220,610	62.64%
- Impaired loans	*(1.60%)*	351,363	48,878	*(1.40%)*	302,485	13.91%
- Restructured loans	-	-	-	-	-	-
- Past due loans	*(0.38%)*	83,584	3,759	*(0.38%)*	79,825	4.50%
Performing loans	***(95.34%)***	**21,000,949**	**64,735**	***(97.20%)***	**20,936,214**	**0.31%**
Total loans and advances to customers		**22,026,339**	**487,205**		**21,539,134**	**2.21%**

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

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

Finally debt securities were affected by the early redemption of preference shares carried out between February and March of the current year. The amount recognised within this item (€229.8 million in December; €211.7 million in March 2013) related to repurchases carried out previously.

Deteriorated assets gross of write-downs remained stable at the end of March at €2 billion (-€24.5 million compared with December)[16]. As shown in the table reporting migrations of gross deteriorated exposures for the first three months of 2014, total new classifications from performing loans (€82.1 million) decreased significantly compared with 2013 and transfers between the various categories were equally reduced.
Net of impairment losses, deteriorated loans amounted to approximately €1.4 billion, of which 83% relating to "mortgage loans and other medium to long-term financing".
Given the downward trend for the portfolio, deteriorated loans nevertheless rose as a percentage of the total to 8.25% in gross terms (7.96% in December) and to 5.72% in net terms (5.54%).

Coverage as a whole improved to 32.76% (32.45% in December), but with different trends for each category.

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	580	637,615
business combination transactions	508,452	333,946	246,377	30,920	1,119,695
other increases	59,971	37,708	7,765	7,399	112,843
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**

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16 Since the year-on-year changes in risk indicators are affected by the merger of the former Centrobanca, the commentary given relates to the first quarter of 2014 only.

Interbank market: quarterly trends

Figures in thousands of euro	31.3.2014 A	31.12.2013 B	Changes A/B amount	Changes A/B %	30.9.2013 C	30.6.2013 D	31.3.2013 E
Loans and advances to banks	**14,460,750**	**13,487,366**	**973,384**	**7.2%**	**12,491,061**	**13,717,646**	**15,283,251**
of which:							
- loans to central banks	*239,831*	*776,842*	*-537,011*	*-69.1%*	*560,036*	*737,251*	*606,308*
- intragroup	*12,198,864*	*10,880,101*	*1,318,763*	*12.1%*	*9,740,765*	*10,401,624*	*12,180,521*
of which: intragroup securities	*4,254,091*	*3,094,120*	*1,159,971*	*37.5%*	*1,948,538*	*1,647,346*	*3,835,593*
Due to banks	**25,086,834**	**24,285,811**	**801,023**	**3.3%**	**26,916,219**	**28,531,411**	**28,606,811**
of which:							
- due to central banks	*12,173,833*	*12,166,333*	*7,500*	*0.1%*	*12,155,083*	*12,139,750*	*12,121,417*
- intragroup	*10,863,627*	*10,295,663*	*567,964*	*5.5%*	*12,786,631*	*14,179,303*	*14,629,652*
of which: subordinated deposits	-	-	-	-	*201,035*	*200,319*	*201,060*
Net interbank position	**-10,626,084**	**-10,798,445**	**-172,361**	**-1.6%**	**-14,425,158**	**-14,813,765**	**-13,323,560**
of which: intragroup	*1,335,237*	*584,438*	*750,799*	*128.5%*	*-3,045,866*	*-3,777,679*	*-2,449,131*
non-Group banks	*-11,961,321*	*-11,382,883*	*578,438*	*5.1%*	*-11,379,292*	*-11,036,086*	*-10,874,429*
Net interbank position excluding central banks and intragroup business	***-27,319***	***6,608***	***-33,927***	***n.s.***	***215,755***	***366,413***	***640,680***

As a consequence of the LTRO finance of €12 billion from the European Central Bank, at the end of the quarter the UBI Banca **interbank balance** continued to remain one of net debt of €10.6 billion, consisting of an intragroup balance of +€1.3 billion and a net balance with the market of approximately -€12 billion.

The net position shows little change compared with 31st December 2013 (-€172 million), the aggregate result in reality of an increase in both the positive intragroup balance and the negative balance with external counterparties, which at the end of March 2014 consisted of a net debt position (net of central banks and intragroup balances) of €27.3 million.

As a result of the mergers of B@nca 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 originated by 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.

The overall quarterly performance, however, recorded equally modest growth both in loans and advances to banks (+€1 billion) and in amounts due (+€0.8 billion), as detailed below.

Loans and advances to banks as at 31st March 2014 totalled €14.5 billion, composed of approximately €0.3 billion as a result of a decrease in liquidity held with central banks in the compulsory reserve account (-€0.5 billion) and of €14.2 billion of loans to other banks.
The latter is the aggregate result of overall growth of €1.5 billion. This included an increase in debt securities (+€1.2 billion, due to the network banking issues already mentioned subscribed by the Parent in order to invest liquidity following the centralisation of bond issuance activity at Parent for the customers of those banks) and in current accounts (+€0.4 billion, equally divided between internal and market counterparties), offset by a fall in intragroup reverse repurchase agreements (-€0.2 billion; the item in the non-intragroup section amounting to €937 million should be interpreted in combination with financial liabilities held for trading consisting of uncovered short positions on European government securities).
Within the item, lending to Group banking counterparties amounted to €12.2 billion at the end of the quarter (€10.9 billion as at 31st December 2013).

17 Growth in Intergroup funding over three months reflects the cash flows from UBI Banca International.

As concerns *funding from banks*, which totalled €25.1 billion at the end of the quarter, this increased by €0.8 billion, attributable primarily to intragroup business (a total of €10.9 billion) consisting of current accounts (+€0.2 billion) and term deposits (+€0.5 billion). The latter item (the most significant of the different types of funding, has now risen to €8.1 billion) shows on the one hand a decrease in network bank liquidity (-€0.6 billion, in relation to the new funding policy) and on the other hand an increase in liquidity from other banking subsidiaries (UBI Banca Private Investment, IW Bank and UBI Banca International, +€1.1 billion).
Financing fell by €0.1 billion to €1.5 billion as a result of repurchase agreements originated within the Group. The item includes medium to long-term disbursements from the EIB (down to €898 million from €910 million in December 2014 a result of amortisation instalments), in relation to activities to support financing to SMEs.
Other borrowings (€199 million), primarily from transactions external to the Group, include the relationship for the settlement of credit cards with Istituto Centrale Banche Popolari (slightly down in the first three months of the year).
Exposure to central banks at the end of period amounted to €12.2 billion (inclusive of interest expense accruing), 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.

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Financial assets/liabilities

Figures in thousands of euro	31.3.2014 L 1	31.3.2014 L 2	31.3.2014 L 3	31.3.2014 Carrying amount (A)	31.3.2014 %	31.12.2013 L 1	31.12.2013 L 2	31.12.2013 L 3	31.12.2013 Carrying amount (B)	31.12.2013 %	Changes (a) / (b) amount	Changes (a) / (b) %
Financial assets held for trading	3,433,897	575,789	1,338	4,011,024	17.7%	2,584,378	605,001	1,701	3,191,080	15.0%	819,944	25.7%
of which: financial derivatives contracts	*204*	*575,783*	-	*575,987*	*2.5%*	*158*	*604,993*	-	*605,151*	*2.8%*	*-29,164*	*-4.8%*
Financial assets designated at fair value	117,148	927	75,617	193,692	0.9%	117,129	927	90,087	208,143	1.0%	-14,451	-6.9%
Available-for-sale financial assets	14,228,262	920,081	133,613	15,281,956	67.6%	13,726,705	895,804	130,767	14,753,276	69.5%	528,680	3.6%
Held-to-maturity investments	-	-	-	3,113,263	13.8%	-	-	-	3,086,815	14.5%	26,448	0.9%
Financial assets (a)	**17,779,307**	**1,496,797**	**210,568**	**22,599,935**	**100.0%**	**16,428,212**	**1,501,732**	**222,555**	**21,239,314**	**100.0%**	**1,360,621**	**6.4%**
of which:												
- debt instruments	*17,393,788*	*869,856*	*4,379*	*21,381,286*	*94.6%*	*16,050,828*	*845,785*	*4,668*	*19,988,096*	*94.1%*	*1,393,190*	*7.0%*
of which: Italian government securities	*16,880,910*	*447,046*	-	*20,441,219*	*90.4%*	*15,543,833*	*428,129*	-	*19,058,777*	*89.7%*	*1,382,442*	*7.3%*
- equity instruments	*5,762*	*927*	*198,676*	*205,365*	*0.9%*	*5,290*	*927*	*210,178*	*216,395*	*1.0%*	*-11,030*	*-5.1%*
- Units in UCITS.	*379,553*	*50,231*	*7,513*	*437,297*	*1.9%*	*371,936*	*50,027*	*7,709*	*429,672*	*2.0%*	*7,625*	*1.8%*
Financial liabilities held for trading (b)	**965,788**	**547,736**	**-**	**1,513,524**	**100.0%**	**979,014**	**551,777**	**645**	**1,531,436**	**100.0%**	**-17,912**	**-1.2%**
of which: financial derivatives contracts	*112*	*547,736*	-	*547,848*	*36.2%*	*52*	*551,777*	-	*551,829*	*36.0%*	*-3,981*	-0.7%
Net financial assets (a-b)	**16,813,519**	**949,061**	**210,568**	**21,086,411**		**15,449,198**	**949,955**	**221,910**	**19,707,878**		**1,378,533**	**7.0%**

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 31st March 2014 stood at €22.6 billion (€21.1 billion if calculated net of financial liabilities), an increase of €1.4 billion compared with the end of 2013, the result of both new purchases of BTPs and BOTs in the trading portfolio and an increase in the fair values of the investments classified within the available-for-sale class.

While a full and detailed discussion is given in the interim management report on the consolidated operations contained in the earlier pages of this publication, the main changes that affected the principal types of financial asset in the first quarter of the year are as follows:

Financial assets/liabilities: quarterly figures

Figures in thousands of euro	31.3 2014 Carrying amount (A)	%	31.12.2013 Carrying amount (B)	%	30.9.2013 Carrying amount (C)	%	30.6.2013 Carrying amount (D)	%	31.3 2013 Carrying amount (E)	%
Financial assets held for trading	4,011,024	17.7%	3,191,080	15.0%	3,449,192	16.6%	4,858,058	23.1%	4,831,209	23.8%
of which: financial derivatives contracts	*575,987*	*2.5%*	*605,151*	*2.8%*	*652,820*	*3.1%*	*740,620*	*3.5%*	*501,537*	*2.5%*
Financial assets designated at fair value	193,692	0.9%	208,143	1.0%	207,370	1.0%	206,860	1.0%	125,579	0.6%
Available-for-sale financial assets	15,281,956	67.6%	14,753,276	69.5%	13,968,794	67.2%	12,813,746	61.0%	12,192,040	59.9%
Held-to-maturity investments	3,113,263	13.8%	3,086,815	14.5%	3,149,620	15.2%	3,122,272	14.9%	3,185,071	15.7%
Financial assets (a)	**22,599,935**	**100.0%**	**21,239,314**	**100.0%**	**20,774,976**	**100.0%**	**21,000,936**	**100.0%**	**20,333,899**	**100.0%**
of which:										
- debt instruments	*21,381,286*	*94.6%*	*19,988,096*	*94.1%*	*19,655,044*	*94.6%*	*19,729,124*	*93.9%*	*19,407,576*	*95.4%*
of which: Italian government securities	*20,441,219*	*90.4%*	*19,058,777*	*89.7%*	*18,522,467*	*89.2%*	*18,591,657*	*88.5%*	*18,567,368*	*91.3%*
- equity instruments	*205,365*	*0.9%*	*216,395*	*1.0%*	*247,182*	*1.2%*	*310,660*	*1.5%*	*207,340*	*1.0%*
- Units in UCITS.	*437,297*	*1.9%*	*429,672*	*2.0%*	*217,917*	*1.0%*	*218,426*	*1.0%*	*215,250*	*1.1%*
Financial liabilities held for trading (b)	**1,513,524**	**100.0%**	**1,531,436**	**100.0%**	**1,457,552**	**100.0%**	**1,787,611**	**100.0%**	**1,693,378**	**100.0%**
of which: financial derivatives contracts	*547,848*	*36.2%*	*551,829*	*36.0%*	*587,547*	*40.3%*	*683,638*	*38.2%*	*486,181*	*28.7%*
Net financial assets (a-b)	**21,086,411**		**19,707,878**		**19,317,424**		**19,213,325**		**18,640,521**	

The fair value has not been shown for held-to-maturity investments, because they are recognised at amortised cost.

- *available-for-sale financial assets* rose to €15.3 billion, (+€0.5 billion compared with December), reflecting a significant increase in the fair value of Italian government securities. A switch operation was carried out in the quarter on BTPs for a total of €1.55 billion nominal (sales of short-term maturities and reinvestments at the same time in the same type of instrument with longer maturities and a better yield), which allowed the realisation of a gross gain of €34 million, recognised in the income statement;
- *held-to-maturity investments*, amounting to €3.1 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* rose to €4 billion (+€0.8 billion) following purchases of BTPs and BOTs for €1 billion against sales for €0.2 billion, which involved BTPs and CCTs;
- *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 €193.7 million (€208.1 million at the end of 2013). The decrease during the period is attributable to the disposal, for consideration of €15 million, of 3.75% of the share capital held in Humanitas Spa, a transaction which brought UBI Banca's stake in the share capital of the company down to 5.31%.
  The fair value of units in UCITS (€124 million) remained almost unchanged during the quarter. These included €117 million in the listed Tages Funds in fair value level one and €6.9 million in hedge funds in level three (the latter are also recognised in the HFT class amounting to €0.6 million).

Mandatory separate interim financial statements as at and for the period ended 31st March 2014

Balance sheet

Figures in thousands of euro		31.3.2014	31.12.2013	31.3.2013
ASSETS				
10.	Cash and cash equivalents	129,992	151,927	124,660
20.	Financial assets held for trading	4,011,024	3,191,080	4,831,209
30.	Financial assets designated at fair value	193,692	208,143	125,579
40.	Available-for-sale financial assets	15,281,956	14,753,276	12,192,040
50.	Held-to-maturity investments	3,113,263	3,086,815	3,185,071
60.	Loans and advances to banks	14,460,750	13,487,366	15,283,251
70.	Loans and advances to customers	23,962,361	25,168,913	21,539,134
80.	Hedging derivatives	300,274	215,310	108,737
90.	Fair value change in hedged financial assets (+/-)	5,606	5,418	-
100.	Equity investments	10,708,381	10,608,614	11,235,287
110.	Property, plant and equipment	645,244	650,742	581,597
120.	Intangible assets	410	410	410
130.	Tax assets	1,684,885	1,727,626	1,630,799
	a) current	321,094	322,536	407,405
	b) deferred	1,363,791	1,405,090	1,223,394
	- of which pursuant to Law No. 214/2011	*1,237,798*	*1,238,386*	*922,908*
140.	Non-current assets and disposal groups held for sale	2,329	2,329	2,329
150.	Other assets	699,446	656,676	729,573
TOTAL ASSETS		**75,199,613**	**73,914,645**	**71,569,676**

Figures in thousands of euro		31.3.2014	31.12.2013	31.3.2013
LIABILITIES AND EQUITY				
10.	Due to banks	25,086,834	24,285,811	28,606,811
20.	Due to customers	2,658,889	7,223,913	7,456,576
30.	Debt securities issued	34,489,699	30,211,092	23,238,243
40.	Financial liabilities held for trading	1,513,524	1,531,436	1,693,378
60.	Hedging derivatives	462,440	377,702	950,122
80.	Tax liabilities	451,208	323,144	284,167
	a) current	300,566	232,645	223,083
	b) deferred	150,642	90,499	61,084
100.	Other liabilities	705,434	631,077	608,383
110.	Post-employment benefits	43,545	40,166	35,218
120.	Provisions for risks and charges:	60,828	58,488	39,133
	a) pension and similar obligations	1,052	1,061	-
	b) other provisions	59,776	57,427	39,133
130.	Valuation reserves	125,805	-142,564	-546,893
160.	Reserves	2,409,264	2,337,924	2,143,427
170.	Share premiums	4,716,866	4,716,866	4,716,862
180.	Share capital	2,254,371	2,254,371	2,254,368
190.	Treasury shares (-)	-6,121	-6,121	-6,121
200.	Profit for the period/year (+/-)	227,027	71,340	96,002
TOTAL LIABILITIES AND EQUITY		**75,199,613**	**73,914,645**	**71,569,676**

Income statement

Figures in thousands of euro		1Q 2014	1Q 2013	FY 2013
10.	Interest and similar income	294,479	270,659	1,229,614
20.	Interest and similar expense	(269,541)	(283,170)	(1,110,224)
30.	**Net interest income**	**24,938**	**(12,511)**	**119,390**
40.	Fee and commission income	19,457	17,032	94,789
50.	Fee and commission expense	(19,056)	(20,459)	(89,550)
60.	**Net fee and commission income (expense)**	**401**	**(3,427)**	**5,239**
70.	Dividends and similar income	236,558	165,817	247,205
80.	Net trading income (loss)	26,625	(19,807)	44,949
90.	Net hedging loss	(1,648)	(519)	(4,182)
100.	Income from disposal or repurchase of:	32,144	14,665	189,015
	a) loans and receivables	(705)	-	(2,338)
	b) available-for-sale financial assets	34,126	14,851	188,192
	d) financial liabilities	(1,277)	(186)	3,161
110.	Net income on financial assets and liabilities designated at fair value	599	1,956	3,163
120.	**Gross income**	**319,617**	**146,174**	**604,779**
130.	Net impairment losses on:	(24,760)	(25,764)	(228,482)
	a) loans and receivables	(25,646)	(24,541)	(188,115)
	b) available-for-sale financial assets	454	(518)	(21,768)
	d) other financial transactions	432	(705)	(18,599)
140.	**Net financial income (loss)**	**294,857**	**120,410**	**376,297**
150.	Administrative expenses	(78,299)	(72,265)	(326,588)
	a) staff costs	(37,761)	(32,050)	(153,453)
	b) other administrative expenses	(40,538)	(40,215)	(173,135)
160.	Net provisions for risks and charges	(1,002)	618	(1,354)
170.	Depreciation and net impairment losses on property, plant and equipment	(5,500)	(5,530)	(22,850)
180.	Amortisation and net impairment losses on intangible assets	-	-	-
190.	Other net operating income/expense	29,476	29,502	116,334
200.	**Operating expenses**	**(55,325)**	**(47,675)**	**(234,458)**
210.	Losses of equity investments	(904)	(927)	(316,397)
240.	Profits (losses) on disposal of investments	(10)	3	7
250.	**Pre-tax profit from continuing operations**	**238,618**	**71,811**	**(174,551)**
260.	Taxes on income for the period/year from continuing operations	(11,591)	24,191	245,891
270.	**Post-tax profit from continuing operations**	**227,027**	**96,002**	**71,340**
280.	Post-tax profit (loss) from discontinued operations	-	-	-
290.	**Profit for the period/year**	**227,027**	**96,002**	**71,340**

Statement of comprehensive income

Figures in thousands of euro		1Q 2014	1Q 2013	FY 2013
10.	**PROFIT FOR THE PERIOD/YEAR**	**227,027**	**96,002**	**71,340**
	Other comprehensive income, net of taxes, without transfer to the income statement			
40.	Defined benefit plans	-725	-72	-565
	Other comprehensive income, net of taxes, with transfer to the income statement			
100.	Available-for-sale financial assets	269,094	-44,247	388,089
130.	**Total other comprehensive income (loss) net of taxes**	**268,369**	**-44,319**	**387,524**
140.	**COMPREHENSIVE INCOME (item 10 + 130)**	**495,396**	**51,683**	**458,864**

Statement of changes in equity for the period ended 31st March 2014

Figures in thousands of euro	Balances as at 31.12.2013	Restatement of opening balances	Balances as at 1.1.2014	Allocation of prior year profit		Changes January - March 2014								Equity as at 31.3.2014
							Equity transactions							
				Reserves	Dividends and other uses	Changes in reserves	New share issues	Repurchase of treasury shares	Extraordinary distribution of dividends	Change in equity instruments	Derivatives on treasury shares	Stock options	Comprehensive income	
Share capital:	**2,254,371**	**-**	**2,254,371**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**2,254,371**
a) ordinary shares	2,254,371	-	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**	**71,340**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**2,409,264**
a) retained earnings	1,661,654	-	1,661,654	71,340	-	-	-	-	-	-	-	-	-	1,732,994
b) other	676,270	-	676,270	-	-	-	-	-	-	-	-	-	-	676,270
Valuation reserves	**-142,564**	**-**	**-142,564**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**268,369**	**125,805**
Equity instruments	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Treasury shares	**-6,121**	**-**	**-6,121**	**-**	**-**	**-**	**-**		**-**	**-**	**-**	**-**	**-**	**-6,121**
Profit for the period	**71,340**	**-**	**71,340**	**-71,340**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**227,027**	**227,027**
Equity	**9,231,816**	**-**	**9,231,816**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**495,396**	**9,727,212**

UBI Banca

Statement of changes in equity for the period ended 31st March 2013

Figures in thousands of euro	Balances as at 31.12.2012	Restate-ment of opening balances	Balances as at 1.1.2013	Allocation of prior year profit		Changes January - March 2013								Equity as at 31.3.2013
							Equity transactions							
				Reserves	Dividends and other uses	Changes in reserves	New share issues	Repurchase of treasury shares	Extraordinary distribution of dividends	Change in equity instruments	Derivatives on treasury shares	Stock options	Comprehensive income	
Share capital:	**2,254,368**	**-**	**2,254,368**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**2,254,368**
a) ordinary shares	2,254,368	-	2,254,368	-	-	-	-	-	-	-	-	-	-	2,254,368
b) other shares	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Share premiums	**4,716,861**	-	**4,716,861**	-	-	-	1	-	-	-	-	-	-	**4,716,862**
Reserves	**1,919,945**	**-**	**1,919,945**	**223,496**	**-**	**-14**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**2,143,427**
a) retained earnings	1,483,812	-	1,483,812	223,496	-	-	-	-	-	-	-	-	-	1,707,308
b) other	436,133	-	436,133	-	-	-14	-	-	-	-	-	-	-	436,119
Valuation reserves	**-502,574**	**-**	**-502,574**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-44,319**	**-546,893**
Equity instruments	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Treasury shares	**-4,375**	**-**	**-4,375**	**-**	**-**	**-**	**-**	**-1,746**	**-**	**-**	**-**	**-**	**-**	**-6,121**
Profit for the period	**223,496**	**-**	**223,496**	**-223,496**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**96,002**	**96,002**
Equity	**8,607,721**	**-**	**8,607,721**	**-**	**-**	**-14**	**1**	**-1,746**	**-**	**-**	**-**	**-**	**51,683**	**8,657,645**

Cash flow statement (indirect method)

Figures in thousands of euro	1Q 2014	1Q 2013
A. OPERATING ACTIVITIES		
1. Ordinary activities	**-1,427**	**-68,824**
- profit for the period (+/-)	227,027	96,002
- gains/losses on financial assets held for trading and on financial assets/liabilities at fair value (+/-)	-17,262	-22,536
- gains/losses on hedging activities (-/+)	1,648	519
- net impairment losses on loans (+/-)	24,760	25,763
- depreciation, amortisation and net impairment losses on property, plant and equipment and intangible assets (+	5,500	5,530
- net provisions for risks and charges and other expense/income (+/-)	1,002	618
- outstanding taxes and duties	11,591	-24,191
- other adjustments (+/-)	-255,693	-150,529
2. Net cash flows from/used by financial assets	**-701,554**	**1,984,311**
- financial assets held for trading	-818,607	-55,512
- financial assets designated at fair value	15,042	-255
- available-for-sale financial assets	-1,562	-381,111
- loans and advances to banks	-972,956	546,391
- loans and advances to customers	1,171,327	1,019,789
- other assets	-94,798	855,009
3. Net cash flows from/used by financial liabilities	**545,043**	**-1,833,306**
- due to banks	806,511	498,330
- due to customers	-4,563,711	-440,052
- debt securities issued	4,137,546	-123,546
- financial liabilities held for trading	2,278	-839,440
- other liabilities	162,419	-928,598
Net cash flows from/used in operating activities	**-157,938**	**82,181**
B. INVESTING ACTIVITIES		
1. Cash flows from	**235,796**	**165,366**
- disposals of equity investments	-	-
- dividends received on equity investments	235,771	165,363
- disposals of held-to-maturity investments	-	-
- disposals of property, plant and equipment	25	3
- disposals of intangible assets	-	-
2. Cash flows used in	**-99,793**	**-324,584**
- purchases of equity investments	-99,767	-324,468
- purchases of held-to-maturity investments	-	-
- purchases of property, plant and equipment	-26	-116
- purchases of intangible assets	-	-
- purchases of lines of business	-	-
Net cash flows from/used in investing activities	**136,003**	**-159,218**
C. FINANCING ACTIVITIES		
- issues/purchases of treasury shares	-	-1,745
- distribution of dividends and other uses	-	-
Net cash flows from/used in financing activities	**-**	**-1,745**
NET CASH GENERATED/USED DURING THE PERIOD	**-21,935**	**-78,782**

Reconciliation

Figures in thousands of euro	31.3.2014	31.3.2013
Cash and cash equivalents at beginning of period	151,927	203,442
Business combination transactions	-	-
Total liquidity generated/used	-21,935	-78,782
Cash and cash equivalents at the end of the period/year	**129,992**	**124,660**

Calendar of corporate events of UBI Banca for 2014

Date	Event
19th May, 21st May and 22nd May 2014	Ex-dividend date, record date and payment date respectively of the dividend if approved by the Shareholders' Meeting.
8th August 2014	Approval of the interim financial report as at and for the period ended 30th June 2014 by the Management Board.
11th November 2014	Approval of the interim financial report as at and for the period ended 30th September 2014 by the Management Board.

The dates of the presentations of accounting data to the financial community, which will indicatively take place on a quarterly basis, will be communicated during the course of the financial year.

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