Interim Financial Report

as at and for the period ended 30th September 2014

Translation from the Italian original which remains the definitive version

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 30th September 2014: €2,254,371,430 fully paid up

www.ubibanca.it

Contents

Key

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

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

UBI Banca: company officers

Honorary Chairman	Giuseppe Vigorelli

Supervisory Board (appointed by a Shareholders' Meeting on 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

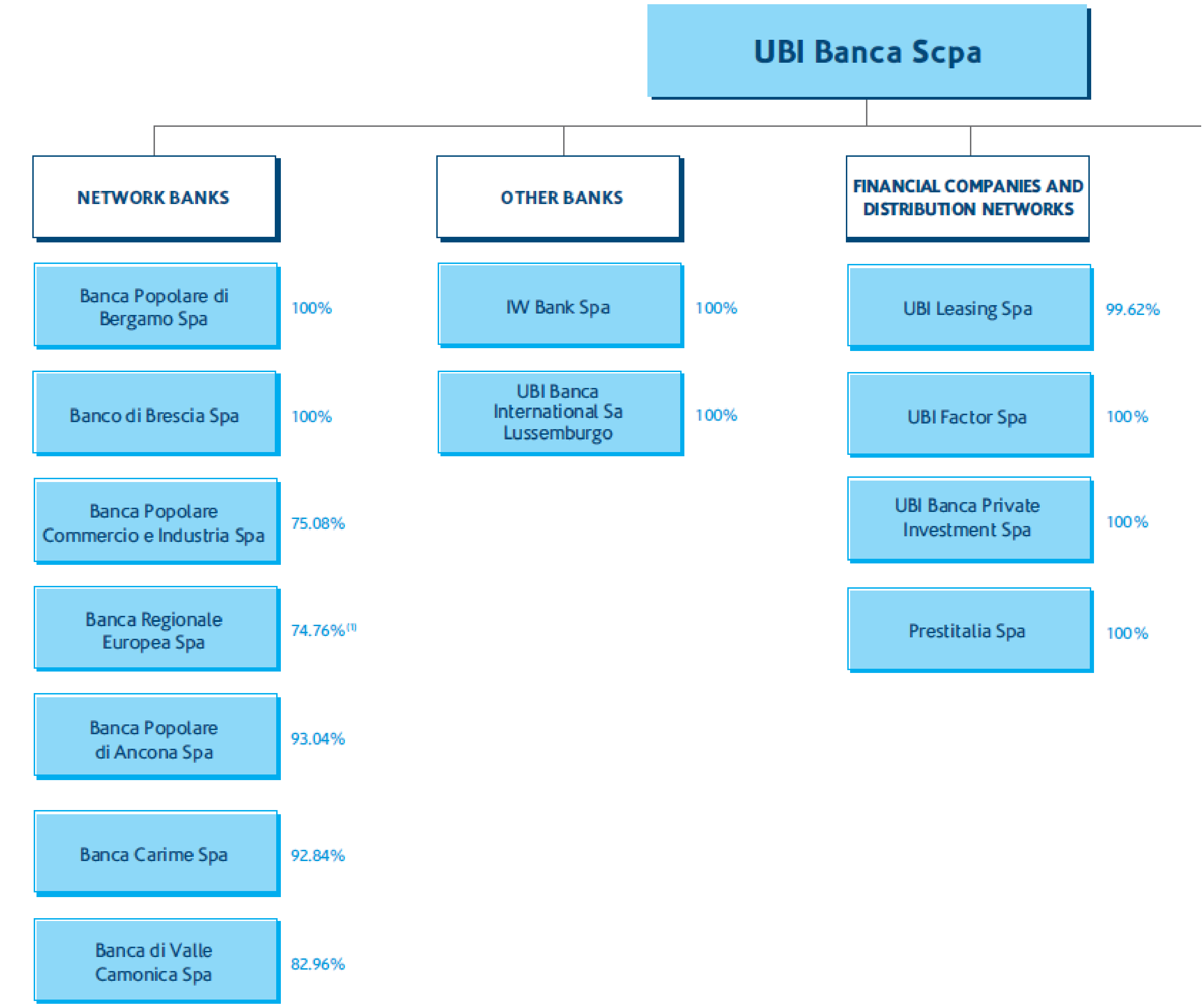
General Management

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

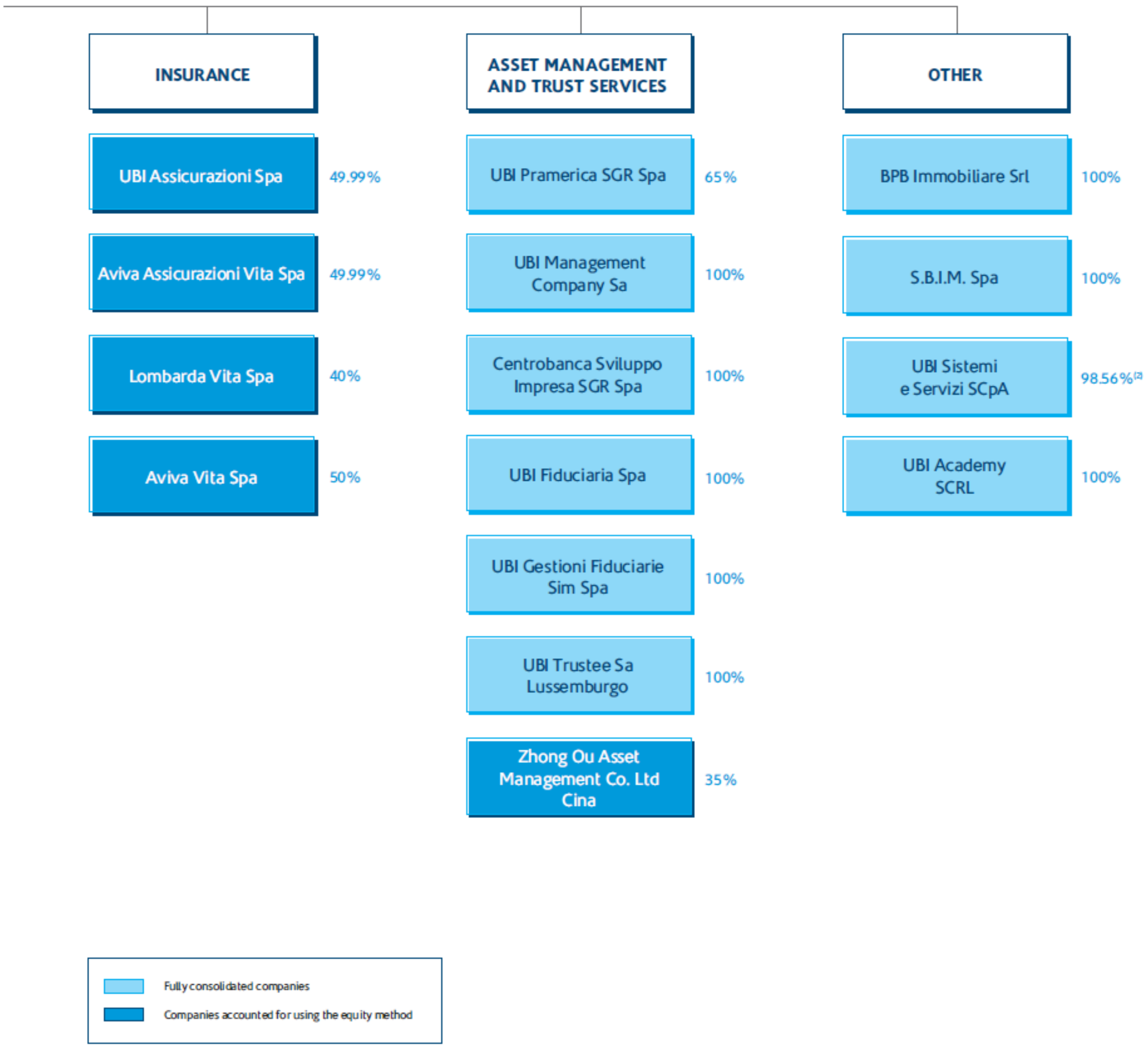
(*) Secretary to the Supervisory Board

UBI Banca Group: the main investments as at 30th September 2014

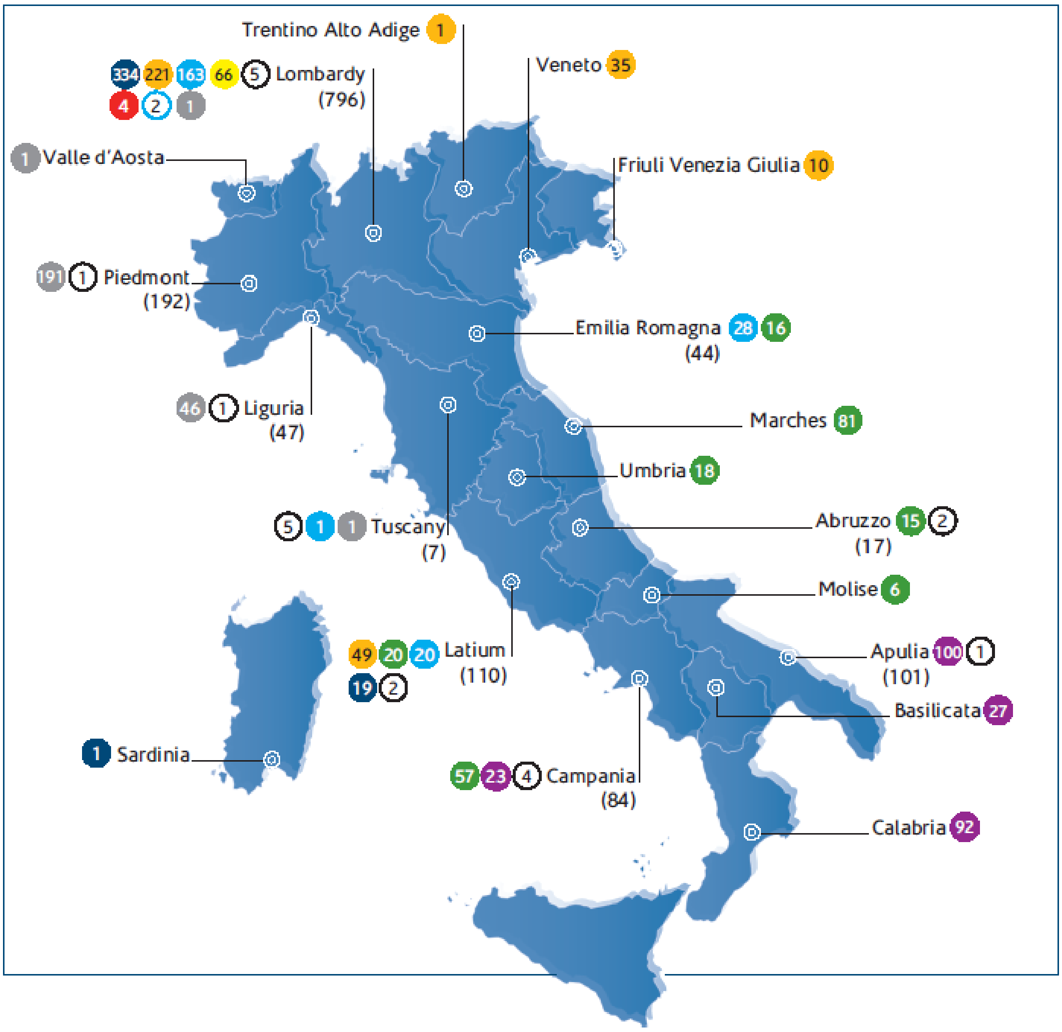


(1) The percentage given represents the control over the total share capital held.
(2) The remaining 1.44% is held by UBI Assicurazioni Spa.

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%(2)
UBI Academy SCRL 100%
Fully consolidated companies
Companies accounted for using the equity method

UBI Banca Group: branch network as at 30th September 2014



Gruppo UBI Banca

Branches in Italy	1,670
UBI Banca Scpa	4
Banca Popolare di Bergamo Spa	354
Banco di Brescia Spa	316
Banca Popolare Commercio e Industria Spa	212
Banca Regionale Europea Spa	240
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.

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

	30.9.2014	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	70.5%	71.2%	70.1%	76.8%	78.0%	80.1%	79.0%
Direct funding from customers/total liabilities	72.9%	74.5%	74.6%	79.2%	81.8%	79.5%	80.0%
Net loans and advances to customers/direct funding from customers	96.7%	95.5%	94.0%	97.0%	95.4%	100.8%	98.7%
Equity *(including profit/loss for the period)* /total liabilities	9.0%	8.3%	7.4%	6.9%	8.4%	9.3%	9.1%
Assets under management/indirect funding from private individual customers	55.5%	55.2%	54.3%	51.2%	54.6%	53.2%	53.1%
Financial leverage ratio *(total assets - intangible assets) /(equity inclusive of profit (loss) for the period + equity attributable to non-controlling interests - intangible assets)*	13.4	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*	1.8%	2.4%	0.8%	3.9%	1.6%	2.4%	0.6%
ROTE annualised *[profit for the period/tangible equity (equity inclusive of profit/loss, net of intangible assets)]*	2.5%	3.4%	1.2%	5.9%	3.1%	4.6%	1.2%
ROA *(profit/total assets)* annualised	0.17%	0.20%	0.06%	0.27%	0.13%	0.22%	0.06%
The 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)*	0.98%	1.07%	0.91%	0.61%	0.69%	0.88%	0.59%
Net interest income/operating income	53.8%	50.9%	52.8%	61.7%	61.3%	61.5%	68.7%
Net fee and commission income/operating income	35.5%	34.5%	33.5%	34.7%	33.9%	31.1%	33.3%
Net result on financial activities/operating income	5.9%	9.4%	7.3%	0.2%	1.0%	3.2%	-5.9%
RISK INDICATORS							
Net non-performing loans/net loans to customers	4.60%	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)*	40.53%	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	54.99%	56.05%	57.63%	59.06%	63.62%	66.10%	
Net non-performing + net impaired loans/net loans to customers	9.50%	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)*	30.03%	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)*	13.00%	13.23%	10.79%	9.09%	7.47%	7.96%	7.73%
Common Equity Tier 1 ratio *(Common Equity Tier 1 capital after filters and deductions/risk weighted assets)*	13.00%	12.60%	10.29%	8.56%	6.95%	7.43%	7.09%
Total capital ratio *(total own funds/risk weighted assets)*	18.09%	18.91%	16.01%	13.50%	11.17%	11.91%	11.08%
Total own funds (figures in thousands of euro)	10,724,590	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	7,709,172	8,075,247	8,263,720	8,276,278	7,047,888	6,816,876	6,944,723
Risk weighted assets	59,291,538	61,045,600	76,589,350	91,010,213	94,360,909	85,677,000	89,891,825
INCOME STATEMENT, BALANCE SHEET FIGURES (in thousands of euro), STRUCTURAL DATA (numbers)							
Profit (loss) for the year/period attributable to the shareholders of the Parent	149,832	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	175,465	100,220	97,324	111,562	105,116	173,380	425,327
Operating income	2,557,592	3,437,292	3,526,311	3,438,339	3,496,061	3,906,247	4,089,739
Operating expenses	(1,562,622)	(2,141,798)	(2,266,660)	(2,389,626)	(2,468,564)	(2,514,347)	(2,611,348)
Net loans and advances to customers	84,946,817	88,421,467	92,887,969	99,689,770	101,814,829	98,007,252	96,368,452
of which: net non-performing loans	*3,910,879*	*3,437,125*	*2,951,939*	*2,481,417*	*1,939,916*	*1,332,576*	*848,671*
net impaired loans	*4,162,191*	*4,313,981*	*3,602,542*	*2,533,780*	*2,032,914*	*1,845,073*	*1,160,191*
Direct funding from customers	87,853,705	92,603,936	98,817,560	102,808,654	106,760,045	97,214,405	97,591,237
Indirect funding from customers	76,148,088	71,651,786	70,164,384	72,067,569	78,078,869	78,791,834	74,288,053
of which: assets under management	*42,262,033*	*39,553,848*	*38,106,037*	*36,892,042*	*42,629,553*	*41,924,931*	*39,430,745*
Total funding from customers	164,001,793	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)*	10,800,740	10,339,392	9,737,882	8,939,023	10,979,019	11,411,248	11,140,207
Intangible assets	2,883,252	2,918,509	2,964,882	2,987,669	5,475,385	5,523,401	5,531,633
Total assets	120,539,052	124,241,837	132,433,702	129,803,692	130,558,569	122,313,223	121,955,685
Branches in Italy	1,670	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)*	18,188	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)*	17,514	17,625	18,490	18,828	19,384	20,185	20,606
Financial advisors	694	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 30th September 2014 were calculated according to the Basel 3 rules which came into force on 1st January 2014 (EU Regulation 575/2013).
The figures as at 31st December 2013 and as at 31st December 2012 were calculated according to AIRB Basel 2 rules and relate to the following ratios respectively: the tier one ratio (tier one capital/risk weighted assets); 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 15th July 2014, **Moody's** reviewed its 12-18 month outlook for the Italian banking sector and confirmed its negative outlook, in view of both the persistent negative impacts that the country's fragile economy is having on the quality of assets and profitability and also the implications of the new rules which will regulate the resolution of banking crises in Europe, limiting the possibilities of support from national governments.
Furthermore, the negative outlook for the sector is consistent with the outlooks assigned to the individual ratings of most Italian banks.

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

(I) The ability to repay long-term debt (maturing in or after one year) in local currency. By using the JDA method (Joint Default Analysis), this rating associates the financial strength rating (BFSR – Bank Financial Strength Rating) with the probability of intervention if needed by external support (shareholders, the group to which it belongs or official institutions).
(Aaa: best rating – C: default)

(II) The ability to repay debt in local currency maturing in the short-term (due in less than one year).
(Prime -1: highest quality – Not prime: speculative grade)

(III) This rating does not relate to the ability to repay debt, but considers the bank's intrinsic financial strength (by analysing factors such as its geographical market presence, the diversification of its activities, the financial basics, its exposure to risk) in the absence of external support.
(A: best rating – E: worst rating)

(IV) The Baseline Credit Assessment represents the equivalent of the Bank Financial Strength Rating on the traditional scale of the long-term rating.

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

(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.

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

(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	30.9.2014 A	30.6.2014 B	% change A/B	31.3.2014 C	30.12.2013 D	% change A/D	30.9.2013 E	% change A/E	2.4.2007 F	% change A/F
Unione di Banche Italiane shares										
- official price	6.568	6.332	3.7%	6.774	4.924	33.4%	3.748	75.2%	21.486	-69.4%
- reference price	6.660	6.320	5.4%	6.840	4.936	34.9%	3.738	78.2%	21.427	-68.9%
FTSE Italia All-Share index	22,030	22,585	-2.5%	23,143	20,204	9.0%	18,480	19.2%	42,731	-48.4%
FTSE Italia Banks index	15,027	15,058	-0.2%	16,611	12,553	19.7%	10,747	39.8%	54,495	-72.4%

Source: Datastream

The upward trend that emerged in the first half of the year came to a partial halt in the third quarter of 2014. The monetary policies adopted constituted an important driver for financial markets, fuelled by abundant liquidity supplied by the ECB, but world geopolitical tensions and, in Italy, the extremely fragile economic scenario caused volatility on stock markets.

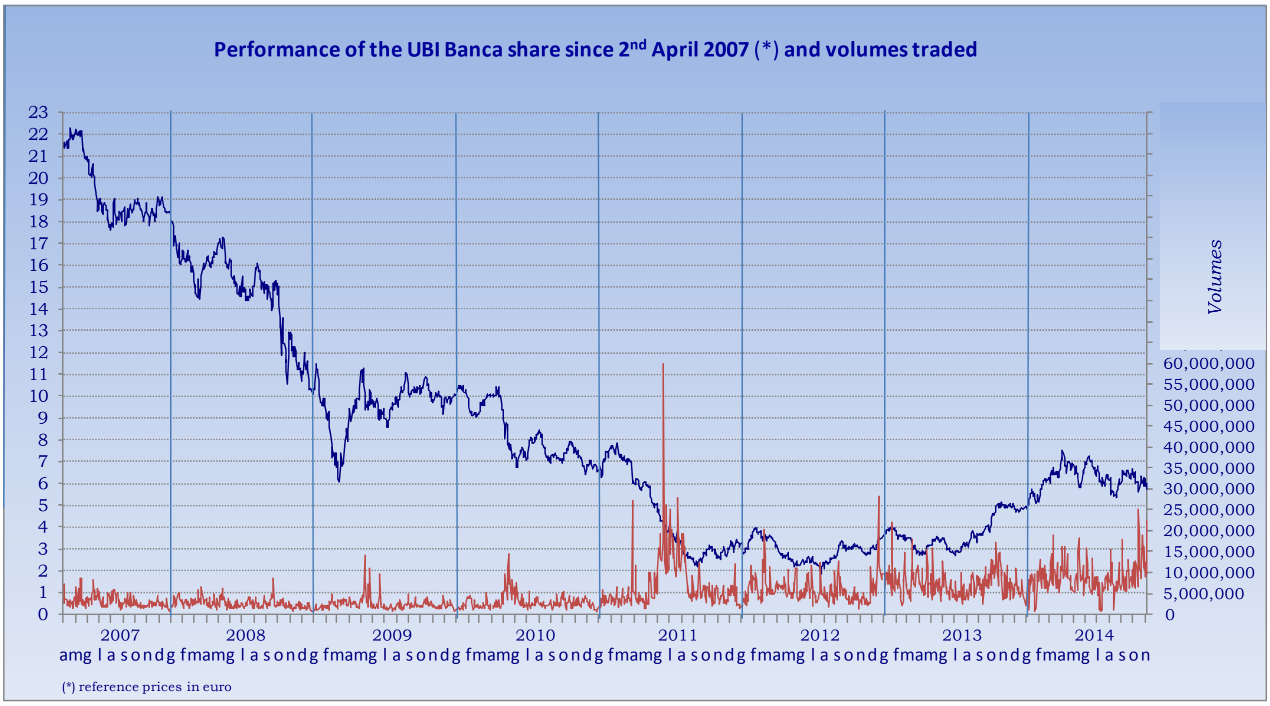
The table shows a slight fall in the principal indices in the third quarter although the results over nine months were positive with the FTSE Italia All-Share up by 9% and the FTSE Italia Banks up by 19.7%.
In this context the UBI Banca share recorded better performance in the January-September period (the official price increased by 33.4%) than the market benchmarks and, moreover, even recorded increases in quotations in the third quarter.
After the end of the third quarter, the Italian banking sector experienced strong volatility dictated at first by uncertainties over the results of the comprehensive assessment carried out by the ECB and then, following the publication of the results, by expectations of market operations designed to repair the balance sheet deficits that had been found.
While it fluctuated on a daily basis, the UBI Banca share remained around the six euro mark during October and then fell in the first days of November following the turbulence triggered by new fears of a slowdown for European economies.

In the first nine months of the year, approximately 1.6 billion UBI Banca shares were traded on the electronic stock exchange for a value of €10.3 billion. In the same period of 2013, €1.3 billion shares were traded for a value of €4.6 billion.

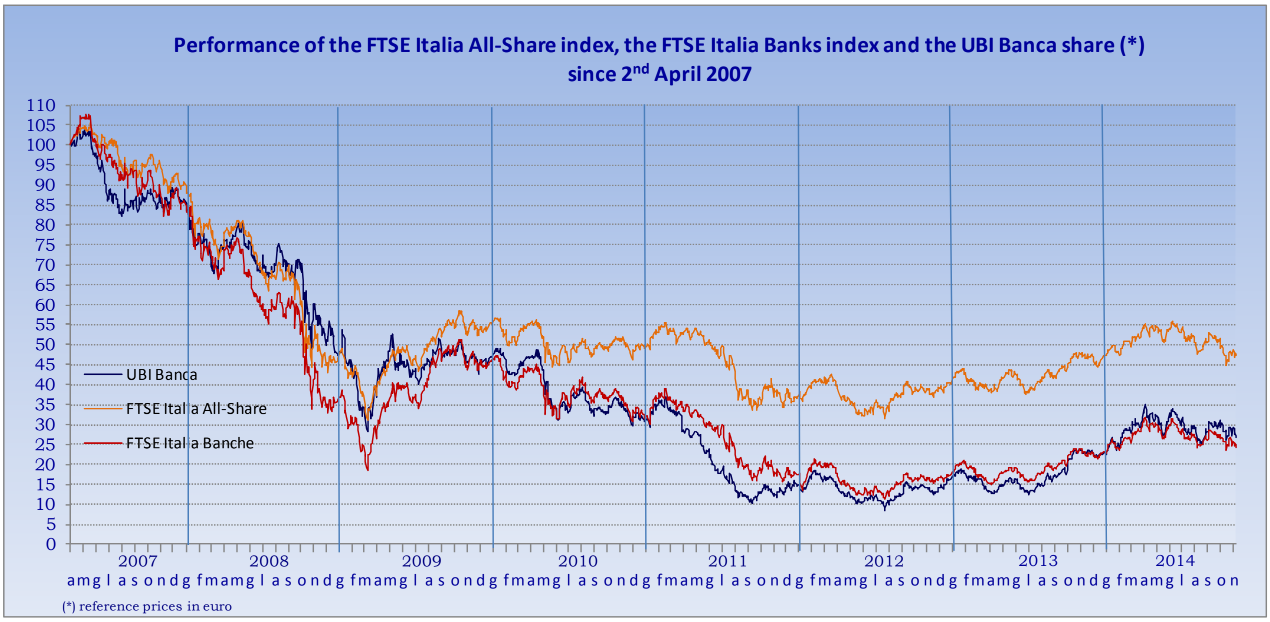
As a result of the trends described above, at the end of September the stock market capitalisation (calculated on the official price had risen to €5.9 billion from €5.7 billion at the end of June (€4.4 billion at the end of 2013), which confirmed UBI Banca's ranking in third place among listed Italian 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, which considers the EU15 countries plus Switzerland[1].

1 EBR International Flash, October 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

	January - September 2014	FY 2013
Number of shares outstanding at the end of period/year	901,748,572	901,748,572
Average price of the UBI share *(average of the official prices quoted daily by Borsa Italiana Spa)* - in euro	6.252	3.734
Minimum price (recorded during trading) - in euro	4.824	2.636
Maximum price (recorded during trading) - in euro	7.545	5.220
Dividend per share - in euro	0.06	0.06
Dividend yield *(dividend per share/average price)*	0.96%	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	11.81	11.19
Book value calculated by deducting goodwill attributable to the shareholders of the Parent from consolidated equity - in euro	9.13	8.50
Book value calculated by deducting intangible assets attributable to the shareholders of the Parent from consolidated equity - in euro	8.75	8.09
Stock market capitalisation at the end of period (official prices) - in millions of euro	5,923	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)]*	0.56	0.44
Price/book value calculated by deducting goodwill attributable to the shareholders of the Parent from consolidated equity	0.72	0.58
Price / book value calculated by deducting intangible assets attributable to the shareholders of the Parent from consolidated equity	0.75	0.61
EPS - Earning per share *(consolidated profit per share pursuant to IAS 33) - in euro annualised*	0.2235	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 does not include the 1,700,000 treasury shares held in portfolio on that same date.

INTERIM CONSOLIDATED MANAGEMENT REPORT

FOR THE PERIOD ENDED 30TH SEPTEMBER 2014

Gruppo UBI Banca

The macroeconomic scenario

Recent developments are giving rise to a particularly problematic **macroeconomic scenario** for the euro area, affected in part by international tensions with geopolitical causes, but above all by increasingly weak domestic demand with inevitable repercussions on employment, prices and the earning capacities of households and businesses. The main problem to solve in the short-term primarily regards growth in investment in a context of the present and future fragility of foreign demand and household consumption.
In order to solve the problem of spiralling stagnation and low inflation, the Italian presidency of the European Commission proposed focusing the EU's strategy on growth and employment by reviving investment, reforms and the internal market as objectives to be achieved by, amongst other things, temporarily deferring objectives to balance budgets.
In October even the French finance minister announced a failure to comply with deficit reductions by 2015[1], giving priority to a gradual reduction below a ceiling of 3% (and not until 2017), in consideration of the difficult economic context.
Italian and French demands led to a compromise at European level which relaxes structural deficit reduction requirements contained in the Stability Pact in exchange, amongst other things, for the achievement of structural reforms.

In view of these difficulties, in recent months the European Central Bank has given more weight to the expansionary orientation of its monetary policy in order to bring inflation close to 2% and also to encourage lending. In detail:

- *following initial action taken in June, with effect from 10th September the ECB further reduced the rate for principal refinancing operations by 10 basis points, now at 0.05%, and also the rate on bank deposits held with the central bank, down to 0.20%;*
- *at the same time the Governing Council announced the start of the purchase of ABS and covered bonds furnishing greater details on the following 2nd October[2];*
- *again in order to encourage lending to the real economy, on 18th September the ECB placed €82.6 billion with 255 counterparties as part of the first of its targeted longer-term refinancing operations (TLTRO), announced in June and to be carried out by June 2016.*

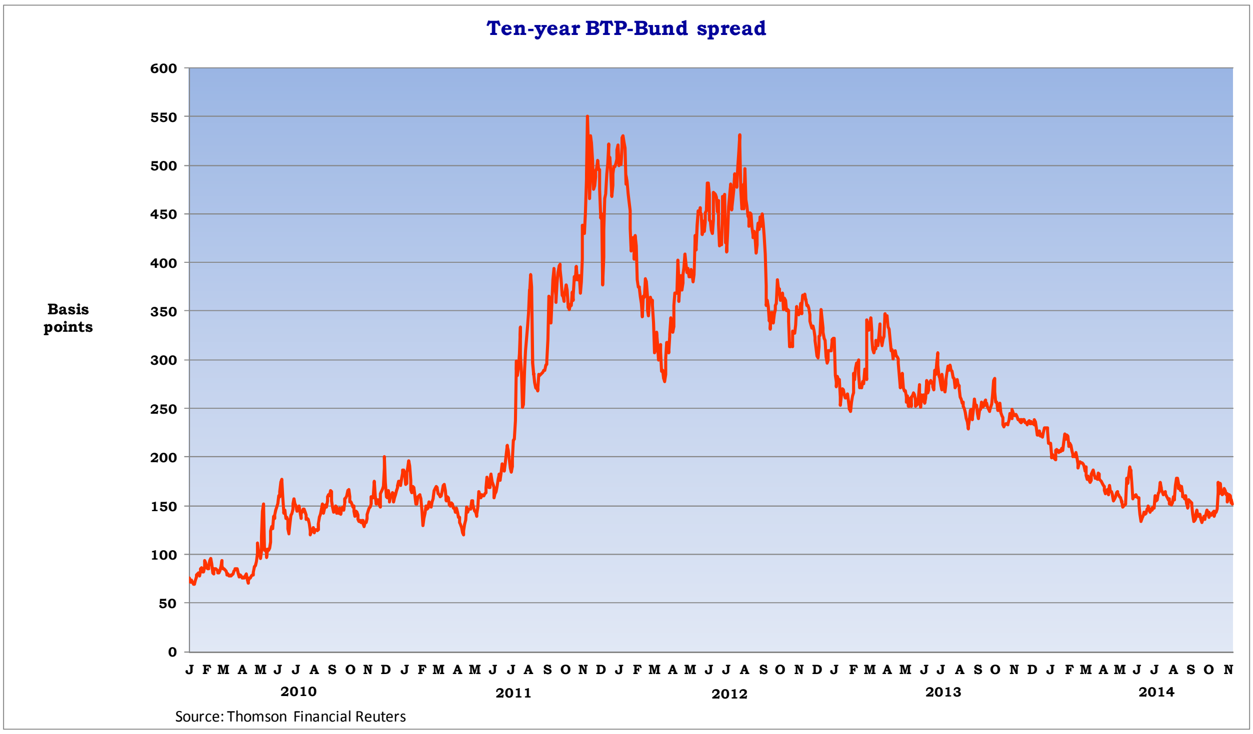
As concerns other major central banks:

- *the Federal Reserve maintained its reference rate within a range of 0%-0.25% in order to help pursue its objectives of maximum unemployment and price stability. In view of the substantial improvement in the outlook for the labour market, in a meeting of 29th October the Federal Reserve decided to bring its "tapering" activity to an end by eliminating the remaining $15 billion of monthly residual purchases ($10 billion of long-term treasury bonds and $5 billion of mortgage backed securities). At the end of October it therefore completed its tapering of unconventional measures begun in January 2014;*
- *the Bank of Japan confirmed its objective for its monetary base, by further accelerating its securities purchase programme in November (from 60-70 thousand billion yen to 80 thousand billion yen per year);*
- *with regard to emerging countries, no changes to monetary policies occurred except for the start in September by the People's Bank of China of a supplementary injection of liquidity amounting to 500 billion yuan into five major public sector banks to counter the slowdown in the Chinese economy. In October that same central bank announced a further expansionary manoeuvre involving 200 billion yuan to benefit 20 large national and regional banking groups.*

Despite the increased volatility in the summer connected with uncertainties over the magnitude of the European recovery and the solidity of a Portuguese bank, the intervention by the ECB helped to contain sovereign debt spreads between Germany and the countries in the

1 In 2013 France had obtained an extension until 2015 to reduce its deficit because the European Commission considered that the country had made an appropriate effort and that the shortcomings found were due to an unexpected fall in revenues.
2 The intervention planned for the fourth quarter began in the second half of October with the purchase of covered bonds. The measures regard the guaranteed senior and mezzanine tranches of conventional ABS with second best ratings of not less than BBB-, while the ECB is already purchasing covered bonds dominated in , eligible for ordinary refinancing operations and settled in the euro area. The plans will have a life of at least two years (until June 2016) and will support specific market segments that play a fundamental role in financing the economy. The purchases should further improve the monetary policy transmission mechanism, helping therefore to loosen its orientation to a greater extent. It is therefore planned to extend the purchases to include the programmes for Greece and Cyprus normally not eligible as collateral for monetary policy operations.

euro area most exposed to the debt crisis. As shown in the chart, at the end of September the spread between ten-year BTPs and the equivalent German Bunds stood at 142 basis points, only a little below the 149 basis points recorded at the end of June (215 basis points at the end of 2013). In October the Italian spread bounced back temporarily up to 200 basis points as a result of renewed tensions on financial markets heightened also by fears of the prospects for Greece.



On the other hand, the spread between BTPs and Spanish ten-year bonos has widened significantly since August due to the more positive macroeconomic results for the Spanish economy, which was one of the few to record an increase in GDP in the second quarter (+0.6% quarter-on-quarter).

The comprehensive assessment of major banks in the euro area was concluded in October in preparation for the start-up of the single supervisory mechanism. It was conducted on the basis of the position as at the end of 2013. The results of the exercise, carried out by the ECB and by national supervisory authorities, were published on 26th October, after which preliminary talks were held between the ECB and the banks assessed[3].

The single supervisory mechanism (SSM) came into operation on 4th November, one of the three pillars on which the banking union under construction is based. This mechanism – which covers banks generally in the euro area and in other countries in the European Union who decide to participate – involves direct supervision by the ECB of major banks (120, of which 13 Italian), while national authorities will continue to play a supervisory role over the others, on the basis of guidelines issued by the ECB.

As concerns **commodities**, oil prices fell sharply over the summer with Brent crude falling below $95 per barrel at the end of the quarter (-15.7% over three months), notwithstanding the geopolitical tensions affecting some producer countries (Russia, Iraq and Libya). The downtrend continued after the end of the quarter due to surplus production in a context of

3 In Italy numerous intermediaries have made huge write-downs of assets in their balance sheets (over €30 billion in 2013 alone and almost €130 billion since 2008), thereby increasing the transparency of their financial statements. Operations were carried out to strengthen capital by almost €40 billion, of which over €10 billion during the course of 2014. As a result of these actions, with just two exceptions, Italian banks were able to successfully overcome the complex impacts of this prudential exercise.

slowing economies in different geographical areas of the planet, driving prices down to the lowest levels for four years.
This trend was partly offset by increases in the prices of non-energy commodities (coffee, cocoa and non-ferrous metals).

The trend for energy prices is affecting **inflation** which, although remaining high in some of the major emerging economies (India, Russia and Brazil), seems to be progressively falling to particularly low levels in the euro area, with some countries deflating substantially.

On **foreign exchange** markets, the third quarter saw a substantial depreciation of the euro and yen against the dollar (by around 8% in both cases), partly a reflection of the different attitudes taken by central banks in view of opposing expectations for the performance of their respective economies. The dollar-euro exchange rate weakened further after the end of the quarter.

* * *

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

	Sep-14 A	Jun-14 B	Mar-14 C	Dec-13 D	%change A/D	Sep-13 E
Euro/Dollar	1.2631	1.3691	1.3770	1.3752	-8.2%	1.3524
Euro/Yen	138.49	138.69	142.09	144.71	-4.3%	132.82
Euro/Yuan	7.7529	8.4933	8.5600	8.3250	-6.9%	8.2767
Euro/Franc CH	1.2063	1.2141	1.2180	1.2263	-1.6%	1.2237
Euro/Sterling	0.7790	0.8003	0.8263	0.8299	-6.1%	0.8355
Dollar/Yen	109.64	101.30	103.19	105.23	4.2%	98.21
Dollar/Yuan	6.1380	6.2036	6.2164	6.0537	1.4%	6.1200
Futures - Brent *(in $)*	94.67	112.36	107.76	110.80	-14.6%	108.37
CRB Index *(commodities)*	278.55	308.22	304.67	280.17	-0.6%	285.54

Source: Thomson Financial Reuters

The expansion of the **world economy** was modest over the first nine months of 2014 and uneven over different geographical areas, occurring mainly in emerging countries, and Asian countries in particular, while the contribution from Japan and the United States was affected by short-term variables. The greatest difficulties, however, were experienced by the euro area, penalised, amongst other things, by a progressive slowdown in the more dynamic economies such as that of Germany[4].

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)	Sep-14(3)	2014(1) (2)	2013(2)	Sep-14(3)	2014(1) (2)	2013	2014(1)	2015(1)	Dec-13	Nov-14
United States	2.2	2.2	2.9	1.5	1.7	1.8	7.4	5.9	6.2	6.4	4.8	3.8	0-0,25	0-0,25
Japan	1.5	0.9	1.4	0.9	3.2	2.8	3.9	3.6	3.3	10.3	9.5	7.8	0-0,10	0-0,10
Euro Area	-0.4	0.6	0.8	1.3	0.3	0.6	11.9	11.5	11.6	2.9	2.7	2.5	0.25	0.05
Italy	-1.9	-0.4	0.5	1.3	-0.1	0.3	12.2	12.6	12.6	2.8	3.0	2.6	-	-
Germany	0.4	1.2	0.9	1.6	0.8	0.9	5.3	5.0	5.0	-0.1	-0.2	0.1	-	-
France	0.2	0.2	0.7	1.0	0.4	0.8	10.3	10.5	10.3	4.1	4.5	4.3	-	-
Portugal	-1.4	0.7	0.8	0.4	0.0	-0.3	16.4	13.6	14.3	4.9	4.1	3.5	-	-
Ireland	-0.3	4.4	1.4	0.5	0.5	0.5	13.1	11.2	11.6	5.7	5.1	4.0	-	-
Greece	-3.9	-1.4	0.5	-0.9	-1.1	-0.7	27.5	26.4	27.1	12.2	2.6	0.8	-	-
Spain	-1.2	1.3	1.5	1.5	-0.3	-0.1	26.1	24.0	24.7	6.8	6.0	5.3	-	-
United Kingdom	1.7	3.0	2.2	2.6	1.2	1.7	7.6	6.0	6.2	5.8	4.7	4.6	0.50	0.50

(1) Forecasts
(2) Average annual rate
(3) The latest available formation has been used, where data has not been published as at 30th September 2014

Source: Prometeia and official statistics

The first estimates for the third quarter confirmed the good performance of the **United States economy** with annualised growth in GDP of 3.5% (-2.1% and +4.6% in the first and second quarters respectively), due to a return of support from net foreign demand, mainly as a result of a fall in exports, and to strong consumption. The contribution made from fixed investments on the other hand halved, while that from inventories fell back into negative territory.
The unemployment rate decreased further in September to 5.9% (6.7% at the end of 2013), falling below 6% for the first time since 2008.

4 According to the most recent estimates of the International Monetary Fund (October 2014), world GDP will grow by 3.3% in 2014 (+3.3% also in 2013), again driven by emerging countries (+4.4%; +4.7% in 2013), while the contribution from advanced economies will remain small, although recovering (+1.8%; +1.4% in 2013).

Inflation stood at 1.7% both in August and September, down compared to the four previous months, but above the low of 1.1% reached in February (1.5% at the end of the year). Core inflation (net of foodstuffs and energy products) remained at 1.7%, at the same levels as at the end of 2013 after peaking to 2% in May.
The balance of trade deficit increased between January and August to $335.2 billion (+4.2% compared with the same period in 2013), affected by an increase in the deficit with euro area countries, other European countries, China and India, despite a decrease in the deficit with OPEC countries and Japan and a surplus with the African continent.

In the third quarter **China's** GDP increased by 7.3% year-on-year after rises of 7.4% and 7.5% in the first and second quarters respectively. All the main indicators of domestic demand continued to record significant growth over the nine-month period, although slightly down on the same period of 2013: fixed investment +16.1%; real estate investment +12.5%; retail consumer sales +12%; industrial output +8.5% (manufacturing +9.6%).
With regard to the balance of trade, year-on-year trends for exports (+3.6%) and imports (-0.1%) in the first nine months resulted in a surplus of $14.2 billion, which helped support currency reserves which stood at $3.9 thousand billion at the end of September, over one third of which are stably invested in United States government securities.
After fluctuating between a low of 1.8% and a high of 2.5% since the beginning of the year, inflation fell in September to 1.6%, benefiting, amongst other things, from a slowdown in the foodstuffs component.

Actual and forecast data: the principal emerging countries

Percentages	Gross domestic product			Consumer prices		Reference interest rates	
	2013	2014(1)	2015(1)	2013(2)	Sep-14(3)	Dec-13	Nov-14
China	7.7	**7.2**	7.1	2.6	**1.6**	6.00	**6.00**
India	4.7	**5.8**	5.8	10.1	**6.5**	7.75	**8.00**
Brazil	2.5	**0.3**	1.4	6.2	**6.8**	10.00	**11.00**
Russia	1.3	**0.2**	0.5	6.8	**8.3**	8.25	**8.25**

(1) Forecasts
(2) Average annual rate
(3) The latest available formation has been used, where data has not been published as at 30th September 2014

Source: Prometeia, IMF and official statistics

In line with expectations, the **Japanese economy** slowed sharply in the second quarter as GDP fell by 1.8% quarter-on-quarter (+1.5% in the previous quarter), as a result of a significant contraction in domestic demand, especially for consumption which was penalised by an increase in indirect taxation at the beginning of April. Net foreign demand, however, made a positive contribution, but was attributable almost entirely to a fall in imports.
The first data for the summer months seems to confirm a substantial weakness, in line with the general fall in the level of confidence by small and medium-sized manufacturing companies and the whole of the non-manufacturing sector. In August in particular, industrial output fell by 3.3% year-on-year (-0.7% in July).
Apart from a temporary rise in July, the unemployment rate seems to have more or less stabilised at around 3.6% in September (3.7% at the end of 2013), while in that same month inflation stood at 3.2%, falling progressively compared with the high reached in May (3.7%), but still significantly up compared with December (1.6%), as a consequence of the increase in VAT already mentioned.

The **euro area** economy came to a halt between April and June as GDP remained unchanged compared to the previous period (+0.2% in the first quarter) as a result of a decrease in inventories and investments which offset the modest contribution from consumption and net exports, the latter assisted by a weakening of the European currency.
The first data for the third quarter seem to give even more cause for concern because the slowdown seems to be progressively spreading to one of the driving economies, that of Germany.
The €-coin indicator calculated by the Bank of Italy – which provides an estimate of trends for European GDP – continued to fall compared with the lows reached in April, to touch its lowest level over the last twelve months in September, affected by the weakness of the business cycle, a slowdown in foreign trade and a progressive reduction in household and business confidence.
The industrial production index for August fell by 1.8% month-on-month (+0.9% in July), driven by an appreciable fall for Germany (-4.3% after +1.7% in July). The year-on-year figure also returned to negative territory after seven consecutive rises (-1.9%; -2.8% for Germany).

The unemployment rate for September remained stable at 11.5% for the fourth consecutive month (11.8% in December), still incorporating critical situations in Greece (26.4% in July), Spain (24%) and Portugal (13.6%).
Again in September, inflation reached a new low at 0.3%, the lowest level since November 2009 (0.8% in December), with risks of deflation in various countries in the euro area. The core index, net of food and energy products, has been stable for some months at 0.8% (0.9% in December).

Italy has been experiencing one of the worst performances in the euro area, with GDP[5] down in the second quarter by 0.2% over the previous quarter (and unchanged in the first quarter), due to falls in fixed investments and inventories, which were only partly offset by a modest contribution from consumption and net foreign demand.
No signs of improvement are to be seen from initial data for the third quarter.
Industrial output adjusted for seasonal effects in August was negative year-on-year for the third time in the last four months. The overall result of -0.7% is the aggregate result of differing performances by the various sectors. The largest falls in output were seen for the sectors "fabrication of electrical appliances and non-electrical domestic appliances" (-13.6%), "mineral extraction activities" (-6%) and "fabrication of coke and oil products" (-5.7%), while the most significant increases were seen in the "pharmaceutical" sector (+14.9%), the "fabrication of means of transport" sector (+9.6%) and the "electronics" sector (+9.5%).
No comforting signs for the unemployment rate came from the labour market, which stood again at 12.6% in September after 12.5% in August and 12.4% in June (12.5% in December 2013), while the level for the 15-24 age group was again critical (42.9%; 41.7% in December)[6].
Moreover, the overall figure continues to be cushioned by the presence of state income benefits, which between January and August saw a reduction in year-on-year state lay-off and redundancy benefits: 714.6 million hours authorised compared to 781 million hours a year before (-8.5%), the aggregate result of a fall in the ordinary components (-30%) and in exceptional benefits (-36.6%) and an increase in extraordinary benefits (+25%).
With regard to prices, Italy has been deflating since August with the harmonised consumer price index down by 0.1% in September after -0.2% in the preceding month (0.7% in December).
The balance of trade for the first eight months of the year was in surplus by €26.3 billion (+€18.8 billion in the same period of 2013), due to a large surplus on trade in non-energy products, approximately two thirds of which is stably attributable to plant and equipment, which more than offset the energy deficit (-€29.5 billion). The surplus, however, continues to reflect basically weak trade, with exports up over eight months year-on-year by 0.9% and imports down by 2.2%.

With regard to public finances, on 28th October the government approved a report modifying a note which updated the "2014 Economy and Finance Document". This implemented agreements reached at European level after the European Commission sent a letter containing a request for guarantees from Italy concerning the rules of the Stability and Growth Pact. This document added to and corrected the contents of the end of September update note, confirming the postponement of the 2017 deadline for balancing the budget in structural terms, but increasing the improvement in net structural debt envisaged for 2015 from the initial 0.1% to 0.3%[7]. According to the new forecasts, the deficit-to-GDP ratio should therefore stand at 3% in 2014 and 2.6% in 2015 (2.8% in 2013) and then fall more rapidly in the years that follow, while the debt-to-GDP ratio should rise further to 131.6% in 2014 and 133.4% in 2015 (127.9% in 2013), before taking a slow downloads path.

5 Since September 2014, national statistics institutes have been publishing data on the new system of national and regional accounts (ESA 2010). The new system increases the comparability of the national accounting data of the various countries in terms of principles and calculation methods. It explicitly states regulations, definitions, classifications and accounting rules in order to produce measurements that are as faithful as possible to the real economic situations of EU member states. Some of the main new changes are the inclusion in GDP of R&D expenditure (under investment expenditure) and illegal activities.
Deficit-to-GDP and debt-to-GDP ratios for 2013 were recalculated in view of the changes introduced.

6 This figure gives young people unemployed as a percentage of total young people in employment and being employed. On 8th October the Senate approved Legislative Decree No. 1428 to reform the labour market, known as the "Jobs Act". The bill must now be approved by the Chamber of Deputies and then must generate one or more laws within six months.

7 The public accounts corrective measures needed to achieve the objective in the medium term are detailed in the parliamentary bill for the 2015 *Legge di stabilità* ("stability law" – annual finance law) presented by the government on 15th October. They total approximately €36 billion, of which €15 billion financed by spending cuts, €11 billion by increasing the deficit within the 3% limit and €3.8 billion through more severe anti-tax evasion measures. The law mentioned also contains a special automatic safeguard clause with which the government commits itself to making the necessary correction to guarantee that the structural budget will balance from 2017.

As at 23rd September 2014 funding of €38.4 billion had been made available to debtor administrations, of which €31.3 billion had already been paid to creditors.

* * *

Equity markets saw a return to volatility in the third quarter, with a dip which partially reduced gains achieved in previous months. The European market was particularly penalised by the banking sector which was affected, amongst other things, by lower than expected participation in the first ECB TLTRO auction, an indicator of the difficulties facing recovery for credit sector and economies in the euro area.
As shown in the table, the best performances in the period were recorded by Japanese markets which were heavily penalised in the first quarter, while over nine months Italian share indices continued to show the most significant progress.

The principal share indices in local currency

	Sep-14 A	Jun-14 B	Mar-14 C	Dec-13 D	%change A/D	Sep-13 E
Ftse Mib *(Milan)*	**20,892**	21,283	21,692	18,968	10.1%	17,435
FTSE Italia All Share *(Milan)*	**22,030**	22,585	23,143	20,204	9.0%	18,480
Xetra Dax *(Frankfurt)*	**9,474**	9,833	9,556	9,552	-0.8%	8,594
Cac 40 *(Paris)*	**4,416**	4,423	4,392	4,296	2.8%	4,143
Ftse 100 *(London)*	**6,623**	6,744	6,598	6,749	-1.9%	6,462
S&P 500 *(New York)*	**1,972**	1,960	1,872	1,848	6.7%	1,682
DJ Industrial *(New York)*	**17,043**	16,827	16,458	16,577	2.8%	15,130
Nasdaq Composite *(New York)*	**4,493**	4,408	4,199	4,177	7.6%	3,771
Nikkei 225 *(Tokyo)*	**16,174**	15,162	14,828	16,291	-0.7%	14,456
Topix *(Tokyo)*	**1,326**	1,263	1,203	1,302	1.8%	1,194
MSCI emerging markets	**1,005**	1,051	995	1,003	0.2%	987

Source: Thomson Financial Reuters

The MSCI index – an indicator of performance by emerging markets – on the other hand recorded no clear trend, ending the quarter just a little higher than in December.
The fall on stock markets steepened temporarily in the middle of October, partly due to new fears over the resilience of Greek public sector accounts as well as over the outcome of the comprehensive assessment.

In a context of a general improvement for assets under management, the trend for the **mutual investment funds** sector was particularly satisfactory again in the third quarter, as it benefited from the announcement in June of new measures by the ECB to support the demands for liquidity by banks to fund loans, which, other things remaining equal, reduced their need to place direct funding instruments with household investors. Net inflows in the first nine months of the year were positive by €67.7 billion, consisting of €41.2 billion into foreign registered funds and €26.5 billion into Italian registered funds. Furthermore, a reversal of the trend between the two components was recorded for the first time in September.
In terms of type of fund, fifty percent of the performance by the sector was attributable to flexible funds (+€34.2 billion), but it was also assisted by bond funds (+€21 billion), balanced funds (+€7.7 billion) and equity funds (+€7 billion), while hedge funds were more stable (+€0.9 billion) and monetary funds decreased (-€3.3 billion)[8].
At the end of September net assets under management had reached €655.6 billion, up by 17.7% compared with December 2013, with changes in the percentage composition into flexible funds (up from 17.8% to 21.3%) and balanced funds (up from 5.3% to 6.1%) and out of monetary products (down from 5.2% to 3.9%), bond funds (down from 48.2% to 46.5%) and equity funds (down from 21.6% to 20.9%).

* * *

The difficult environment continued to affect the **banking sector**, in which the trend for funding remained negative – due amongst other things to the continuing fall in volumes of lending – while growth in delinquent loans slowed only marginally.

On the basis of the first estimates published by the Bank of Italy[9], at the end of September the year-on-year rate of change in *direct funding* (deposits of residents and bonds) was -0.8%, again in negative territory for the tenth consecutive month, although up on the low of -2.2% reached in February (-1.8% in December 2013). Within the item, the gap between funding from

8 Net inflows in the first eight months of the year also included +€0.2 billion into "non-classified funds".
9 Supplement to the Statistics Bulletin *Moneta e Banche*, November 2014.

bonds (-11.3% compared with -9.8% at the end of 2013[10]) and other forms of funding continued to widen. The latter increased (+3.7% compared with +2% at the end of 2013[11]) as a result of a recovery in current account deposits (+7.3% over twelve months), which more than compensated for the fall in other items. The latter included a growing decrease in term deposits with maturity up to two years (-9.2% over twelve months), together with a year-on-year reduction in repurchase agreements (-23%).

In September *loans to private sector residents*[12] fell year-on-year by 2.8%, an improvement on the fall of 4.2% in December 2013, but they were nevertheless affected by the positive impact of a change in the statistics due to a reorganisation of major banking groups which affected loans to non-financial companies.
In terms of borrowers, details for September published by the Bank of Italy[13] – which take account of loans not recognised in the balance sheets of banks because they are securitised and are net of changes in amounts not connected with transactions (e.g. changes due to fluctuations in foreign exchange rates, to impairment or to reclassifications) – in reality reveal a persistent weakness (although this is lessening marginally) in the overall proportion lent to both households (-0.6% compared with -1.3% at the end of December) and above all to businesses (-3.3% compared with -5.2% in December).

Modest signs of improvement have been seen in terms of risk profiles. In September *non-performing loans to the private sector gross of impairment losses*[14] increased further – especially those to non-financial companies – to total €176.4 billion, a rise of 22.3% year-on-year and of 13.4% since the beginning of 2014 (the increase recorded in 2013 was 24.8%). This stock consists of €48.4 billion relating to households (+9.8% year-on-year and +5.1% compared with December) and €126.6 billion to businesses (+27.7% year-on-year and +16.8% compared with December)[15].
The *ratio of gross non-performing private sector loans to private sector loans* therefore rose to 10.74% (9.33% at the end of December).
On the other hand, *net non-performing loans* amounting to €81.4 billion, were up 13.6% year-on-year (slowing significantly compared with +23.5% recorded in 2013) and were more or less stable compared with December (+1.8%), having benefited, amongst other things, from disposals.
Given the trend for loans, at the end of September the ratio of *net non-performing loans to total loans* had nevertheless increased to 4.50% from 4.31% at the end of 2013.

Securities issued by residents in Italy held in the portfolios of Italian banks stood at €827.9 billion in September, down both over twelve months (-€91 billion; -9.9%) and compared with December (-€65.4 billion; -7.3%).
The overall trend is almost entirely due to changes in "other certificates" amounting to €432.1 billion, which were down significantly (-€92.7 billion; -17.7%), mainly attributable to bonds issued by banks (-€73.8 billion), which fell as a percentage to 67.1%. On the other hand investments in Italian government securities, amounting to €395.9 billion, remained largely unchanged over twelve months (+€1.8 billion), the aggregate result of a decrease in the fourth quarter of 2013 and a subsequent recovery since the beginning of the year. Within the item medium to long-term purchases (CCTs and BTPs; +€38.7 billion over twelve months, of which +€38.2 billion since the beginning of the year) more than compensated for the decrease in the short-term maturity categories (BOTs and CTZs; -€36.9 billion, of which -€29.9 billion since the beginning of the year).

10 The changes were calculated by excluding the portion included within the investments in the securities portfolio from bond funding. The trend for the item was also affected by the abundant and competitive liquidity injected into the banking system by the ECB by means of the TLTRO (a sum of approximately €30 million was disbursed to Italian banks in the first operation on 18th September) and short-term lines of financing.
11 The changes were calculated by excluding amounts relating to disposals of loans and transactions with central counterparties from deposits.
12 In terms of the total outstanding, at the end of September loans to private sector residents amounted to €1,555 billion compared with €1,450 billion outstanding at the end of 2007, before the start of the crisis.
13 Press release: "The main items on banks' balance sheets", 9th October 2014.
14 Supplement to the Statistics Bulletin *Moneta e Banche*, November 2014.
15 Outstanding non-performing loans were also affected by statistical change in January 2014 due to company ownership transactions carried out by some banking groups.

The *average interest rate on bank funding from customers* calculated by the Italian Banking Association[16] (which includes the yield on deposits, bonds and repurchase agreements for households and non-financial companies) had risen in September to 1.59% (1.88% at the end of 2013). The *average weighted interest rate on lending to households and non-financial companies* on the other hand was 3.76% (3.82% in December 2013).

16 Italian Banking Association, Monthly Outlook*, Economia e Mercati Finanziari-Creditizi*, October 2014.

Significant events in the third quarter of 2014

The comprehensive assessment in view of the new Single European Supervision

On 26th October 2014, the results were published of the comprehensive assessment carried out on 130 banking groups in the euro area by the European Central bank in co-operation with national supervisory authorities on figures as at 31st December 2013. Fifteen of these were Italian and one of them was UBI Banca.

The purpose of the comprehensive assessment, started in November 2013, was to prepare for the Single Supervisory Mechanism, which became operational on 4th November 2014, with a view to improving the transparency of the financial statements of banks and strengthening confidence in the solidity of the banks subject to single European supervision.

The exercise, of a prudential and not an accounting nature, was organised in the following two areas:

- an asset quality review (AQR) designed to verify the adequacy of asset and guarantee valuations and the relative provisioning;
- a stress test to examine the resilience of banks' balance sheets to stress scenarios, performed in close co-operation with the European Banking Authority (EBA). The stress tests are based on a simplified and common methodology (e.g. the assumption of a balance sheet static as at December 2013) and "base-line" and "adverse" scenarios were calculated. *Since these were prudential exercises, the relative results must not be interpreted as actual or forecasting indicators of operating, cash flow or capital figures, but as a sign of the Bank's ability to deal with situations of increased weakness in the economy.*

The assessment was carried out using a capital benchmark of 8% for the Common Equity Tier 1 in the baseline scenario and 5.5% in the stress scenario.

As underlined by the Bank of Italy, the results of the comprehensive assessment confirmed the overall solidity of the Italian banking system, notwithstanding the repeated shocks the domestic economy has been subject to in the last six years: the world financial crisis, the sovereign debt crisis and the double-dip recession.

In consideration, amongst other things, of measures completed between January and September 2014 to strengthen capital, none of the 15 Italian banks assessed recorded capital shortfalls following the AQR. The potential capital requirements found resulted solely from the adverse scenario stress test and, with account taken of further measures decided in 2014, involved just two banks.

With account taken of the measures to strengthen capital completed between January and September 2014 and the further measures decided in 2014, the total excess capital over and above the thresholds set recorded by 13 banking groups totalled €25.5 billion.

For a proper international comparison on a level playing field it must also be considered that according to Eurostat data public sector support in Italy for banks in recent years amounted to just €4 billion compared to almost €250 billion in Germany, almost €60 billion in Spain, approximately €50 billion in Ireland and the Netherlands, a little more than €40 billion in Greece, approximately €19 billion in Belgium and Austria and almost €18 billion in Portugal.

The results of the comprehensive assessment for UBI Banca

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

As reported in detail in a press release issued by UBI Banca on 26th October 2014, all the stages of the comprehensive assessment showed capital for the Group to be significantly greater than the thresholds set for the exercise as summarised in the table below.

UBI Banca Group		Millions of euro	Basis points
Excess of CET1[1] after the AQR with respect to the threshold of 8%		2,432	382
Excess of CET1[2] after the stress test and the AQR	*AQR + Base-line scenario (with respect to the 8% threshold)*	1,848	288
	AQR + Adverse scenario (with respect to the 5.5% threshold)	1,743	270

1 Calculated on RWAs as at 1st January 2014 post AQR.
2 Calculated on RWAs as at 31st December 2016.

On conclusion of the exercise, the consolidated capital ratios were therefore significantly higher than the required minimums. The CET1 ratio in 2016 (inclusive of the AQR) is 10.88% *(a minimum of 8%) in the base-line scenario and 8.20% (a minimum of 5.5%) in the adverse scenario.* This confirms both the solidity and resiliency of the Group's assets even under the particularly severe assumptions of the simulations and also the high quality of the Group's valuation and operating processes.

The low risk profile is borne out not only by the Group's credit quality and its financial position, but also by its financial leverage, one of the most virtuous of those banks subject to assessment: the fully phased-in leverage ratio (fully operational Basel 3 rules) is 5.15% post-AQR (5.35 pre-AQR).

The main results of the AQR

The assessment was conducted on consolidated balance sheet figures as at 31st December 2013, already characterised by a context strongly in recession.
The high quality of UBI Banca's assets enabled it to limit the impact of the AQR on the CET1 ratio to just *44 basis points,* which fell to 11.82% from 12.25% (the pro-forma CET1 as at 1st January 2014, estimated according to Basel 3 rules and with the application of the comprehensive assessment methodology).
The impact reported above is a result of write-downs of €261.2 million (net of taxes)[1] and increases in risk weighted assets of €129.1 million, as follows:

a) credit file review: 21 basis points (€199 million gross equivalent to write-downs of €133 million net of taxes);
b) projection of the findings of the credit file review: 18 basis points (€167 million gross, €111 million net);
c) collective provisioning: 2 basis points (€23 million gross, €15 million net);
d) increase in risk weighted assets (due to additional deferred tax assets as a result of greater AQR provisioning): 3 basis points
e) credit value adjustment (CVA – value adjustments to the credit components of OTC derivatives): 0 basis points. This confirms the low level of risk associated with UBI Banca's derivatives business, oriented mainly towards the provision of hedging services on customer loans.

The result of the AQR also reflects the soundness of the Group's guarantee valuation processes, which therefore *confirms the adequacy over time of the levels of impairment recognised and consequently also the levels of provisioning for assets.*

In terms of the future outlook, the outcomes of the AQR also confirmed the consistency of the processes, policies and accounting review (PP&A) employed, which were subject to assessment in preparation for the asset review.

1 €390 million gross of taxes, related entirely to the corporate segment.

Consob Communication of 7th November 2014

We report the following in relation to the Consob Communication of 7th November 2014, concerning the request for information pursuant to Art. 114, paragraph 5 of Legislative Decree No. 58/1998:

A. Considerations concerning the existence of possible accounting impacts of the results of the AQR

The AQR is of a prudential and not an accounting nature and therefore does not reflect automatically on the financial statements of banks. More specifically, it is underlined that the results of the credit file review valuations, carried out on a sample basis, have been extended to apply to the entire portfolios selected by using statistical projection methodologies. In this respect it must be considered that these projections by their nature cannot be directly interpreted as precise measurements of requirements for further provisioning in the balance sheet.

In consideration of all the above, the following observations are made:

i. the results of the credit file review are reflected in the financial statements only insofar as the rules applied to the credit valuation are consistent with the accounting rules;
ii. the impacts of the projection of the findings can only be compared with the loan losses recorded in 2014 with reference to the overall value of the portfolios subject to assessment;
iii. the review of the collective valuation of performing loans fully confirmed the soundness of the advanced internal models in use in the UBI Banca Group;
iv. no adjustments emerged in the area of the "fair value review".

B. Adjustments indicated by the ECB relating to positions subject to the credit file review

The following observations are made in stating that no adjustments were made to assets in the opening balance sheet as at 1st January 2014:

i. Credit File Review

Although the Group has not at present received details of the single positions subject to sample assessment which generate the adjustment impact and of the relative valuation criteria used, approximately 80% of the total modifications requested on the sample selected had been incorporated as at 30th September 2014. One specific large corporate position subject to discussions with the supervisory authority, as provided for by the AQR reporting process, has been excluded from the percentage indicated. On the basis of developments reported and new information received in 2014 following the completion of the exercise, no further modifications to the position were deemed necessary. The impairment losses recognised were considered appropriate on the basis of the valuation policies pursued by the Group, which, moreover, were subject to verification during the first stage of the comprehensive assessment.

ii. Projection of Findings

As concerns the projection of the findings for the portfolios selected, without prejudice to what has already been reported, the impairment losses recognised through profit and loss as at 30th December 2014 relating to those portfolios fully cover the amounts identified in the course of the AQR.

iii. It was not deemed necessary to programme further initiatives in relation to the financial statements as at and for the period ended 31st December 2014 as a consequence of: what has already been recognised in the accounts; the valuation carried out as part of the AQR; and the information available today. Therefore the indications contained in the "business outlook" remain unchanged: the total loan losses in absolute terms for 2014 are expected to be slightly lower than in 2013.

C. Considerations concerning possible impacts of the classification and valuation adopted in the AQR on loan provisioning

i. The accounting policies will not be revised because it was confirmed that they are adequate during the comprehensive assessment.
ii. The parameters used in internal models for the purposes of valuing loan assets will not be subject to revision. The usual annual update of historical data series according to internal processes is scheduled to be completed by 31st December.
iii. As concerns the impacts of the new regulations included in the EBA ITS (implementing technical standards) concerning the new definitions for non-performing exposures (NPEs) and forborne positions, no significant impacts are reported with regard to the former and an internal project is in progress on the second which will be completed in time for the first reports to be submitted to the supervisory authority by 31st December 2014 on figures as at 30th September. The updates will therefore be provided in the annual report.

D. Possible further initiatives undertaken or programmed for the purpose of reviewing accounting policies relating to other non-credit accounting areas, following the outcome of the verification of accounting procedures conducted during the AQR

The Group does not plan any activities to review accounting policies following the results of the AQR

The main results of the stress tests

The stress tests were based on two macroeconomic scenarios, one a "base-line" and the other an "adverse" scenario, with particularly severe assumptions and scenarios[2].

The stress simulations over the three years of the exercise had the following overall impacts on the CET1 ratio already adjusted to take account of the results of the AQR:

A. base-line scenario: -94 basis points cumulatively over the three years composed as follows:
- -4 basis points resulting from the stress scenario;
- -80 basis points as a result of the progressive application (the "phase-in") of Basel 3 rules[3];
- -10 basis points as a result of the "join up", the application of the results of the AQR over the three years of the stress test

B. adverse scenario: -362 basis points cumulatively over the three years composed as follows:
- -270 basis points as a result of the stress scenario (of which 20% due to greater impairment losses on loans compared with an already unfavourable starting context in 2013, approximately 15% to write-downs of government securities and over half to lower revenues, all resulting from the methodology and from the scenario assumed in the stress test);
- -80 basis points as a result of the progressive application (the "phase-in") of Basel 3 rules[3]
- -12 basis points as a result of the "join up", the application of the results of the AQR over the three years of the stress test

It should be underlined that the parameters used in the Group's ordinary processes – and subject to further stress in the comprehensive assessment – passed all the prudential tests set in the quality assurance stage including those relating to the ECB benchmarks and therefore no adjustment to the parameters used in the exercise was requested by the authorities. This confirms the high degree of discipline normally applied by the Group in its valuation and management processes.

2 In the adverse scenario Italian GDP was forecast to contract for the entire three-year period 2014-2016, while it would remain unchanged in the euro area as a whole in the last year. This scenario involves an exceptionally long recession (five years) for Italy with an overall reduction in GDP of 7.5 percentage points. Compared with the peak in the business cycle in 2007 the fall would be close to 12 percentage points. A collapse of this magnitude has only occurred after the end of the Second World War.

3 The impacts of the "phase-in" at the end of 2016 are calculated on the basis of the stress test exercise methodology (e.g. static assessment carried out on balance sheet figures as at 31st December 2013 with treatment of available-for-sale sovereign debt reserves harmonised at EU level) and they are therefore different from the methods used by the Group to calculate the CET1 ratios published when periodic results are announced by the Group.

The reorganisation of the Group's branch network

Over the last two years the UBI Banca Group has had to face the challenge of an economic environment never previously experienced. This made it necessary to undertake a series of strategic and organisational measures designed to reduce operating costs and maximise corporate efficiency in order, amongst other things, to conserve profitability.

In this context, on 18th July 2012 the Group announced a far-reaching reorganisation designed to simplify Group structure and reduce operating expenses, otherwise no longer sustainable in view of the operating scenario[4].
The programme[5], subject to full discussions with trade union organisations, gave rise to the signing of "Group Agreements" on 29th November 2012, 12th February 2013 and 6th March 2014.

Notwithstanding the action taken, market trends continue to show a credit sector characterised not only by the impacts of the permanent economic and financial crisis, but also by persistent negative forecasts and extremely strong competition, all in a context of fast acceleration towards the use of multichannel services by customers, which is causing a progressive and irreversible reduction in conventional branch operations.
The increase in competitiveness must therefore focus on the one hand on prime customers, attentive to high value services and able to appreciate quality and differentiate with respect to the competition and on the other hand on the achievement of structural objectives of size and cost (including the "cost to serve"), which make it possible to address the overall erosion of sector margins with a view to recovery for profits, production and sales.

On 14th October 2014 UBI Banca therefore disclosed its intention to proceed to a further reorganisation of its distribution and organisational structure, to be commenced on 1st January 2015, with the following initiatives:

- review of the branch model (raising the threshold for access to the service model for affluent customers from €50 thousand to €100 thousand; refinement of the "mass-market team" service; strengthening management of small business customers; and reorganisation of the developer workforce by type of customer). Three different levels of application of the model will be deployed, which will tend to be based on the size of the branch concerned;
- rationalisation of the branch network: with the closure of 114 banking facilities (55 branches and 59 mini-branches); the transformation of 54 branches into mini-branches and two mini-branches into branches; and a consequent reclassification of the types involved in the "head branch/group branch" model;
- evolution of branch operations consistent with greater access to direct channels by customers;
- creation of a local UBI.S customer assistance centre in Genoa and expansion of the Cuneo local UBI.S centre (acquisition of cheque processing activities). The geographical optimisation of the distribution of activities is designed to favour solutions which cushion the repercussions on human resources involved in redundancy processes as much as possible;
- "digital bank": the creation at UBI Banca of an operational team for the development of a remote excellence centre for "mortgage" products focused on the management of a complete service for existing and potential customers, mainly through direct channels.

Taken as a whole the measures described, to be completed by the first half of 2015, will affect at least 1,277 full-time equivalent staff (including staff not affected by previous agreements) of which at least 500 redundancies are to be achieved by the end of the current year, depending on the sustainability of the instruments that can be used, in addition obviously to the redeployment already planned of staff to development activities.

4 The reorganisation mainly involved the overall size of branches, with a consequent reduction not only in the workforce, but also in governance costs and the private and corporate banking customer service model.
5 It addressed excess staff numbering 1,500 full-time equivalents at the time, as well as the necessary re-employment of further staff to strengthen the sales development work force (for a total of approximately 700 developers).

More specifically, with regard to the 500 staff to be dealt with by 31st December 2014, use may be made of the set of instruments indicated in the legislation concerning the reduction in employment levels including recourse to forms of flexible working hours and services pursuant to Ministerial Decree No. 158/2000 and subsequent amendments and additions. In this respect account will also be taken of the operating and human resource impacts following the return from 2015 of staff affected by periods of absence after being laid off and reductions in working hours and of the number of excess staff still remaining.

Total staff	Total excess	of which by 31.12.2014	Remaining excess	Developers still to be appointed
UBI Banca /UBI Academy	180	35	145	-
UBI.S	177	79	98	-
Total UBI Banca-UBI.S	**357**	**114**	**243**	**-**
Banco Brescia	145	65	80	
Banca Popolare di Ancona	90	44	46	
Banca Popolare di Bergamo	70	70	-	
Banca Popolare Commercio e Indu	85	39	46	
Banca Regionale Europea	200	52	148	
Banca di Valle Camonica	10	9	1	
Banca Carime	305	99	206	
Total network banks	**905**	**378**	**527**	**174**
Total product companies	**15**	**8**	**7**	**-**
Total UBI Banca Group	**1,277**	**500**	**777**	**174**

Implementation may involve:

a) recourse to intragroup secondment of individual employees or groups of workers;

b) professional repositioning resulting mainly from reorganisation of the branch model and rationalisation of the distribution network, with consequent retraining and requalification programmes which will be supported by specific training activities, designed to provide staff with the skills required for new roles to be occupied;

c) the adoption of geographical mobility measures even of a transitory nature in order to allow periods of job shadowing needed to carry out new activities.

The information summarised above, which was delivered to trade union organisations, gave rise to the start of negotiations to establish the repercussions on the working conditions of the staff concerned. These will be completed according to the time limits set in the labour contracts in force on these matters. The overall one-off costs to be incurred and the savings on overheads that will be made can only be defined when these negotiations have been concluded.

The branch network and market positioning

Following the rationalisation measures carried out in the first half of the year, at the end of September the branch network consisted of 1,676 branches – 1,670 in Italy – down by three compared to June (1,731 at the end of 2013). The change in the third quarter, relating entirely to July, reflects the following:

- The closure of four Banca Regionale Europea mini-branches located at Neviglio, Rifreddo, Rodello and Verduno (Cuneo), which completed the rationalisation measures mentioned above;
- the transformation into a mini-branch of the BPB treasury branch at Erve (Lecco).

Details of the reorganisation of the distribution network announced on 14th October are given in the previous sub-section which may be consulted.

The branch network is accompanied in Italy by the UBI "Private & Corporate Unity" (PCUs - private and corporate banking units) division, which operated at the end of the quarter with 130 facilities (49 PCU's and 81 "corners")[6] – unchanged compared with June – which had become 129 (49 PCUs and 80 "corners") at the date of this report, following the closure in October of a BPB corner located in Piazza della Repubblica in Bergamo.

The presence on the market is also supported by a network of 694 financial advisors who report to the Financial Advisors Area of UBI Banca Private Investment (686 at the end of the first half).

* * *

The table summarises the market positioning of the 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 figures are based on the latest available data from the Bank of Italy: 30th June 2014 for both branches and balance sheet items.

The figures as at 30th June 2014 for branches record a slight fall compared with December in some provinces of the South attributable, amongst other things, to the impacts of the rationalisation already mentioned. National market share, however, was unchanged at 5.4%, again at levels higher than 10% in 15 provinces, together with a substantial presence in Milan (over 9%) and in Rome (over 4%).

Notwithstanding the optimisation mentioned above, the statistics on the aggregates – considered on the basis of the location of the branch – show a picture that is largely unchanged. National market share of conventional funding – which does not include bonds – fell marginally from 4.5% to 4.3%, while market share of lending stood again 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(*)

	30.6.2014			31.12.2013		
	Branches	Deposits (**) (***)	Lending (***)	Branches	Deposits (**) (***)	Lending (***)
North Italy	**6.3%**	**5.1%**	**6.5%**	**6.3%**	**5.2%**	**6.5%**
Lombardy	**13.1%**	**8.5%**	**9.6%**	**13.1%**	**8.9%**	**9.6%**
Prov. of Bergamo	*22.3%*	*28.7%*	*40.2%*	*22.1%*	*29.4%*	*40.4%*
Prov. of Brescia	*22.5%*	*27.1%*	*35.0%*	*22.5%*	*27.5%*	*35.0%*
Prov. of Como	*6.4%*	*5.1%*	*8.2%*	*6.3%*	*5.1%*	*8.2%*
Prov. of Lecco	*5.8%*	*4.6%*	*8.3%*	*6.1%*	*4.9%*	*7.8%*
Prov. of Mantua	*5.4%*	*2.7%*	*3.6%*	*5.3%*	*2.9%*	*3.6%*
Prov. of Milan	*9.1%*	*4.3%*	*3.8%*	*9.3%*	*4.6%*	*3.7%*
Prov. of Monza Brianza	*8.4%*	*7.3%*	*9.3%*	*8.4%*	*6.7%*	*10.0%*
Prov. of Pavia	*14.9%*	*13.3%*	*11.4%*	*15.0%*	*13.6%*	*11.4%*
Prov. of Sondrio	*8.2%*	*1.5%*	*3.5%*	*8.1%*	*1.5%*	*3.4%*
Prov. of Varese	*23.7%*	*27.8%*	*21.0%*	*23.4%*	*27.1%*	*20.7%*
Piedmont	**7.7%**	**4.7%**	**6.4%**	**8.0%**	**5.0%**	**6.3%**
Prov. of Alessandria	*11.2%*	*6.9%*	*11.1%*	*10.7%*	*7.1%*	*10.6%*
Prov. of Cuneo	*23.4%*	*18.4%*	*16.0%*	*24.0%*	*19.4%*	*15.9%*
Prov. of Novara	*3.4%*	*3.2%*	*7.0%*	*3.4%*	*3.5%*	*6.9%*
Liguria	**5.2%**	**4.0%**	**7.3%**	**5.5%**	**4.2%**	**7.3%**
Prov. of Genoa	*4.1%*	*3.5%*	*6.6%*	*4.6%*	*3.6%*	*6.7%*
Prov. of Imperia	*5.3%*	*2.9%*	*9.0%*	*5.3%*	*3.1%*	*9.1%*
Prov. of La Spezia	*8.7%*	*9.8%*	*6.9%*	*8.6%*	*10.3%*	*6.7%*
Prov. of Savona	*5.8%*	*2.7%*	*9.2%*	*5.6%*	*2.9%*	*9.1%*
Central Italy	**3.3%**	**2.4%**	**2.7%**	**3.4%**	**2.5%**	**2.7%**
Marches	**7.3%**	**7.3%**	**9.0%**	**7.5%**	**8.2%**	**8.9%**
Prov. of Ancona	*9.5%*	*11.2%*	*11.4%*	*9.7%*	*12.6%*	*11.4%*
Prov. of Fermo	*10.7%*	*9.7%*	*15.0%*	*10.7%*	*9.9%*	*14.8%*
Prov. of Macerata	*8.0%*	*7.8%*	*9.8%*	*8.3%*	*8.6%*	*9.5%*
Prov. of Pesaro and Urbino	*4.8%*	*3.1%*	*5.2%*	*5.1%*	*3.5%*	*4.9%*
Latium	**4.2%**	**2.5%**	**3.1%**	**4.3%**	**2.5%**	**2.9%**
Prov. of Rome	*4.0%*	*2.4%*	*2.9%*	*4.1%*	*2.4%*	*2.8%*
Prov. of Viterbo	*13.9%*	*11.1%*	*11.3%*	*13.9%*	*11.1%*	*11.2%*
South Italy	**7.6%**	**6.0%**	**5.4%**	**7.7%**	**6.1%**	**5.5%**
Campania	**5.5%**	**3.9%**	**4.5%**	**5.4%**	**4.0%**	**4.4%**
Prov. of Naples	*4.8%*	*3.6%*	*3.7%*	*4.7%*	*3.7%*	*3.6%*
Prov. of Caserta	*9.2%*	*6.3%*	*8.5%*	*8.9%*	*6.4%*	*8.2%*
Prov. of Salerno	*6.8%*	*4.5%*	*5.5%*	*6.7%*	*4.6%*	*5.7%*
Calabria	**19.7%**	**19.1%**	**14.2%**	**20.5%**	**19.7%**	**15.1%**
Prov. of Catanzaro	*12.1%*	*14.2%*	*9.2%*	*12.0%*	*15.7%*	*11.5%*
Prov. of Cosenza	*23.1%*	*25.4%*	*19.3%*	*24.6%*	*25.9%*	*19.8%*
Prov. of Crotone	*14.7%*	*11.3%*	*7.4%*	*14.7%*	*11.2%*	*8.1%*
Prov. of Reggio Calabria	*20.4%*	*14.7%*	*12.0%*	*21.4%*	*15.1%*	*12.0%*
Prov. of Vibo Valentia	*25.0%*	*25.5%*	*18.0%*	*25.0%*	*25.9%*	*19.0%*
Basilicata	**11.7%**	**10.5%**	**8.7%**	**13.1%**	**10.8%**	**8.7%**
Prov. of Potenza	*11.5%*	*11.4%*	*9.7%*	*13.0%*	*11.7%*	*9.6%*
Prov. of Matera	*12.3%*	*9.1%*	*7.0%*	*13.3%*	*9.4%*	*7.3%*
Apulia	**7.7%**	**6.2%**	**5.0%**	**7.8%**	**6.3%**	**5.0%**
Prov. of Bari	*9.7%*	*7.1%*	*5.5%*	*9.9%*	*7.3%*	*5.6%*
Prov. of Brindisi	*9.6%*	*7.6%*	*6.4%*	*9.6%*	*7.6%*	*6.0%*
Prov. of Barletta Andria Trani	*7.8%*	*5.3%*	*4.6%*	*7.7%*	*5.5%*	*5.0%*
Prov. of Taranto	*8.6%*	*7.0%*	*5.6%*	*8.5%*	*6.6%*	*5.4%*
Total Italy	**5.4%**	**4.3%**	**5.4%**	**5.4%**	**4.5%**	**5.4%**

(*) Source Bank of Italy: Statistics Bulletin for share of branches; "matrix reports" for the balance sheet items. Data on capital for the sector were considered net of amounts for the Cassa Depositi e Prestiti present in the reports for branches in provinces from 31st December 2013.

(**) Current accounts, certificates of deposit, savings deposits.

(***) Market share by location of the branch.

6 The figure does not include three units at UBI Banca dedicated to corporate clients only.

Personnel trends

Group staff

Number	30.9.2014 A	31.12.2013 B	Changes A-B	30.9.2013 C	30.9.2014 D	31.12.2013 E	Changes D-E
	Employees actually in service				Employees on the payroll		
Banca Popolare di Bergamo Spa	3,631	3,662	-31	3,638	3,679	3,711	-32
Banco di Brescia Spa	2,442	2,564	-122	2,500	2,448	2,555	-107
Banca Carime Spa	1,941	1,960	-19	1,971	2,097	2,109	-12
Banca Regionale Europea Spa	1,777	1,792	-15	1,805	1,865	1,874	-9
UBI Banca Scpa	1,660	1,588	72	1,601	2,489	2,171	318
Banca Popolare Commercio e Industria Spa	1,617	1,626	-9	1,638	1,794	1,794	-
Banca Popolare di Ancona Spa	1,602	1,606	-4	1,624	1,685	1,685	-
Banca di Valle Camonica Spa	355	351	4	349	340	335	5
IW Bank Spa	209	208	1	208	202	204	-2
UBI Banca Private Investment Spa	140	150	-10	151	122	135	-13
UBI Banca International Sa	103	100	3	101	97	95	2
TOTAL FOR BANKS	**15,477**	**15,607**	**-130**	**15,586**	**16,818**	**16,668**	**150**
UBI Sistemi e Servizi SCpA	1,980	1,961	19	1,985	817	1,111	-294
UBI Leasing Spa	222	234	-12	236	213	219	-6
Prestitalia Spa	152	176	-24	173	71	74	-3
UBI Pramerica SGR Spa	149	144	5	145	117	115	2
UBI Factor Spa	137	148	-11	148	129	132	-3
UBI Fiduciaria Spa	22	22	-	22	17	17	-
UBI Academy SCRL	15	15	-	15	-	-	-
BPB Immobiliare Srl	13	8	5	10	9	4	5
UBI Gestioni Fiduciarie Sim Spa	7	7	-	7	4	4	-
UBI Management Company Sa	4	5	-1	5	3	4	-1
UBI Trustee Sa	4	4	-	4	3	3	-
Coralis Rent Srl	3	3	-	3	-	-	-
Centrobanca Sviluppo Impresa SGR Spa	2	2	-	2	-	-	-
S.B.I.M. Spa	1	1	-	1	-	-	-
TOTAL	**18,188**	**18,337**	**-149**	**18,342**	**18,201**	**18,351**	**-150**
Workers on staff leasing contracts	**-**	**1**	**-1**	**2**	**-**	**1**	**-1**
TOTAL STAFF	**18,188**	**18,338**	**-150**	**18,344**			
On secondment outside the Group							
- out	*19*	*21*	*-2*	*21*			
- in					*6*	*7*	*-1*
TOTAL WORKFORCE	**18,207**	**18,359**	**-152**	**18,365**	**18,207**	**18,359**	**-152**

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 30th September 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 as at 30th September 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 30th September 2014 compared with the end of 2013, also restated on a consistent basis (column E).

Compared with the interim report for the period ended 30th September 2013, the figures as at 30th September 2013 have been adjusted as follows:
- *the figure for Banca Regionale Europea staff was increased by one in relation to a reinstatement which occurred in the fourth quarter of 2013 as a result of a court settlement;*
- *the figure for Banca Popolare di Ancona was increased by one following a reinstatement which occurred in the first quarter of 2013 as a result of a court settlement;*
- *Banque de Dépôts et de Gestion Sa was excluded from calculations of Group staff numbers as a consequence of the disposal of the company completed on 29th November 2013.*

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

As at 30th September 2014, the total staff of the UBI Banca Group numbered 18,188 compared with 18,338 in December 2013 (restated on a consistent basis), a decrease during the period of 150.

The decrease that occurred in the third quarter is primarily due to 183 staff leaving, affected by the memorandum of intent signed on 6th March 2014 with which applications were

accepted for early redundancy that had been suspended as part of the provisions of the Framework Agreement of 29th November 2012 and the subsequent addition to it on 12th February 2013.
The staff involved, who were almost all on the payroll of Banca Popolare di Bergamo and Banco di Brescia, terminated their employment relationship on 30th June 2014 in order to gain access to extraordinary benefits from the "Solidarity Fund" for the sector on the subsequent 1st July.

Changes in staff numbers continued in line with efficiency efforts made at Group level carried forward in recent years. In general all companies recorded decreases with two not marginal exceptions:

- UBI Banca, which was affected by action taken to centralise the governance and supervision activities of Prestitalia, UBI Factor and UBI Leasing according to the provisions of the trade union memorandum of 15th January 2014;
- UBI Sistemi e Servizi in relation to customer assistance activities.

Those same companies recorded the largest changes in employees on the payroll compared with 2013, as a result of a transfer to the Parent from 1st January 2014 of 302 staff who had remained on the books of UBI Sistemi e Servizi. At the end of the third quarter, total UBI Banca staff on secondment at UBI.S numbered 821 (524 at the end of 2013).

As shown in the table giving figures for type of contract relating to staff with employee contracts, in the first nine months of the year staff on permanent contracts leaving were only partially offset by the increase in staff on temporary contracts. In detail the aggregate reduction numbering 150 was the result of the following:

- 400 staff leaving (of which 341 on permanent contracts, partly due to the impact of those applying for use of the sector fund, 2 apprentices and 84 staff on temporary contracts due to end of contract, which include seasonal staff at BPB Immobiliare)
- 250 new recruits (of which 32[7] on permanent contracts, three apprentices and 215 on temporary contracts).

Employees on the payroll

Number	30.9.2014	31.12.2013	Change
Total employees	**18,201**	**18,351**	**-150**
of which: permanent	17,956	18,169	-213
on temporary contracts	202	140	62
apprentices (*)	43	42	1

(*) 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.

In addition to the net recruitments on temporary contracts, the events summarised in the table incorporated 69 "stabilisations" (i.e. conversions of temporary contracts to permanent contracts), consistent with the provisions of the Framework Agreement of 29th November 2012 and subsequent memorandums of intent of 12th February and 10th October 2013.

* * *

The Group work force contracted by 250 in the period July-September 2014, falling from 18,438 at the end of the first half to 18,188 on 30th September. The reduction incorporated 183 staff receiving "solidarity fund" benefits from 1st July and end-of-contracts including those mentioned above relating to seasonal staff at BPB Immobiliare.

* * *

With regard to trade unions, at national level on 6th October the Italian Banking Association and trade union organisations agreed to extend the validity of the national trade union contract for the sector until 31st December 2014 (it had expired in June 2013 and had already been extended until 30th September this year), manifesting a mutual willingness to start a calendar of meetings to close negotiations on renewal of the contract by the same date.
To this end, as the basis for the start of official negotiations, the parties reached an agreement on old cost items relating to the current contract, with an agreement that the "separate wage item" would be included in the item "wages" from 1st January 2015.

7 For one person this consisted of a return from secondment at a company not included in the Group consolidation.

Corporate rationalisation operations

The following operations were approved in the third quarter:

- 1st August 2014: as part of a programme to progressively discontinue non-core operations, a contract was signed for the disposal of 100% of the share capital of UBI Gestioni Fiduciarie SIM Spa, a company indirectly controlled by UBI Banca through UBI Fiduciaria Spa. The transaction, subject to completion of the authorisation procedures with the competent authorities, should be completed by the end of the year;
- 6th August 2014: UBI Banca signed a series of agreements to totally redefine the existing joint venture in the sector of the distribution of non-life insurance products with the Ageas Group and BNP Paribas Cardif which, through the company F&B Insurance Holding SA/NV hold 50%+1 share of UBI Assicurazioni Spa.
  On the basis of the agreements reached, the parties to it have agreed *(i)* the transfer to Ageas and BNP Paribas Cardif of the entire stake in the share capital of UBI Assicurazioni held by UBI Banca (50%-1 share) and *(ii)* the signing of a new agreement for the distribution of UBI Assicurazioni's products, for the areas of activity and on the distribution channels dedicated to it already in operation in the UBI Banca Group today.
  The issue of the necessary legal authorisations is expected by the end of the year. The operation will involve a net gain of approximately €27 million for the UBI Banca Group.
- 8th August 2014: as part of policies pursued to streamline and improve the efficiency of the Group's operating entities, a project has been announced to integrate IW Bank, the internet bank and UBI Private Investment, the network of financial advisors, which fits in very well with IW Bank's range of products and services.
  An integration programme was drawn up in November, by which IW Bank will be merged into UBI Banca Private Investment. The banking entity that results from the operation will take the name of IW Bank S.p.A. thereby conserving a well-known brand on the market and its registered offices will be located in Milan. The merger is scheduled to take legal effect on 18th May 2015, while for accounting and tax purposes it will take effect from 1st January 2015.

Changes in the scope of consolidation

No changes were made to the scope of consolidation compared with 30th June 2014 except for those reported below:

- Banca RegionaleI Europea Spa: in the third quarter of the year the Parent acquired 39,637 ordinary shares from non-controlling shareholders to bring its controlling interest in the ordinary share capital up to 79,8733% (from 79,8683% at the end of June). Total percentage control of the share capital (consisting of ordinary, privileged and savings shares) rose to 74,7575% from 74,7531%; before;
- Banca Popolare di Ancona Spa: in that same period, following the sale of 4,636 shares by individual shareholders, UBI Banca increased its percentage control of this Marches bank from 93.0195% at the end of the first half to 93.0385% as at 30th September 2014;
- Banca Carime: in the three months between July and September 8,656 shares were purchased from individual counterparties, which brought the share of control up to 92.8392% (92.8386% as at 30th June 2014);
- UBI Capital Singapore Pte Ltd – in liquidation: on 21st July 2014 the company was removed from the Company Register by the local authority (ACRA - Accounting & Corporate Regulatory Authority);
- Lombarda Lease Finance 4 Srl: on 30th July 2014 this securitisation was closed down and the originator (UBI Leasing) repurchased the remaining portfolio of loans from the entity (€49 million, with operating effect from 30th June) and then redeemed the junior notes (the original value of the tranche on the books of the leasing company was €21 million).

For the period ended 30th September 2014 the company only recognised the operating effects relating to the assets and liabilities recognised in the preceding months;

- IW Bank Spa: on 17th September 2014, an extraordinary shareholders' meeting approved an increase in the share capital, authorised by the Bank of Italy with a provision of 28th July 2014, to be paid for by drawing on the corresponding amount of approximately €12 million in the "reserve for future capital increases". The details were recorded in the Company Register on 29th September 2014.
  The operation which brought IW Bank's share capital up from €18,404,795 in June to €20,169,500 at the end of quarter, was carried out in a series of steps as follows:
  - elimination of 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 remained unchanged;
  - cancellation of 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 without a reduction in the share capital at the same time (unchanged at €18,404,795) and therefore resulted in an increase in the value of each share as a percentage of the share capital at the same time;
  - 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 a corresponding amount of €11,999,994. After the capital increase that reserve will amount to €48,179,006 and will be included only in the statutory capital and not for regulatory purposes.
    The Parent had intervened to address a situation of particular volatility on markets in the summer of 2011, which had had a negative impact on this bank's equity due to a fall in the value of its proprietary securities portfolio;
  - distribution of the remaining amount in the "reserve for future capital increases" (recognised in the balance sheet in 2013 within the item "160 – reserves") of €48,179,006 to the sole shareholder and consequent reduction of that capital to zero.
    On 11th March 2014, the Management Board of UBI Banca had approved the repayment of the above mentioned capital increase payment at the time of the increase in the share capital, in consideration of both the recovery in prices which progressively reduced the negative reserve for government securities to zero and also of the increase in equity resulting from retained earnings of the bank in the years 2011-2013 (€16.7 million);

- Banca di Valle Camonica Spa: on 15th September 2014 an extraordinary shareholders' meeting approved an increase in the share capital from €2,738,693 to €3,176,883 through the issue of 438,190 new shares with a nominal value of one euro each and normal dividend entitlement, to be offered as an option to shareholders, with four new shares offered for every 25 old shares held, at a price of €68 each (of which €67 as a share premium).
  The operation approved by the Board of Directors on 6th May 2014 and authorised by the Bank of Italy with a provision of 28th July 2014, will increase the final capital by €29,796,920, the Parent having already approved the exercise of its option right and the possible pre-emption of any rights not taken up, thereby ensuring full subscription of the entire increase in the share capital.
  With account taken of the presence of non-controlling shareholders among the shareholders of Banca di Valle Camonica, the period was set for the exercise of rights in a single solution from 18th September until 17th October 2014 (no trading on organised trading platforms had been programmed). The Group exercised its rights for the subscription of 363,521 shares, while 37,418 shares were subscribed by other shareholders for a total of 400,939 shares. On the basis of the pre-emption criteria, the shares not taken up were acquired by the Group (37,213) and to a marginal extent by non-controlling shareholders (38). The operation as a whole was settled on 20th October 2014.
  On conclusion of the operation, the UBI Banca Group came to hold 84.1309% of the share capital of Banca di Valle Camonica (of which 75.2922% held by the Parent and 8.8387% by Banco di Brescia); as at 30th September the UBI Banca Group had held 82.9595% of BVC.

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	30.9.2014 A	31.12.2013 B	Changes A-B	% changes A/B	30.9.2013 C	Changes A-C	% changes A/C
	ASSETS							
10.	Cash and cash equivalents	497,623	589,705	-92,082	-15.6%	505,765	-8,142	-1.6%
20.	Financial assets held for trading	1,014,902	3,056,264	-2,041,362	-66.8%	3,318,492	-2,303,590	-69.4%
30.	Financial assets designated at fair value	193,637	208,143	-14,506	-7.0%	207,370	-13,733	-6.6%
40.	Available-for-sale financial assets	18,331,820	15,489,497	2,842,323	18.4%	14,900,979	3,430,841	23.0%
50.	Held-to-maturity investments	3,076,556	3,086,815	-10,259	-0.3%	3,149,620	-73,064	-2.3%
60.	Loans and advances to banks	3,329,046	4,129,756	-800,710	-19.4%	4,118,005	-788,959	-19.2%
70.	Loans and advances to customers	84,946,817	88,421,467	-3,474,650	-3.9%	89,846,392	-4,899,575	-5.5%
80.	Hedging derivatives	615,897	253,609	362,288	142.9%	294,878	321,019	108.9%
90.	Fair value change in hedged financial assets (+/-)	53,668	33,380	20,288	60.8%	45,164	8,504	18.8%
100.	Equity investments	314,143	411,886	-97,743	-23.7%	421,918	-107,775	-25.5%
120.	Property, plant and equipment	1,741,474	1,798,353	-56,879	-3.2%	1,908,712	-167,238	-8.8%
130.	Intangible assets	2,883,252	2,918,509	-35,257	-1.2%	2,938,448	-55,196	-1.9%
	of which: goodwill	*2,511,679*	*2,511,679*	-	-	*2,536,574*	*-24,895*	*-1.0%*
140.	Tax assets	2,566,942	2,833,188	-266,246	-9.4%	2,385,593	181,349	7.6%
150.	Non-current assets and disposal groups held for sale	195,469	79,877	115,592	144.7%	20,448	175,021	n.s.
160.	Other assets	777,806	931,388	-153,582	-16.5%	939,797	-161,991	-17.2%
	Total assets	**120,539,052**	**124,241,837**	**-3,702,785**	**-3.0%**	**125,001,581**	**-4,462,529**	**-3.6%**
	LIABILITIES AND EQUITY							
10.	Due to banks	15,588,229	15,017,266	570,963	3.8%	15,066,091	522,138	3.5%
20.	Due to customers	45,581,825	50,702,157	-5,120,332	-10.1%	51,222,883	-5,641,058	-11.0%
30.	Debt securities issued	42,271,880	41,901,779	370,101	0.9%	41,545,618	726,262	1.7%
40.	Financial liabilities held for trading	586,243	1,396,350	-810,107	-58.0%	1,294,108	-707,865	-54.7%
60.	Hedging derivatives	806,325	483,545	322,780	66.8%	936,894	-130,569	-13.9%
80.	Tax liabilities	732,156	756,359	-24,203	-3.2%	619,552	112,604	18.2%
100.	Other liabilities	2,673,720	2,111,533	562,187	26.6%	2,781,684	-107,964	-3.9%
110.	Post-employment benefits	383,871	382,262	1,609	0.4%	373,165	10,706	2.9%
120.	Provisions for risks and charges:	282,886	309,219	-26,333	-8.5%	314,808	-31,922	-10.1%
	a) pension and similar obligations	80,000	77,387	2,613	3.4%	77,462	2,538	3.3%
	b) other provisions	202,886	231,832	-28,946	-12.5%	237,346	-34,460	-14.5%
140.+ 170.+180.+ 190.+200.	Share capital, share premiums, reserves, valuation reserves and treasury shares	10,650,908	10,088,562	562,346	5.6%	9,907,258	743,650	7.5%
210.	Non-controlling interests	831,177	841,975	-10,798	-1.3%	837,576	-6,399	-0.8%
220.	Profit for the period/year	149,832	250,830	n.s.	n.s.	101,944	47,888	47.0%
	Total liabilities and equity	**120,539,052**	**124,241,837**	**-3,702,785**	**-3.0%**	**125,001,581**	**-4,462,529**	**-3.6%**

Reclassified consolidated quarterly balance sheets

Figures in thousands of euro		30.9.2014	30.6.2014	31.3.2014	31.12.2013	30.9.2013	30.6.2013	31.3.2013
	ASSETS							
10.	Cash and cash equivalents	497,623	486,807	492,398	589,705	505,765	490,754	487,951
20.	Financial assets held for trading	1,014,902	2,168,661	3,900,044	3,056,264	3,318,492	4,686,491	5,045,199
30.	Financial assets designated at fair value	193,637	192,408	193,692	208,143	207,370	206,860	202,979
40.	Available-for-sale financial assets	18,331,820	16,742,576	16,030,885	15,489,497	14,900,979	13,746,914	14,134,430
50.	Held-to-maturity investments	3,076,556	3,049,841	3,113,263	3,086,815	3,149,620	3,122,272	3,185,071
60.	Loans and advances to banks	3,329,046	4,078,892	4,009,183	4,129,756	4,118,005	4,774,761	5,505,388
70.	Loans and advances to customers	84,946,817	87,119,396	87,094,749	88,421,467	89,846,392	91,268,495	92,264,578
80.	Hedging derivatives	615,897	458,998	323,782	253,609	294,878	335,198	410,003
90.	Fair value change in hedged financial assets (+/-)	53,668	47,680	36,493	33,380	45,164	57,657	78,088
100.	Equity investments	314,143	295,970	427,438	411,886	421,918	412,881	447,352
120.	Property, plant and equipment	1,741,474	1,764,564	1,780,575	1,798,353	1,908,712	1,921,669	1,940,484
130.	Intangible assets	2,883,252	2,896,274	2,903,371	2,918,509	2,938,448	2,946,268	2,956,402
	of which: goodwill	*2,511,679*	*2,511,679*	*2,511,679*	*2,511,679*	*2,536,574*	*2,536,574*	*2,536,574*
140.	Tax assets	2,566,942	2,566,975	2,824,368	2,833,188	2,385,593	2,393,041	2,625,658
150.	Non-current assets and disposal groups held for sale	195,469	188,358	79,769	79,877	20,448	23,792	23,205
160.	Other assets	777,806	1,168,828	773,252	931,388	939,797	1,543,208	1,089,100
	Total assets	**120,539,052**	**123,226,228**	**123,983,262**	**124,241,837**	**125,001,581**	**127,930,261**	**130,395,888**
	LIABILITIES AND EQUITY							
10.	Due to banks	15,588,229	15,964,805	15,397,770	15,017,266	15,066,091	15,025,192	15,086,195
20.	Due to customers	45,581,825	47,126,528	46,366,664	50,702,157	51,222,883	52,843,251	54,816,744
30.	Debt securities issued	42,271,880	43,049,073	44,477,537	41,901,779	41,545,618	43,500,547	43,861,671
40.	Financial liabilities held for trading	586,243	496,946	1,409,672	1,396,350	1,294,108	1,548,967	1,801,256
60.	Hedging derivatives	806,325	623,610	528,059	483,545	936,894	1,016,669	1,167,314
80.	Tax liabilities	732,156	620,062	908,372	756,359	619,552	536,670	748,223
100.	Other liabilities	2,673,720	3,130,877	2,704,318	2,111,533	2,781,684	2,064,030	1,647,419
110.	Post-employment benefits	383,871	378,320	387,412	382,262	373,165	372,182	389,246
120.	Provisions for risks and charges:	282,886	303,897	320,253	309,219	314,808	328,812	329,075
	a) pension and similar obligations	80,000	81,134	76,251	77,387	77,462	78,751	79,575
	b) other provisions	202,886	222,763	244,002	231,832	237,346	250,061	249,500
140.+ 170.+180.+ 190.+200.	Share capital, share premiums, reserves, valuation reserves and treasury shares	10,650,908	10,603,241	10,609,347	10,088,562	9,907,258	9,808,892	9,692,341
210.	Non-controlling interests	831,177	822,677	815,723	841,975	837,576	832,116	829,946
220.	Profit for the period	149,832	106,192	58,135	250,830	101,944	52,933	26,458
	Total liabilities and equity	**120,539,052**	**123,226,228**	**123,983,262**	**124,241,837**	**125,001,581**	**127,930,261**	**130,395,888**

Reclassified consolidated income statement

Figures in thousands of euro		9M 2014 A	9M 2013 B	Changes A-B	% changes A/B	3rd Quarter 2014 C	3rd Quarter 2013 D	Changes C-D	% changes C/D	FY 2013 E
10.-20.	Net interest income	1,376,313	1,291,448	84,865	6.6%	467,785	446,006	21,779	4.9%	1,750,801
	of which: effects of the purchase price allocation	*(21,228)*	*(26,455)*	*(5,227)*	*(19.8%)*	*(6,990)*	*(7,859)*	*(869)*	*(11.1%)*	*(33,983)*
	Net interest income excluding the effects of the PPA	*1,397,541*	*1,317,903*	*79,638*	*6.0%*	*474,775*	*453,865*	*20,910*	*4.6%*	*1,784,784*
70.	Dividends and similar income	9,244	9,337	(93)	(1.0%)	376	1,119	(743)	(66.4%)	10,409
	Profits of equity-accounted investees	28,817	43,666	(14,849)	(34.0%)	8,155	12,947	(4,792)	(37.0%)	46,579
40.-50.	Net fee and commission income	908,195	888,108	20,087	2.3%	298,502	285,863	12,639	4.4%	1,187,065
	of which performance fees	*1,480*	-	*1,480*	*n.s.*	*572*	-	*572*	*n.s.*	*14,198*
80.+90.+ 100.+110.	Net income from trading, hedging and disposal/repurchase activities and from assets/liabilities designated at fair value	150,502	168,455	(17,953)	(10.7%)	13,860	59,088	(45,228)	(76.5%)	324,554
220.	Other net operating income/expense	84,521	85,257	(736)	(0.9%)	33,025	29,030	3,995	13.8%	117,884
	Operating income	**2,557,592**	**2,486,271**	**71,321**	**2.9%**	**821,703**	**834,053**	**(12,350)**	**(1.5%)**	**3,437,292**
	Operating income excluding the effects of the PPA	***2,578,820***	***2,512,726***	***66,094***	***2.6%***	***828,693***	***841,912***	***(13,219)***	***(1.6%)***	***3,471,275***
180.a	Staff costs	(976,637)	(974,378)	2,259	0.2%	(328,694)	(328,144)	550	0.2%	(1,301,717)
180.b	Other administrative expenses	(458,292)	(493,949)	(35,657)	(7.2%)	(147,078)	(158,699)	(11,621)	(7.3%)	(659,893)
200.+210.	Depreciation, amortisation and net impairment losses on property, plant and equipment and intangible assets	(127,693)	(135,049)	(7,356)	(5.4%)	(42,497)	(44,660)	(2,163)	(4.8%)	(180,188)
	of which: effects of the purchase price allocation	*(14,768)*	*(15,284)*	*(516)*	*(3.4%)*	*(4,969)*	*(5,088)*	*(119)*	*(2.3%)*	*(20,377)*
	Depreciation, amortisation and net impairment losses on property, plant and equipment and intangible assets excluding the effects of the PPA	*(112,925)*	*(119,765)*	*(6,840)*	*(5.7%)*	*(37,528)*	*(39,572)*	*(2,044)*	*(5.2%)*	*(159,811)*
	Operating expenses	**(1,562,622)**	**(1,603,376)**	**(40,754)**	**(2.5%)**	**(518,269)**	**(531,503)**	**(13,234)**	**(2.5%)**	**(2,141,798)**
	Operating expenses excluding the effects of the PPA	***(1,547,854)***	***(1,588,092)***	***(40,238)***	***(2.5%)***	***(513,300)***	***(526,415)***	***(13,115)***	***(2.5%)***	***(2,121,421)***
	Net operating income	**994,970**	**882,895**	**112,075**	**12.7%**	**303,434**	**302,550**	**884**	**0.3%**	**1,295,494**
	Net operating income excluding the effects of the PPA	***1,030,966***	***924,634***	***106,332***	***11.5%***	***315,393***	***315,497***	***(104)***	***(0.0%)***	***1,349,854***
130.a	Net impairment losses on loans	(626,151)	(576,641)	49,510	8.6%	(197,050)	(192,749)	4,301	2.2%	(942,978)
130. b+c+d	Net impairment losses on other financial assets and liabilities	(2,268)	(22,278)	(20,010)	(89.8%)	(267)	(5,005)	(4,738)	(94.7%)	(47,511)
190.	Net provisions for risks and charges	(3,951)	(14,333)	(10,382)	(72.4%)	(1,249)	(2,729)	(1,480)	(54.2%)	(12,372)
240.+270.	Profits (losses) from the disposal of equity investments	(349)	183	(532)	n.s.	81	(902)	983	n.s.	(7,324)
	Pre-tax profit from continuing operations	**362,251**	**269,826**	**92,425**	**34.3%**	**104,949**	**101,165**	**3,784**	**3.7%**	**285,309**
	Pre-tax profit from continuing operations excluding the effects of the PPA	***398,247***	***311,565***	***86,682***	***27.8%***	***116,908***	***114,112***	***2,796***	***2.5%***	***339,669***
290.	Taxes on income for the period/year from continuing operations	(187,483)	(149,566)	37,917	25.4%	(52,115)	(46,480)	5,635	12.1%	55,136
	of which: effects of the purchase price allocation	*11,742*	*13,790*	*(2,048)*	*(14.9%)*	*2,059*	*4,276*	*(2,217)*	*(51.8%)*	*17,959*
310.	Post-tax profit (loss) from discontinued operations	-	-	-	-	-	-	-	-	-
330.	Profit for the period/year attributable to non-controlling interests	(24,936)	(18,316)	6,620	36.1%	(9,194)	(5,674)	3,520	62.0%	(25,895)
	of which: effects of the purchase price allocation	*2,155*	*2,607*	*(452)*	*(17.3%)*	*867*	*811*	*56*	*6.9%*	*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	*171,931*	*127,286*	*44,645*	*35.1%*	*52,673*	*56,871*	*(4,198)*	*(7.4%)*	*347,566*
	Profit for the year/period attributable to the shareholders of the Parent before impairment and expenses for leaving incentives	**149,832**	**101,944**	**47,888**	**47.0%**	**43,640**	**49,011**	**(5,371)**	**(11.0%)**	**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**	**149,832**	**101,944**	**47,888**	**47.0%**	**43,640**	**49,011**	**(5,371)**	**(11.0%)**	**250,830**
	Total impact of the purchase price allocation on the income statement	*(22,099)*	*(25,342)*	*(3,243)*	*(12.8%)*	*(9,033)*	*(7,860)*	*1,173*	*14.9%*	*(33,016)*

Reclassified consolidated quarterly income statements

Figures in thousands of euro		2014			2013			
		3rd Quarter	**2nd Quarter**	**1st Quarter**	**4th Quarter**	**3rd Quarter**	**2nd Quarter**	**1st Quarter**
10.-20.	Net interest income	467,785	454,056	454,472	459,353	446,006	428,222	417,220
	of which: effects of the purchase price allocation	*(6,990)*	*(7,782)*	*(6,456)*	*(7,528)*	*(7,859)*	*(9,033)*	*(9,563)*
	Net interest income excluding the effects of the PPA	*474,775*	*461,838*	*460,928*	*466,881*	*453,865*	*437,255*	*426,783*
70.	Dividends and similar income	376	8,081	787	1,072	1,119	7,763	455
	Profits of equity-accounted investees	8,155	9,763	10,899	2,913	12,947	22,213	8,506
40.-50.	Net fee and commission income	298,502	309,583	300,110	298,957	285,863	297,459	304,786
	of which performance fees	*572*	*463*	*445*	*14,198*	-	-	-
80.+90.+ 100.+110.	Net income from trading, hedging and disposal/repurchase activities and from assets/liabilities designated at fair value	13,860	74,031	62,611	156,099	59,088	67,351	42,016
220.	Other net operating income/expense	33,025	26,950	24,546	32,627	29,030	29,428	26,799
	Operating income	**821,703**	**882,464**	**853,425**	**951,021**	**834,053**	**852,436**	**799,782**
	Operating income excluding the effects of the PPA	***828,693***	***890,246***	***859,881***	***958,549***	***841,912***	***861,469***	***809,345***
180.a	Staff costs	(328,694)	(321,849)	(326,094)	(327,339)	(328,144)	(314,881)	(331,353)
180.b	Other administrative expenses	(147,078)	(158,598)	(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	(42,497)	(42,663)	(42,533)	(45,139)	(44,660)	(45,114)	(45,275)
	of which: effects of the purchase price allocation	*(4,969)*	*(4,888)*	*(4,911)*	*(5,093)*	*(5,088)*	*(5,098)*	*(5,098)*
	Depreciation, amortisation and net impairment losses on property, plant and equipment and intangible assets excluding the effects of the PPA	*(37,528)*	*(37,775)*	*(37,622)*	*(40,046)*	*(39,572)*	*(40,016)*	*(40,177)*
	Operating expenses	**(518,269)**	**(523,110)**	**(521,243)**	**(538,422)**	**(531,503)**	**(533,552)**	**(538,321)**
	Operating expenses excluding the effects of the PPA	***(513,300)***	***(518,222)***	***(516,332)***	***(533,329)***	***(526,415)***	***(528,454)***	***(533,223)***
	Net operating income	**303,434**	**359,354**	**332,182**	**412,599**	**302,550**	**318,884**	**261,461**
	Net operating income excluding the effects of the PPA	***315,393***	***372,024***	***343,549***	***425,220***	***315,497***	***333,015***	***276,122***
130.a	Net impairment losses on loans	(197,050)	(230,475)	(198,626)	(366,337)	(192,749)	(226,150)	(157,742)
130. b+c+d	Net impairment losses on other financial assets and liabilities	(267)	(3,674)	1,673	(25,233)	(5,005)	(8,960)	(8,313)
190.	Net provisions for risks and charges	(1,249)	7,361	(10,063)	1,961	(2,729)	(9,275)	(2,329)
240.+270.	Profits (losses) from the disposal of equity investments	81	230	(660)	(7,507)	(902)	1,609	(524)
	Pre-tax profit from continuing operations	**104,949**	**132,796**	**124,506**	**15,483**	**101,165**	**76,108**	**92,553**
	Pre-tax profit from continuing operations excluding the effects of the PPA	***116,908***	***145,466***	***135,873***	***28,104***	***114,112***	***90,239***	***107,214***
290.	Taxes on income for the period from continuing operations	(52,115)	(76,666)	(58,702)	204,702	(46,480)	(46,507)	(56,579)
	of which: effects of the purchase price allocation	*2,059*	*5,930*	*3,753*	*4,169*	*4,276*	*4,669*	*4,845*
310.	Post-tax profit (loss) from discontinued operations	-	-	-	-	-	-	-
330.	Profit for the period attributable to non-controlling interests	(9,194)	(8,073)	(7,669)	(7,579)	(5,674)	(3,126)	(9,516)
	of which: effects of the purchase price allocation	*867*	*565*	*723*	*778*	*811*	*856*	*940*
	Profit for the period attributable to the shareholders of the Parent before impairment and expenses for leaving incentives excluding the effects of the PPA	*52,673*	*54,232*	*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 incentives	**43,640**	**48,057**	**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**	**43,640**	**48,057**	**58,135**	**148,886**	**49,011**	**26,475**	**26,458**
	Total impact of the purchase price allocation on the income statement	*(9,033)*	*(6,175)*	*(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	9M 2014 *net of non-recurring items*	9M 2013 *net of non-recurring items*	Changes	% changes
Net interest income (including the effects of the PPA)	1,376,313	1,291,448	84,865	6.6%
Dividends and similar income	9,244	9,337	(93)	(1.0%)
Profits of equity-accounted investees	28,817	43,666	(14,849)	(34.0%)
Net fee and commission income	908,195	888,108	20,087	2.3%
Net income from trading, hedging and disposal/repurchase activities and from assets/liabilities designated at fair value	150,502	123,820	26,682	21.5%
Other net operating income/expense	84,521	85,257	(736)	(0.9%)
Operating income (including the effects of PPA)	**2,557,592**	**2,441,636**	**115,956**	**4.7%**
Staff costs	(976,637)	(974,378)	2,259	0.2%
Other administrative expenses	(458,292)	(493,949)	(35,657)	(7.2%)
Depreciation, amortisation and net impairment losses on property, plant and equipment and intangible assets (including the effects of PPA)	(126,212)	(135,049)	(8,837)	(6.5%)
Operating expenses (including the effects of PPA)	**(1,561,141)**	**(1,603,376)**	**(42,235)**	**(2.6%)**
Net operating income (including the effects of PPA)	**996,451**	**838,260**	**158,191**	**18.9%**
Net impairment losses on loans	(626,151)	(576,641)	49,510	8.6%
Net impairment losses on other financial assets and liabilities	(1,556)	772	(2,328)	n.s.
Net provisions for risks and charges	(3,951)	(12,715)	(8,764)	(68.9%)
Profits (losses) from the disposal of equity investments	541	712	(171)	(24.0%)
Pre-tax profit from continuing operations (including the effects of PPA)	**365,334**	**250,388**	**114,946**	**45.9%**
Taxes on income for the period from continuing operations	(163,919)	(157,357)	6,562	4.2%
Post-tax profit (loss) from discontinued operations	-	-	-	-
Profit for the period attributable to non-controlling interests	(25,950)	(18,761)	7,189	38.3%
Profit for the period attributable to the shareholders of the Parent	**175,465**	**74,270**	**101,195**	**136.3%**

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

Figures in thousands of euro

	9M 2014	non-recurring items: Adjustment to the disposal price of BDG	non-recurring items: Change in the substitute tax on the new profit sharing stakes held in the Bank of Italy	non-recurring items: Impact of the change in the IRAP tax rate on prior year deferred tax provisions	non-recurring items: Impairment of AFS securities	non-recurring items: Write-off of the Prestitalia IT platform	9M 2014 *net of non-recurring items*
Net interest income (including the effects of the PPA)	1,376,313						1,376,313
Dividends and similar income	9,244						9,244
Profits of equity-accounted investees	28,817						28,817
Net fee and commission income	908,195						908,195
Net income from trading, hedging and disposal/repurchase activities and from assets/liabilities designated at fair value	150,502						150,502
Other net operating income/expense	84,521						84,521
Operating income (including the effects of PPA)	**2,557,592**	**-**	**-**	**-**	**-**	**-**	**2,557,592**
Staff costs	(976,637)						(976,637)
Other administrative expenses	(458,292)						(458,292)
Depreciation, amortisation and net impairment losses on property, plant and equipment and intangible assets (including the effects of PPA)	(127,693)					1,481	(126,212)
Operating expenses (including the effects of PPA)	**(1,562,622)**	**-**	**-**	**-**	**-**	**1,481**	**(1,561,141)**
Net operating income (including the effects of PPA)	**994,970**	**-**	**-**	**-**	**-**	**1,481**	**996,451**
Net impairment losses on loans	(626,151)						(626,151)
Net impairment losses on other financial assets and liabilities	(2,268)				712		(1,556)
Net provisions for risks and charges	(3,951)						(3,951)
Profits (losses) from the disposal of equity investments	(349)	890					541
Pre-tax profit from continuing operations (including the effects of PPA)	**362,251**	**890**	**-**	**-**	**712**	**1,481**	**365,334**
Taxes on income for the period/year from continuing operations	(187,483)		4,482	19,565		(483)	(163,919)
Post-tax profit (loss) from discontinued operations	-						-
Profit for the period attributable to non-controlling interests	(24,936)		(826)	(8)	(180)		(25,950)
Profit for the period attributable to the shareholders of the Parent	**149,832**	**890**	**3,656**	**19,557**	**532**	**998**	**175,465**
Annualised ROE	1.8%						2.2%
Cost:income ratio *(including the effects of PPA)*	61.1%						61.0%
Cost:income ratio *(excluding the effects of PPA)*	60.0%						60.0%

	9M 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	non-recurring items: Replenishment of G.E.C. Spa loss and full write-down of the investment	non-recurring items: Profit on the repurchase of financial liabilities (subordinated EMTN)	non-recurring items: Full write-down of the investment in HRS - in liquidation, after the acquisition of a majority of the share capital	9M 2013 *net of non-recurring items*
Net interest income (including the effects of the PPA)	1,291,448							1,291,448
Dividends and similar income	9,337							9,337
Profits of equity-accounted investees	43,666							43,666
Net fee and commission income	888,108							888,108
Net income from trading, hedging and disposal/repurchase activities and from assets/liabilities designated at fair value	168,455	(38,288)		(1,525)		(4,822)		123,820
Other net operating income/expense	85,257							85,257
Operating income (including the effects of PPA)	**2,486,271**	**(38,288)**	**-**	**(1,525)**	**-**	**(4,822)**	**-**	**2,441,636**
Staff costs	(974,378)							(974,378)
Other administrative expenses	(493,949)							(493,949)
Depreciation, amortisation and net impairment losses on property, plant and equipment and intangible assets (including the effects of PPA)	(135,049)							(135,049)
Operating expenses (including the effects of PPA)	**(1,603,376)**	**-**	**-**	**-**	**-**	**-**	**-**	**(1,603,376)**
Net operating income (including the effects of PPA)	**882,895**	**(38,288)**	**-**	**(1,525)**	**-**	**(4,822)**	**-**	**838,260**
Net impairment losses on loans	(576,641)							(576,641)
Net impairment losses on other financial assets and liabilities	(22,278)		22,908		142			772
Net provisions for risks and charges	(14,333)				1,618			(12,715)
Profits (losses) from the disposal of equity investments	183						529	712
Pre-tax profit from continuing operations (including the effects of PPA)	**269,826**	**(38,288)**	**22,908**	**(1,525)**	**1,760**	**(4,822)**	**529**	**250,388**
Taxes on income for the period/year from continuing operations	(149,566)	(3,805)	(5,682)	102		1,594		(157,357)
Post-tax profit (loss) from discontinued operations	-							-
Profit for the period attributable to non-controlling interests	(18,316)				(445)			(18,761)
Profit for the period attributable to the shareholders of the Parent	**101,944**	**(42,093)**	**17,226**	**(1,423)**	**1,315**	**(3,228)**	**529**	**74,270**
Annualised ROE	1.4%							1.0%
Cost:income ratio *(including the effects of PPA)*	64.5%							65.7%
Cost:income ratio *(excluding the effects of PPA)*	63.2%							64.3%

Reconciliation schedule for the period ended 30th September 2014

Items	RECLASSIFIED INCOME STATEMENT Figures in thousands of euro	9M 2014 Mandatory consolidated financial statements	Reclassifications Tax recoveries	 Profit of equity-accounted investees	 Depreciation for improvements to leased assets	9M 2014 Reclassified consolidated financial statements
10.-20.	Net interest income	1,376,313				1,376,313
70.	Dividends and similar income	9,244				9,244
	Profits of equity-accounted investees	-		28,817		28,817
40.-50.	Net fee and commission income	908,195				908,195
80.+90.+ 100.+110.	Net income from trading, hedging and disposal/repurchase activities and from assets/liabilities designated at fair value	150,502				150,502
220.	Other net operating income/expense	222,112	(141,281)		3,690	84,521
	Operating income	**2,666,366**	**(141,281)**	**28,817**	**3,690**	**2,557,592**
180.a	Staff costs	(976,637)				(976,637)
180.b	Other administrative expenses	(599,573)	141,281			(458,292)
200.+210.	Depreciation, amortisation and net impairment losses on property, plant and equipment and intangible assets	(124,003)			(3,690)	(127,693)
	Operating expenses	**(1,700,213)**	**141,281**	**-**	**(3,690)**	**(1,562,622)**
	Net operating income	**966,153**	**-**	**28,817**	**-**	**994,970**
130.a	Net impairment losses on loans	(626,151)				(626,151)
130. b+c+d	Net impairment losses on other financial assets and liabilities	(2,268)				(2,268)
190.	Net provisions for risks and charges	(3,951)				(3,951)
240.+270.	Profits (losses) from the disposal of equity investments	28,468		(28,817)		(349)
	Pre-tax profit from continuing operations	**362,251**	**-**	**-**	**-**	**362,251**
290.	Taxes on income for the period from continuing operations	(187,483)				(187,483)
310.	Post-tax profit (loss) from discontinued operations	-				-
330.	Profit for the period attributable to non-controlling interests	(24,936)				(24,936)
340.	**Profit for the period attributable to the shareholders of the Parent**	**149,832**	**-**	**-**	**-**	**149,832**

Reconciliation schedule for the period ended 30th September 2013

Items	RECLASSIFIED INCOME STATEMENT Figures in thousands of euro	9M 2013 Mandatory consolidated financial statements	Reclassifications Tax recoveries	 Profit of equity-accounted investees	 Depreciation for improvements to leased assets	 Consolidation reclassification	9M 2013 Reclassified consolidated financial statements
10.-20.	Net interest income	1,291,366				82	1,291,448
70.	Dividends and similar income	9,337					9,337
	Profits of equity-accounted investees	-		43,666			43,666
40.-50.	Net fee and commission income	888,109				(1)	888,108
80.+90.+ 100.+110.	Net income from trading, hedging and disposal/repurchase activities and from assets/liabilities designated at fair value	168,455					168,455
220.	Other net operating income/expense	195,988	(114,266)		3,616	(81)	85,257
	Operating income	**2,553,255**	**(114,266)**	**43,666**	**3,616**	**-**	**2,486,271**
180.a	Staff costs	(974,378)					(974,378)
180.b	Other administrative expenses	(608,215)	114,266				(493,949)
200.+210.	Depreciation, amortisation and net impairment losses on property, plant and equipment and intangible assets	(131,433)			(3,616)		(135,049)
	Operating expenses	**(1,714,026)**	**114,266**	**-**	**(3,616)**	**-**	**(1,603,376)**
	Net operating income	**839,229**	**-**	**43,666**	**-**	**-**	**882,895**
130.a	Net impairment losses on loans	(576,641)					(576,641)
130. b+c+d	Net impairment losses on other financial assets and liabilities	(22,278)					(22,278)
190.	Net provisions for risks and charges	(14,333)					(14,333)
240.+270.	Profits from the disposal of equity investments	43,849		(43,666)			183
	Pre-tax profit from continuing operations	**269,826**	**-**	**-**	**-**	**-**	**269,826**
290.	Taxes on income for the period from continuing operations	(149,566)					(149,566)
310.	Post-tax profit (loss) from discontinued operations	-					-
330.	Profit for the period attributable to non-controlling interests	(18,316)					(18,316)
340.	**Profit for the period attributable to the shareholders of the Parent**	**101,944**	**-**	**-**	**-**	**-**	**101,944**

Reconciliation schedule for the year ended 2013

Items	RECLASSIFIED INCOME STATEMENT Figures in thousands of euro	31.12.2013 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	31.12.2013 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 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 in the mandatory financial statements has been facilitated, on the one hand, with the insertion in the margin against each item of the corresponding number of the item in the mandatory financial statements with which it is reconciled and, on the other hand, with the preparation of specific reconciliation schedules.

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

In order to facilitate analysis of the Group's operating performance and in compliance with Consob Communication No. DEM/6064293 of 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:

January - September 2014:

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

January - September 2013:

- partial disposal of Intesa Sanpaolo shares and full disposal of A2A shares (AFS);
- adjustment of the price for the disposal in 2008 of the interest held in Centrale Bilanci (now the Cerved Group) (AFS);
- impairment losses on financial assets held in the AFS portfolio;
- replenishment of G.E.C. Spa losses and full write-down of the investment.
- profit on the repurchase of financial liabilities (subordinated EMTN);
- full write-down of the investment in HRS - Help Rental Service Srl - in liquidation, after the acquisition of the majority of the share capital.

The consolidated income statement

The income statement figures commented on are based on the reclassified consolidated financial statements (the income statement, the quarterly income statements and the income statement net of the more significant principal non-recurring items – in brief and detailed versions) contained in the preceding section of this report and the tables furnishing details presented below are also based on those statements. The notes that follow those reclassified financial statements may be consulted as may the reconciliation schedules for a description of the reclassification. Furthermore, the commentary examines changes that occurred in both the first nine months of 2014 compared with the same period in 2013, and also those occurring in the third quarter of 2014 compared with the previous three months of the year (in the latter case the comments are highlighted with a slightly different background colour).

The performance of the economy in 2014 was much poorer than expected in the Euro Area. The recovery lost momentum, inflation fell worryingly and growth outlooks were revised downwards. The Italian economy in particular weakened yet again, adding to the already high degree of uncertainty which is slowing the recovery in investments and the related demand for credit. Volatility returned to international financial markets, which had been calm for some time, with temporary rises in the spread between ten-year Italian and German government securities, which in September had reached anyway the lowest level since May 2011.

In this continuing difficult operating context the Group ended the first nine months of the year with a **profit** of €149.8 million[1], an increase of 47% compared with €101.9 million in 2013.
On a quarterly basis, the third quarter of 2014 showed a profit of €43.6 million, slowing slightly compared with both €48.1 million earned in the previous quarter and €49 million in the third quarter of 2013.

Ordinary operations generated **operating income** of €2,557.6 million in the first nine months (+€71.3 million compared with the first nine months of 2013), due mainly to the performance of core income (net interest income and net fee and commission income), while the contribution from financial activities reduced slightly after the exceptional results achieved in previous periods.

Net interest income, inclusive of the negative effects of the PPA which amounted to €21.2 million and €26.5 million respectively, rose to €1,376.3 million (+€84.9 million; +6.6% year-on-year), in a scenario of a temporary rise in interest rates, which then fell to record low levels[2]. In detail[3]:

- business with customers generated net interest income of €1,086.3 million (+€45.6 million), driven largely by a reduction in the cost of short-term funding, assisted amongst other things by action in progress to optimise this, and to a more marginal extent by the relative average volumes of business. In fact the widening of the customer spread by approximately 20 basis points more than offset the downward trend for lending (end of period data shows a fall of 5.5% over twelve months, against more or less stable funding from ordinary customers, which was down by only1.7%).
  The balance also includes differentials received above all on own-issue bond hedges (€115.7 million, compared with €143.4 million before);
- the securities portfolio generated interest income of €321.6 million (€313 million in 2013), due to growth in investments in debt instruments over twelve months of €1 billion (Italian government securities grew by €1.2 billion). Government securities continued to make a substantial contribution to net interest income (€310.2 million from the AFS portfolio and

1 Net of non-recurring items (considered net of taxes and non-controlling interests) normalised profit for the period rose to €175.5 million from €74.3 million in 2013. In the first nine months of 2014 these items consisted of expense of €25.6 million (above all as a result of various tax provisions) and of income of €27.7 million in 2013 (due mainly to disposals of equity instruments and profits on the repurchase of subordinated EMTN instruments, although these were partially offset by impairment losses on AFS instruments).
Both periods included costs resulting from the purchase price allocation amounting to €22.1 million in 2014 and €25.3 million in 2013.

2 The average one month Euribor rate grew over the two periods from 0.122% in 2013 to 0.176% in the current year.
The further loosening of monetary policy carried out in the third quarter of the year nevertheless caused a new and significant fall in the one-month Euribor rate (the average rate for the period) from 0.229% in the second quarter to 0.070% in the third quarter of 2014.

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).

€79.7 million from the held-to-maturity portfolio), although these investments were penalised as a whole by the cost of hedges on a part of the fixed interest portfolio (the differentials paid on the derivatives amounted to €74.5 million, down compared with €99.7 million in the comparative nine months);

- business on the interbank market generated expense of €31.4 million, sharply down compared with expense of €62.4 million in 2013. Given the small changes in the volumes of business, the reduction is explained primarily by the decrease in the cost of debt held with the central bank for the outstanding LTRO finance, which fell from €56.2 million to €18.4 million, following progressive reductions in the rate for principal refinancing operations down from 0.75% at the beginning of 2013 to the current 0.05% (with effect from 10th of September 2014). Net of that component, the contribution from business with banks was expense of €13 million, compared with expense of €6.2 million in the comparative period.

Interest and similar income: composition

Figures in thousands of euro	Debt instruments	Financing	Other transactions	9M 2014	9M 2013
1. Financial assets held for trading	22,152	-	-	22,152	41,003
2. Financial assets designated at fair value	-	-	-	-	-
3. Available-for-sale financial assets	310,241	-	-	310,241	324,982
3. Held-to-maturity investments	79,741	-	-	79,741	81,607
5. Loans and advances to banks	32	5,243	-	5,275	6,827
6. Loans and advances to customers	125	1,852,219	587	1,852,931	1,954,287
7. Hedging derivatives	-	-	41,188	41,188	43,623
8. Other assets	-	-	45	45	434
Total	**412,291**	**1,857,462**	**41,820**	**2,311,573**	**2,452,763**

Interest and similar expense: composition

Figures in thousands of euro	Borrowings	Securities	Other transactions	9M 2014	9M 2013
1. Due to central banks	(18,350)	-	-	(18,350)	(56,167)
2. Due to banks	(18,277)	-	-	(18,277)	(13,043)
3. Due to customers	(146,175)	-	(463)	(146,638)	(280,028)
4. Debt securities issued	-	(735,760)	-	(735,760)	(776,984)
5. Financial liabilities held for trading	(15,960)	-	-	(15,960)	(34,796)
6. Financial liabilities designated at fair value	-	-	-	-	-
7. Other liabilities and provisions	-	-	(275)	(275)	(297)
8. Hedging derivatives	-	-	-	-	-
Total	**(198,762)**	**(735,760)**	**(738)**	**(935,260)**	**(1,161,315)**
			Net interest income	**1,376,313**	**1,291,448**

Dividends of €9.2 million were received in the first nine months of the year (€9.3 million in 2013), consisting of €7.4 million on the UBI Banca securities portfolio (of which €3.1 million from SIA Spa, a leading infrastructure and technology services company in the payments and payment card sectors) and €1.8 million on the BRE and Carime portfolios (of which €1.6 million relating to 1,259 stakes held in the Bank of Italy and €0.15 million to SIA).
In 2013 €4 million were received on Intesa Sanpaolo shares (fully disposed of at the end of the year).

Profits of equity-accounted investees[4] totalled €28.8 million (€43.7 million in the comparative period). The most important amounts were from the following: Aviva Vita (€10.1 million, compared with €16.4 million in 2013), Lombarda Vita (€5.7 million, compared with €12.6 million before), Aviva Assicurazioni Vita (€3.2 million, compared with €8.2 million) and UBI Assicurazioni (€8.1 million, compared with €5.7 million in 2013).

Net fee and commission income reached €908.2 million, with growth of €20.1 million compared with 2013, and it included €1.5 million of performance fees earned by UBI Pramerica SGR on particular types of funds and Sicav's[5].

4 The item consists of the profits of the companies recognised on the basis of the percentage interest held by the Group.
5 These consisted of all the varieties of the UBI Pramerica Total Return funds offered by the asset management company and of UBI Pramerica Active Duration, for which the "incentive commissions" are calculated as the percentage changes in the value of a single

Fee and commission income: composition

Figures in thousands of euro	9M 2014	9M 2013
a) guarantees granted	39,672	38,364
c) management, trading and advisory services	535,278	497,420
1. trading in financial instruments	16,697	17,354
2. foreign exchange trading	4,777	4,449
3. portfolio management	200,839	183,561
3.1. individual	50,249	51,119
3.2. collective	150,590	132,442
4. custody and administration of securities	6,579	8,619
5. depository banking	-	-
6. placement of securities	137,916	129,156
7. receipt and transmission of orders	38,253	35,454
8. advisory activities	3,366	4,540
8.1 on investments	3,366	4,540
9. distribution of third party services	126,851	114,287
9.1. portfolio management	24	27
9.1.1. individual	24	27
9.2. insurance products	98,018	83,110
9.3. other products	28,809	31,150
d) collection and payment services	105,475	108,818
f) services for factoring transactions	14,464	17,918
i) current account administration	149,649	151,067
j) other services	198,741	219,369
Total	**1,043,279**	**1,032,956**

Fee and commission expense: composition

Figures in thousands of euro	9M 2014	9M 2013
a) guarantees received	(20,236)	(36,306)
c) management and trading services:	(62,161)	(57,183)
1. trading in financial instruments	(7,923)	(8,844)
2. foreign exchange trading	(4)	(7)
3. portfolio management	(9,740)	(9,369)
3.1. own	-	-
3.2. on behalf of third parties	(9,740)	(9,369)
4. custody and administration of securities	(5,656)	(5,394)
5. placement of financial instruments	(3,691)	(3,485)
6. financial instruments, products and services distributed through indirect networks	(35,147)	(30,084)
d) collection and payment services	(31,882)	(28,973)
e) other services	(20,805)	(22,386)
Total	**(135,084)**	**(144,848)**
Net fee and commission income	**908,195**	**888,108**

The total is the aggregate result on the one hand of good performance by investment services-related business (+€32.6 million) and on the other of a slowdown in general banking services (-€12.5 million), as follows:

- management, trading and advisory services contributed €468.3 million to the result, driven by portfolio management (+€16.9 million)[6], by the placement of securities (+€8.6 million, of which €7.2 million from the subscription of products managed by UBI Pramerica), by the receipt and transmission of orders (+€2.8 million) and above all by the distribution of third party services (+€12.6 million), which included insurance products (+€14.9 million). On the other hand, items relating to custody and administration and advisory services performed rather weakly (down by a total of €3.5 million). Fee and commission expense for financial instruments, products and services distributed through indirect networks came to €35.1 million (up by €5.1 million compared with the comparative period, partly in relation to the increased numbers of financial advisors);
- ordinary banking business[7], on the other hand, continued to be affected by the difficult operating environment and in particular by the slowness of the recovery in lending. This business contributed €439.9 million, although with decreases recorded by the following items: factoring (-€3.4 million), payment and collection services (-€6.3 million), current account administration (-€1.4 million) and other services (-€19 million, which include commitment fees down by €11.2 million).
  On the other hand, the item "guarantees" improved in net terms from €2 million to €19.4 million. It included the cost of the guarantee received from the Italian government, which was reduced to zero following the early redemption (on 7th August) of the last €3 billion of the outstanding bonds (UBI Banca had issued a total nominal amount of €6 billion in the first months of 2012 designed to increase assets eligible for refinancing with the ECB and it had made an initial redemption of €3 billion nominal on 7th March 2014). Since the cost is calculated as an annual percentage of the nominal value of the outstanding bonds, the two periods show a significant reduction in the relative expense from €34.8 million in 2013 to the current €18.4 million.

unit compared to the "absolute high water mark", i.e. compared to the highest ever value of a unit previously recorded. These commissions are paid monthly on a final basis with no settlement of balances as opposed to other types of performance fee (against the benchmark) which are constantly disclosed because due to their nature they are not recognised in the accounts until the end of the year – given the impossibility of knowing the amount or whether they are payable beforehand.
In view of this, since 30th June 2014, the relative amounts have been recognised in a the separate item under fee and commission income and this treatment was also followed with regard to the first quarter of the year.

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

7 All the changes were calculated by subtracting commission expense from the respective commission income.

Following the substantial results achieved repeatedly since the first quarter of 2013, the growth in the *result for financial activities* came to a halt, down to €150.5 million from €168.5 million before. In detail:

Net trading income

Figures in thousands of euro	Gains (A)	Profits from trading (B)	Losses (C)	Losses from trading (D)	Net income 9M 2014 [(A+B)-(C+D)]	9M 2013
1. Financial assets held for trading	**4,423**	**52,279**	**(5,239)**	**(13,368)**	**38,095**	**200,661**
1.1 Debt instruments	229	29,657	(523)	(231)	29,132	37,209
1.2 Equity instruments	616	68	(195)	(8)	481	1,624
1.3 Units in UCITS	25	6	(27)	(5)	(1)	34
1.4 Financing	-				-	-
1.5 Other	3,553	22,548	(4,494)	(13,124)	8,483	161,794
2. Financial liabilities held for trading	**-**	**13,176**	**-**	**(3,519)**	**9,657**	**11,760**
2.1 Debt instruments		13,176	-	(3,519)	9,657	11,760
2.2 Payables	-	-	-	-	-	-
2.3 Other	-	-	-	-	-	-
3. Financial assets and liabilities: exchange rate differences	**X**	**X**	**X**	**X**	**1,716**	**(5,470)**
4. Derivative instruments	**340,260**	**293,058**	**(363,523)**	**(275,162)**	**6,979**	**(127,990)**
4.1 Financial derivatives	340,260	293,058	(363,523)	(275,162)	6,979	(127,990)
- on debt instruments and interest rates	*338,339*	*286,966*	*(361,856)*	*(268,526)*	*(5,077)*	*8,902*
- on equity instruments and share indices	*249*	*105*	*(19)*	*(811)*	*(476)*	*(757)*
- on currencies and gold	*X*	*X*	*X*	*X*	*12,346*	*(136,396)*
- other	*1,672*	*5,987*	*(1,648)*	*(5,825)*	*186*	*261*
4.2 Credit derivatives	-	-	-	-	-	-
Total	**344,683**	**358,513**	**(368,762)**	**(292,049)**	**56,447**	**78,961**

Net hedging loss

Figures in thousands of euro	9M 2014	9M 2013
Net hedging loss	**(9,091)**	**(3,746)**

Profit from disposal or repurchase

Figures in thousands of euro	Profits	Losses	Net profit 9M 2014	9M 2013
Financial assets				
1. Loans and advances to banks	-	-	-	-
2. Loans and advances to customers	1,710	(3,254)	(1,544)	(1,033)
3. Available-for-sale financial assets	109,089	(517)	108,572	89,420
3.1 Debt instruments	*89,344*	*(375)*	*88,969*	*47,937*
3.2 Equity instruments	*23*	*(96)*	*(73)*	*41,483*
3.3 Units in UCITS	*19,722*	*(46)*	*19,676*	*-*
3.4 Financing	-	-	-	-
4. Held-to-maturity investments	-	-	-	-
Total assets	**110,799**	**(3,771)**	**107,028**	**88,387**
Financial liabilities				
1. Due to banks	-	-	-	-
2. Due to customers	-	-	-	-
3. Debt securities issued	1,243	(6,317)	(5,074)	1,618
Total liabilities	**1,243**	**(6,317)**	**(5,074)**	**1,618**
Total	**112,042**	**(10,088)**	**101,954**	**90,005**

Net profit on financial assets and liabilities designated at fair value

Figures in thousands of euro	9M 2014	9M 2013
Net profit on financial assets and liabilities designated at fair value	**1,192**	**3,235**

Net income from trading, hedging and disposal/repurchase activities and from assets/liabilities designated at fair value	**150,502**	**168,455**

- trading generated €56.5 million (€79 million in the comparative period) consisting of €38.8 million from debt instruments, of which €29.1 million of net gains from trading and €9.7 million from the closure of all uncovered short positions. Foreign exchange business generated profits[8] of €22.5 million, while derivatives on debt securities and interest rates incurred a loss of €5.1 million;

8 The Group does not enter into speculative positions and the results relate to business with customers and on own behalf generally balanced on the market. As a consequence, the items in question (line items 1.5, 4.1 and 3) must be considered together as a whole.

- the result for hedging, consisting of the change in the fair value of hedging derivatives and the relative items hedged, was a loss of €9.1 million, largely in relation to movements in the value of derivatives on AFS securities and, to a lesser extent, on mortgages and loans (-€3.7 million in 2013 to be interpreted in combination with unwinding phenomena, recognised within item 80 "trading" and shown by the profit of €8.9 million on interest rate derivatives);
- the disposal and repurchase of financial assets and liabilities made a large contribution of €102 million to the result, as follows: €89 million from the sale of approximately €4 billion of Italian government securities; €19.7 million from the disposal of units in UCITS (ETFs, i.e. European equity funds that passively replicate benchmark indexes); -€1.5 million from the disposal of packets of network banks and former B@nca 24-7 non-performing loans and from marginal deteriorated positions (restructured and impaired) relating to the former Centrobanca; and finally -€5.1 million from the repurchase of securities issued as part of direct business with customers.

  In 2013 €90 million was earned as follows: €47.9 million from debt instruments; €41.5 million from equity instruments (€37.7 million from Intesa Sanpaolo shares, €0.6 million from A2A and €1.5 million from the addition to price on the sale in 2008 of Centrale Bilanci – Cerved Group – all normalised figures –, as well as €1.6 million from the complete disposal of the interest held in Unione Fiduciaria); €1.6 million from the repurchase of debt securities issued, which included €4.8 million, non-recurring, from the buyback carried out in September 2013 of callable lower tier two debt maturing in 2018; and finally -€1 million from the disposal of unsecured loans by the network banks and the former B@nca 24-7;
- changes in fair value (relating to investments in Tages Funds, to the residual position in hedge funds and private equity investments classified as designated at fair value since the end of 2012) contributed €1.2 million to the overall result (€3.2 million in 2013).

Other net operating income/expense fell from €85.3 million to €84.5 million, the aggregate result on the one hand of positive results by operating income (+€8.6 million), in relation to expense recoveries on current accounts and on finance lease contracts (a total of +€9.3 million) and on the other hand of an increase in operating expenses (+€9.3 million). This performance was due to reimbursements to Prestitalia customers amounting to approximately €12 million – relating to the company's operations prior to its acquisition by the UBI Banca Group – recognised within prior year expenses (with a provision of €10 million already made in the first quarter within provisions for risks and charges, as the quantification was currently in progress).

Income includes the fast credit processing fee, up by €3.4 million compared with the comparative period.

Other net operating income

Figures in thousands of euro	9M 2014	9M 2013
Other operating income	**126,948**	**118,351**
Recovery of expenses and other income on current accounts	15,739	8,787
Recovery of insurance premiums	17,840	19,399
Recoveries of taxes	141,281	114,266
Rents and other income for property management	3,681	5,350
Recovery of expenses on finance lease contracts	9,440	7,117
Other income and prior year income	80,248	77,698
Reclassification of "tax recoveries"	*(141,281)*	*(114,266)*
Other operating expenses	**(42,427)**	**(33,094)**
Depreciation of leasehold improvements	(3,690)	(3,616)
Costs relating to finance lease contracts	(5,747)	(3,485)
Expenses for public authority treasury contracts	(3,471)	(4,445)
Ordinary maintenance of investment properties	-	-
Other expenses and prior year expense	(33,209)	(25,164)
Reclassification of depreciation of leasehold improvements	*3,690*	*3,616*
Total	**84,521**	**85,257**

From a quarterly viewpoint **operating income** stood at €821.7 million (€834.1 million in the same period of 2013), compared with €882.5 million in the preceding second quarter of 2014. In detail:

Quarterly net interest income

Figures in thousands of euro	2014 3rd Quarter	2014 2nd Quarter	2014 1st Quarter
Banking business with customers	367,739	357,667	360,853
Financial activities	108,334	107,536	105,766
Interbank business	(8,207)	(11,089)	(12,056)
Other items	(81)	(58)	(91)
Net interest income	**467,785**	**454,056**	**454,472**

Taken together the items relate to the results of spot and forward currency trading by customers (transactions closed and/or existing), transactions on behalf of customers balanced operationally by UBI Banca on the market and domestic currency swaps, opened on the two components, always balanced, and certificates of deposit (item 1.5) and the related derivative (item 4.1).
The significant difference with respect to the comparative figures is due mainly to the progressive depreciation of the yen (by 17.4% from December 2012 until September 2014), but also to a decrease in the total of the certificates of deposit swapped with yen (€0.8 billion in December 2012 and €0.5 billion at the end of September 2014).

- *net interest income* rose to €467.8 million, up by €13.7 million[9], due mainly to good performance by business with customers (+€10.1 million), which benefited from a fall in the cost of demand deposits (-€9.3 million) and of debt securities issued above all (-€24.3 million), even in the presence of lower volumes of business (-€2.2 billion over three months), on which growth in the mark-up nevertheless had its effect (approximately 10 basis points). The contribution from the debt securities portfolio remained stable (+€0.8 million, against an increase in the total portfolio of €0.4 billion), while business on the interbank market recorded a fall of €2.9 million in the negative result, due above all to the lower cost of the LTRO funding (0.05% since September 2014);
- *dividends* of €0.4 million relate primarily to the AFS portfolio of the Parent and to the latest annual general meetings of the issuing companies. In the second quarter they amounted to €8.1 million and included €3.1 million from SIA Spa and €1.8 million received on securities held in the BRE and Carime portfolios (of which €1.6 million relating to stakes held in the Bank of Italy and €0.15 million to SIA);
- *profits of equity-accounted investees*, amounting to €8.2 million (down from €9.8 million before), continued to relate mainly to insurance companies;
- *net fee and commission income* totalled €298.5 million (€309.6 million) and included €0.6 million of performance fees, as reported above, relating to UBI Pramerica SGR (€0.5 million in the second quarter). The change was composed as follows: -€12 million for management, trading and advisory services, the result of performance by placement of securities (-€5.9 million), receipt and transmission of orders (-€5 million) and the distribution of third party products and services (-€4.1 million, mainly in relation to insurance products), partly offset by income from portfolio management (+€3.3 million). Banking services (+€0.9 million) recorded general reductions (partly the consequence of seasonal charges occurring in June), which were nevertheless more than offset by the lower cost of the government guarantee, down from €5.6 million in the second quarter to the current €2.7 million;

Quarterly net fee and commission income

Figures in thousands of euro	2014 3rd Quarter	2014 2nd Quarter	2014 1st Quarter
Management, trading and advisory services (net of the corresponding expense items):	**149,001**	**161,021**	**158,322**
trading in financial instruments	2,554	2,456	3,764
portfolio management	67,435	64,093	59,571
custody and administration of securities	358	239	326
placement of securities	40,601	46,511	47,113
receipt and transmission of orders	9,379	14,392	14,482
advisory activities	1,142	920	1,304
distribution of third party services	39,815	43,923	43,113
financial instruments, products and services distributed through indirect networks	(12,283)	(11,513)	(11,351)
Banking services (net of the corresponding expense items):	**149,501**	**148,562**	**141,788**
guarantees	8,454	6,663	4,319
foreign exchange trading	1,607	1,884	1,282
collection and payment services	22,845	25,336	25,412
services for factoring transactions	4,408	4,869	5,187
current account administration	51,521	50,562	47,566
other services	60,666	59,248	58,022
Net fee and commission income	**298,502**	**309,583**	**300,110**

- the *result for financial activities* fell to €13.9 million from €74 million in the second quarter and arose primarily from the disposal of Italian securities (€10.7 million) and from trading (€5.9 million, from currency trading);
- *other net operating income/expense* grew to €33 million (approximately €27 million in the previous period), the aggregate result of lower income (-€8.3 million) due to a seasonal slowdown which affected all items, but above all to a fall in expenses (-€14.3 million), of which €12 million attributable to Prestitalia customer reimbursements recognised in the second quarter of the year.

Quarterly performance by financial activities

Figures in thousands of euro	2014 3rd Quarter	2014 2nd Quarter	2014 1st Quarter
Financial assets held for trading	11,168	5,398	21,529
Financial liabilities held for trading	(402)	3,595	6,464
Other financial liabilities: exchange rate differences	1,241	(1,019)	1,494
Derivative instruments	(6,154)	8,535	4,598
Net trading income	**5,853**	**16,509**	**34,085**
Net hedging income	**(1,696)**	**(3,207)**	**(4,188)**
Total assets	10,049	63,594	33,385
Total liabilities	(1,810)	(1,994)	(1,270)
Profit from disposal or repurchase	**8,239**	**61,600**	**32,115**
Net income (loss) on financial assets and liabilities designated at fair value	**1,464**	**(871)**	**599**
Net income	**13,860**	**74,031**	**62,611**

9 In the periods in question, the one-month Euribor rate fell on average from 0.229% in the second quarter to 0.070% in the third quarter.

Operating expenses fell again in the first nine months of 2014 (-€40.8 million) to reach €1,562.6 million, as a result of the following performances:

- *staff costs* amounted to €976.6 million (+€2.3 million).
As shown in the table, the increase is mainly associated with the item "other employee benefits" (+€3.1 million) and relates both to the release of a provision in 2013, and to expenses resulting from INPS (National Insurance Institute) recommendations concerning "safeguarded personnel" under the Fornero Reform[10].
Employee wages, on the other hand, continued to fall (-€1.2 million), incorporating a reduction in the average work force (-140) partly due to the effects of the exclusion of Banque de Dépôts et de Gestion from the consolidation and to the liquidation of UBI Capital Singapore Pte (-€8.5 million), as well as to reduced expenses on labour costs in relation to trade union agreements signed starting from 29th November 2012, and to the use of the "Ordinary Solidarity Fund". These trends more than offset ordinary growth in wages and also the increase incorporated in the national labour contract (the "separate component of wages") with effect from 1st June 2014 (+€13.2 million);

- *other administrative expenses* fell to €458.3 million, down by €35.7 million, comprised as follows: +€2.7 million from indirect taxation (registration and mortgage related duties on credit recovery procedures and local taxation on properties and services) and -€38.4 million from current expenditure[11] to which Group cost-cutting policies applied together with seasonal factors in the summer months.
This reduction in costs involved the following: rent payable and the tenancy of premises (-€7.7 million, as a result of branch closures, renegotiations of contracts and lower energy consumption); telephone and data transmission services (-€9.5

Staff costs: composition

Figures in thousands of euro	9M 2014	9M 2013
1) Employees	**(964,827)**	**(961,439)**
a) Wages and salaries	(675,774)	(676,944)
b) Social security charges	(184,742)	(181,905)
c) Post-employment benefits	(36,489)	(36,219)
d) Pension expense	-	(941)
e) Provision for post-employment benefits	(2,926)	(3,207)
f) Pensions and similar obligations:	(1,512)	(1,501)
- defined contribution	-	-
- defined benefit	(1,512)	(1,501)
g) Payments to external supplementary pension plans:	(29,846)	(30,242)
- defined contribution	(29,409)	(29,896)
- defined benefit	(437)	(346)
h) Expenses resulting from share based payments	-	-
i) Other employee benefits	(33,538)	(30,480)
2) Other staff in service	**(1,087)**	**(1,183)**
- Expenses for agency staff on staff leasing contracts	(45)	(99)
- Other expenses	(1,042)	(1,084)
3) Directors and statutory auditors	**(10,723)**	**(11,756)**
4) Expenses for retired staff	**-**	**-**
Total	**(976,637)**	**(974,378)**

Other administrative expenses: composition

Figures in thousands of euro	9M 2014	9M 2013
A. Other administrative expenses	**(416,811)**	**(455,160)**
Rent payable	(43,609)	(46,756)
Professional and advisory services	(50,251)	(55,409)
Rentals hardware, software and other assets	(28,607)	(29,596)
Maintenance of hardware, software and other assets	(28,360)	(28,364)
Tenancy of premises	(36,787)	(41,321)
Property maintenance	(17,209)	(18,185)
Counting, transport and management of valuables	(9,584)	(10,030)
Membership fees	(7,114)	(7,503)
Information services and land registry searches	(7,835)	(7,239)
Books and periodicals	(894)	(1,138)
Postal	(14,006)	(17,168)
Insurance premiums	(25,409)	(32,150)
Advertising	(13,156)	(16,346)
Entertainment expenses	(970)	(1,168)
Telephone and data transmission expenses	(32,728)	(42,204)
Services in outsourcing	(36,434)	(32,820)
Travel expenses	(11,955)	(13,484)
Credit recovery expenses	(32,573)	(31,888)
Forms, stationery and consumables	(5,112)	(6,170)
Transport and removals	(4,807)	(5,258)
Security	(6,065)	(6,334)
Other expenses	(3,346)	(4,629)
B. Indirect taxes	**(41,481)**	**(38,789)**
Indirect taxes and duties	(19,573)	(17,710)
Stamp duty	(133,605)	(106,350)
Municipal property tax	(14,396)	(12,905)
Other taxes	(15,188)	(16,090)
Reclassification of "tax recoveries"	*141,281*	*114,266*
Total	**(458,292)**	**(493,949)**

10 The INPS (National Insurance Institute) issued message No. 3591 of 26th March 2014 (Italian Banking Association Circular – Labour Series No. 30 – 16th April 2014) in which it furnished recommendations for application concerning both the effects of the credit pursuant to law No. 214 2011 on the operation of the "Solidarity Fund" and technical pension-related matters. While article 24 of the law mentioned (the "Fornero Reform"), raised the overall requirements in terms of maturity and access to a pension, it provided for the maintenance of prior regulations for pension holders as of 4th December 2011 concerning an extraordinary cheque from the "Solidarity Fund, and also for workers whose access to the fund was provided for by collective labour agreements signed before that same date ("safeguarded" workers).
Issues concerning application addressed the following: i) extension of the payment of an extraordinary cheque as a result of progressive increases in time to maturity for pension requirements; ii) the criteria for calculating the size of the cheque itself and of the related contribution.

11 More specifically, -€5.2 million was due to the exclusion of BDG from the consolidation and the liquidation of UBI Capital Singapore Pte.

million, in relation to the renegotiation of contracts); professional and advisory services (-€5.2 million, partly due to the absence of costs incurred for the validation of advanced internal methods); insurance premiums (-€6.7 million partly due to reduced volumes of business); advertising and promotion expenses (-€3.2 million in relation mainly to the 2013 IW Bank radio advertising campaign and to some sponsorships, including Assiom Forex 2013), postal expenses (-€3.2 million, due to less hardcopy mailing and lower unit costs). These savings were only partly offset by increased expenses relating to the outsourcing of services (+€3.6 million, for the start of a new "Monetica" – payment card – model), to credit recovery (+€0.7 million) and to information requests and land registry searches (+€0.6 million);

- *depreciation, amortisation and net impairment losses on property, plant and equipment and intangible assets* fell to €127.7 million (-€7.4 million) attributable to less depreciation and amortisation on IT components (hardware peripherals and software) and on properties (due to branch closures) and as a result of the disposal of BDG (-€€2.7 million), notwithstanding the write-off of the Prestitalia IT platform (€1.5 million non-recurring).

The level of **operating expenses** was also again reduced on a quarterly basis to €518.3 million (€531.5 million in the same quarter of 2013) compared with €523.1 million in the period April-June 2014.
A comparison with the preceding second quarter shows a fall of €4.8 million, affected by some seasonal expense factors, composed as follows:

- *staff costs* up by €6.9 million (€328.7 million). Wages in particular increased by €9.9 million as a result of ordinary growth, but due above all to an increase under the national labour contract (+€5.1 million for a "separate wage item" which has effect from the 1st June 2014). This increase was partially offset by the absence of expenses recognised in the second quarter – in line item 1 i) – for staff "safeguarded" by the Fornero Reform;

- a fall in *other administrative expenses* of €11.5 million (€147.1 million) related almost entirely to current expenses (given the stability of indirect taxation) and affected by the different timing of invoices, concentrated above all in June and December. More specifically, the following decreased: professional services (following the commencement in the second quarter of new projects relating to the "New Digital Bank", "Single European Supervision" and "Cost Optimisation"), advertising expenses (the advertising campaign "Flexible mortgages" had been run in the second quarter), credit recovery expenses and outsourced services. These trends were partly offset by increases in insurance premiums, tenancy of

Quarterly performance of staff costs

Figures in thousands of euro	2014 3rd Quarter	2014 2nd Quarter	2014 1st Quarter
1) Employees	**(324,713)**	**(318,124)**	**(321,990)**
a) Wages and salaries	(229,801)	(219,934)	(226,039)
b) Social security charges	(61,414)	(61,488)	(61,840)
c) Post-employment benefits	(12,414)	(12,119)	(11,956)
d) Pension expense	14	(14)	-
e) Provision for post-employment benefits	(834)	(1,103)	(989)
f) Pensions and similar obligations	(534)	(462)	(516)
g) Payments to external supplementary pension plans:	(10,042)	(9,826)	(9,978)
h) Expenses resulting from share based payments	-	-	-
i) Other employee benefits	(9,688)	(13,178)	(10,672)
2) Other staff in service	**(276)**	**(453)**	**(358)**
3) Directors	**(3,705)**	**(3,272)**	**(3,746)**
4) Expenses for retired staff	-	-	-
Total	**(328,694)**	**(321,849)**	**(326,094)**

Quarterly performance of other administrative expenses

Figures in thousands of euro	2014 3rd Quarter	2014 2nd Quarter	2014 1st Quarter
A. Other administrative expenses	**(133,405)**	**(144,761)**	**(138,645)**
Rent payable	(14,298)	(14,454)	(14,857)
Professional and advisory services	(16,384)	(19,573)	(14,294)
Rentals on hardware, software and other assets	(9,242)	(9,463)	(9,902)
Maintenance of hardware, software and other assets	(9,652)	(9,423)	(9,285)
Tenancy of premises	(12,433)	(11,401)	(12,953)
Property and equipment maintenance	(6,129)	(6,603)	(4,477)
Counting, transport and management of valuables	(3,239)	(3,157)	(3,188)
Membership fees	(2,311)	(2,471)	(2,332)
Information services and land registry searches	(2,556)	(2,676)	(2,603)
Books and periodicals	(232)	(309)	(353)
Postal	(4,224)	(3,953)	(5,829)
Insurance premiums	(8,684)	(6,623)	(10,102)
Advertising	(2,527)	(7,361)	(3,268)
Entertainment expenses	(159)	(511)	(300)
Telephone and data transmission expenses	(11,119)	(10,566)	(11,043)
Services in outsourcing	(11,078)	(12,852)	(12,504)
Travel expenses	(3,425)	(4,152)	(4,378)
Credit recovery expenses	(10,391)	(12,150)	(10,032)
Forms, stationery and consumables	(1,553)	(1,704)	(1,855)
Transport and removals	(1,461)	(1,733)	(1,613)
Security	(1,895)	(2,028)	(2,142)
Other expenses	(413)	(1,598)	(1,335)
B. Indirect taxes	**(13,673)**	**(13,837)**	**(13,971)**
Total	**(147,078)**	**(158,598)**	**(152,616)**

premises expenses, telephone and data transmission expenses and postal expenses connected with half yearly reports;

- a fall of €0.2 million in *depreciation, amortisation and net impairment losses* on property, plant and equipment and intangible assets (€42.5 million, which included a non-recurring items of €1.5 million relating to the write-off of Prestitalia software components).

As a summary of overall performance in the first nine months of the year, **net operating income** reached almost €995 million, up by 12.7% compared with €882.9 million in the comparative period.
On a quarterly basis, net operating income came to €303.4 million (€302.6 million in the same quarter of 2013), compared with €359.4 million in the previous three months of 2014.

Net impairment losses on loans rose in the reporting period to €626.2 million (up by €49.5 million compared with the first nine months of 2013) and they were mainly composed of €437.6 million (€349.1 million) relating to the network banks and €170.8 million (€221.2 million) to the product companies (inclusive of UBI Banca, in relation to operations acquired with the mergers of the former B@nca 24-7 and the former Centrobanca).
The total was driven on the one hand by specific net impairment losses on deteriorated loans of €659.7 million (+€98.9 million, of which +€120.6 million relating to the network banks and -€32 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[12]) and on the other hand by net reversals of impairment losses on performing loans of €33.6 million.
The latter resulted from portfolio reversals for network banks amounting to €5.8 million and from reversals relating to other product companies amounting to €28 million (of which €13.6 million relating to UBI Banca) and they mainly reflected the significant reduction in progress in volumes of business.
Specific net impairment losses included reversals (net of present value discounts) of €146.1 million[13] (€133 million in 2013).

Although a significant reduction was recorded in migrations from performing loans to deteriorated categories (-€1.1 billion year-on-year), the first nine months of 2014 again recorded an increase in the need to recognise impairment on loan portfolios, in relation to greater reclassifications out of the "impaired" category into "non-performing" status (in relation to migrations to problem loan status that occurred in 2012 and 2013), which are associated with higher levels of coverage.

Net impairment losses on loans: composition

Figures in thousands of euro	Impairment losses/reversals of impairment losses, net		9M 2014	Impairment losses/reversals of impairment losses, net		3rd Quarter 2014
	Specific	Portfolio		Specific	Portfolio	
Loans and advances to banks	-	-	-	-	-	-
Loans and advances to customers	(659,718)	33,567	(626,151)	(210,219)	13,169	(197,050)
Total	**(659,718)**	**33,567**	**(626,151)**	**(210,219)**	**13,169**	**(197,050)**

Figures in thousands of euro	Impairment losses/reversals of impairment losses, net		9M 2013	Impairment losses/reversals of impairment losses, net		3rd Quarter 2013
	Specific	Portfolio		Specific	Portfolio	
Loans and advances to banks	-	217	217	-	-	-
Loans and advances to customers	(560,781)	(16,077)	(576,858)	(192,435)	(314)	(192,749)
Total	**(560,781)**	**(15,860)**	**(576,641)**	**(192,435)**	**(314)**	**(192,749)**

As a consequence, amongst other things, of the decrease in total loans, the loan loss rate (calculated as total net impairment losses as a percentage of net loans to customers) rose from 0.86% in the period January-September of 2013 to 0.98% in 2014 (annualised data), compared with 1.07% recorded for the full year 2013.

12 In view of the distribution plan under the creditor arrangement proceedings, in the first quarter of the year the position was written down by a further €13.7 million. In the first half of 2013, the Group had written down the same position by €22 million, of which only €4.7 million relating to UBI Banca International Luxembourg.
13 The amount includes €5.6 million from the closure in the second quarter of the year of positions relating to United States companies in the Lehman Group.

In quarterly terms, *net impairment losses* – which incorporated seasonal changes typical of the summer months – fell from €230.5 million in the second quarter to the current €197 million, the result above all of specific impairment losses recognised (-€27.1 million). Although the context is still one of serious difficulties, the third quarter confirmed the basic stability of migrations out of performing status, now at levels much lower than those of 2013, but it nevertheless saw the need for recognition of impairment connected with migrations of deteriorated positions from "impaired" status to the "non-performing" category, even if these are decreasing.
The decrease in total impairment recognised (-€33.4 million) not only incorporated lower specific net impairment losses (which benefited from reversals – not including present value discounts – of €22.7 million), but also recorded further reversals of €6.4 million for performing loans (after reversals of €6.8 million recorded in the second quarter of 2014).
The loan loss rate for the period stood at 0.93% after 1.06% recorded in the previous three months (annualised data).

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

Figures in thousands of euro	Specific	Portfolio	1st Quarter	Specific	Portfolio	2nd Quarter	Specific	Portfolio	3rd Quarter	Specific	Portfolio	4th Quarter
2014	(212,210)	13,584	**(198,626)**	(237,289)	6,814	**(230,475)**	(210,219)	13,169	**(197,050)**			
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)**

The following was also recognised in the income statement in the first nine months of the year:

- €2.3 million of *net impairment losses on other financial assets/liabilities* composed as follows: -€0.7 million, non-recurring, for the impairment loss on the investment held by BRE in G.E.C. Spa – Gestione Esazioni Convenzionate, following the disclosure by the company of expected losses for 2014; -€1.9 million for impairment losses relating to shares and mainly to units in UCITS held in portfolio by UBI Banca; +€0.7 million for a reversal of the impairment on two bonds held by the Parent; and approximately -€0.4 million relating to net impairment losses on unsecured guarantees (item 130d).
  In 2013 net impairment losses of €22.3 million were recognised relating to non-recurring impairment of instruments held in the AFS portfolio totalling €23 million composed as follows: €9.4 million relating to a financial instrument previously held in the Centrobanca portfolio; €3.9 million relating to the Centrobanca Sviluppo Impresa Fund; €2.5 million to a bond issued by a bank; and the remaining part[14] to UCIT units and equity instruments;
- €4 million of *net provisions for risks and charges*, the aggregate result of provisions for revocation (clawback) actions and litigation, due to legal action taken by different types of counterparty (all involving relatively small amounts), and the release of a provision made in prior years amounting to €2.4 million due to the conclusion of the relative litigation.
  In 2013 provisions of €14.3 million were made as follows: €2.9 million by Prestitalia (for the insourcing of activities carried out by external financial companies and for the settlement of outstanding items generated by the records system); €2.7 million by UBI Leasing (for cleanup action on a property); €1.6 million, non-recurring, by BRE (relating to the replenishment of G.E.C. Spa losses and the full write-off of the investment following a judicial investigation); €1.5 million by the Parent for expenses relating to the liquidation of an investee;
- €0.3 million of *net losses on equity investments*, as a result of the settlement of the balance on the price made necessary subsequent to the disposal of the subsidiary BDG (-€0.9 million normalised), partly offset by profits (€0.5 million) realised by BPB Immobiliare on the disposal of assets, as part of a process to rationalise residential assets.

Net provisions for risks and charges

Figures in thousands of euro	9M 2014	9M 2013
Net provisions for revocation clawback risks	(260)	(1,446)
Net provisions for staff costs	(38)	312
Net provision for bonds in default	25	286
Net provisions for litigation	(6,277)	(5,805)
Other net provisions for risks and charges	2,599	(7,680)
Total	**(3,951)**	**(14,333)**

14 This included €142 thousand non-recurring relating to the full write-off of the investment in G.E.C. Spa.

In 2013 a profit of €0.2 million had been realised consisting primarily of a gain of €0.6 million on the disposal of a property by Banco di Brescia and of a non-recurring loss of €0.5 million from the full write off of the investment in HRS – Help Rental Service Srl in liquidation.

As a result of the performance described above, **profit on continuing operations before tax** improved significantly to €362.3 million, an increase of 34.3% compared with €269.8 million in 2013.

On a quarterly basis, continuing operations gave rise to a profit before tax of approximately €105 million (almost unchanged compared with €101.2 million earned in the same quarter of 2013), but down on the €132.8 million recognised in the second quarter of 2014.

Taxes on income for the period from continuing operations were €187.5 million and included the following two non-recurring expense items:

- €19.6 million for an adjustment to IRAP (regional production tax) deferred tax assets (stated net of IRAP deferred tax liabilities) already recognised in the financial statements for the year ended 31st December 2013, due to a reduction in the IRAP tax rate from 4.65% to 4.20% (the 0.92% surtax was unchanged) introduced by Decree Law No. 66/2014 with effect from the financial year 2014 (of which €17.9 million related of the Parent principally in relation to realigned goodwill[15]). This expense, charged to the income statement from the second quarter of 2014, may not be payable by the end of year if a provision is confirmed contained in the draft proposal for the 2015 *Legge di stabilità* ("stability law" – annual finance law) to cancel the reduction in the IRAP rate pursuant to Decree Law No. 66/2014 and return to the ordinary rates immediately in 2014 (a base rate of 4.65% for banks plus surtaxes);
- €4.5 million for the change in the substitute tax on the new profit-sharing stakes held in the Bank of Italy[16]. Decree Law No. 66/2014, converted into Law No. 89/2014, raised the substitute tax rate to 26% from the previous 12%.

If the amounts are normalised, taxation in 2014 is almost stable at €163.9 million compared with €157.4 million before, to give a *tax rate* of 44.87% (with IRAP accounting for 13.78%), compared with 62.85% in 2013 (with IRAP accounting for 28.8%).

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

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

- the partial non-deductibility of interest expense (4%), introduced by Law No. 133/2008 (3.7 percentage points);
- the higher taxation on dividends eliminated in the consolidation (2.4 percentage points);
- non-tax deductible expenses, costs, impairment losses and provisions (4.6 percentage points);
- losses of Group companies not recoverable for tax purposes (1.2 percentage points);
- the non-deductibility of staff costs and the partial non-deductibility of other administrative expenses and depreciation and amortisation for IRAP purposes (8.7 percentage points).

These impacts were only partially cushioned by the following: the valuation of equity investments according to the equity method not significant for tax purposes (2.6 percentage points); the *Aiuto alla crescita economica* (ACE – "aid to economic growth") concessions (3 percentage points); the deduction for IRES purposes of an amount equal to the IRAP corresponding to the taxable portion of employee and similar staff costs and a lump sum deduction of 10% (2.3 percentage points); a deduction from the IRAP tax base of the impairment losses not deducted in prior years (recognised since 2008) on assets disposed of during the year (0.5 percentage points).

On a quarterly basis normalised taxes amounted to €52.6 million (to give a tax rate of 49.42%), compared with €47.9 million in the same quarter of 2013 (63.35%), but fully in line with taxes in the second quarter of 2014 (€52.6 million, 39.41%).

As a result of the performance reported and also of the profits earned by Group banks and companies, *profit for the period attributable to non-controlling interests* (inclusive of the effects of consolidation entries) improved to €24.9 million from €18.3 million in 2013.

Profit attributable to non-controlling interests in the quarter was €9.2 million, a recovery compared with €5.7 million in the same quarter of 2013 and also with €8.1 million in the previous three months of the year.

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

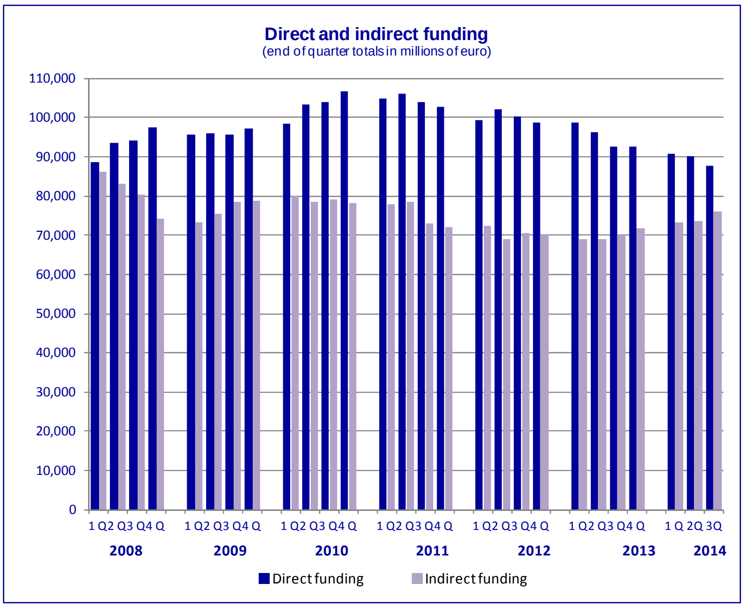
16 The Group had recognised a gain of €29.2 million in the financial statements for the year ended 31st December 2013 on the new profit sharing stakes held by BRE and Carime in the Bank of Italy after the approval of an increase in the capital pursuant to Decree Law No. 133/2013 converted with amendments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

The comments that follow are based on items in the consolidated balance sheet contained in the reclassified consolidated financial statements on which the relative tables furnishing details are also based. The section "Consolidated companies: the principal figures" may be consulted for information on individual banks and Group member companies.

General banking business with customers: funding

Total funding

Total Group funding consisting of total amounts administered on behalf of customers amounted to €164 billion as at 30th September 2014, up by €1.1 billion year-on-year and more or less stable compared with December and June. The downward trend for direct funding (-€4.9 billion year-on-year, -€4.7 billion since December and -€2.3 billion in the third quarter) was offset by growth in the indirect component (+€6 billion, +€4.5 billion and +€2.5 billion respectively).



Total funding from customers

Figures in thousands of euro	30.9.2014 A	%	31.12.2013 B	%	Changes A/B amount	Changes A/B %	30.9.2013 C	%	Changes A/C amount	Changes A/C %
Direct funding	87,853,705	53.6%	92,603,936	56.4%	-4,750,231	-5.1%	92,768,501	57.0%	-4,914,796	-5.3%
Indirect funding	76,148,088	46.4%	71,651,786	43.6%	4,496,302	6.3%	70,101,804	43.0%	6,046,284	8.6%
of which: assets under management	*42,262,033*	*25.8%*	*39,553,848*	*24.1%*	2,708,185	6.8%	*39,353,072*	*24.2%*	*2,908,961*	*7.4%*
Total funding from customers	**164,001,793**	**100.0%**	**164,255,722**	**100.0%**	**-253,929**	**-0.2%**	**162,870,305**	**100.0%**	**1,131,488**	**0.7%**
Total funding net of CCG and institutional funding	150,127,252		146,312,120		3,815,132	2.6%	145,378,327		4,748,925	3.3%

The current economic uncertainty and weak demand for loans resulted in less need for both short-term and medium to long-term funding: business with institutional clients (bond issuances and repurchase agreements) consequently reduced, while commercial policies for products and services to customers gave priority to assets under management and insurance products.

Total funding from customers

Figures in thousands of euro	30.9.2014 A	%	30.6.2014 D	%	Changes A/D amount	Changes A/D %
Direct funding	87,853,705	53.6%	90,175,601	55.0%	-2,321,896	-2.6%
Indirect funding	76,148,088	46.4%	73,666,835	45.0%	2,481,253	3.4%
of which: assets under management	*42,262,033*	*25.8%*	*40,762,807*	*24.9%*	1,499,226	3.7%
Total funding from customers	**164,001,793**	**100.0%**	**163,842,436**	**100.0%**	**159,357**	**0.1%**
Total funding net of CCG and institutional funding	150,127,252		147,648,169		2,479,083	1.7%

Net of the institutional components mentioned above, total Group core funding recorded progressive growth from €145.4 billion in September 2013 to over €150 billion at present. This performance was driven by positive results for indirect funding – due partly to favourable developments on financial markets in the first half – to which customers directed their preferences, in search of new investment opportunities in a scenario of particularly low market interest rates.

Direct funding

Direct funding as at 30th September 2014 stood at €87.9 billion, down year-on-year due to a reduction in amounts due to customers added to in the third quarter by a contraction in debt securities in issue.
The overall performance was affected to a significant extent by institutional components included within the item, while the ratio of core structural funding (funding from ordinary customers) to loans, which was greater than 85%, was not impacted (87.1% as at 30th September due to a further reduction in the loan portfolio).

In detail **amounts due to customers** fell to €45.6 billion (-€5.6 billion year-on-year, -€5.1 billion since December and -€1.5 billion since June) as a result of the following:

- primarily, less recourse (-€4.8 billion over twelve months) to short-term borrowing in the form of repurchase agreements with the *Cassa di Compensazione e Garanzia* (CCG – a central counterparty clearing house), consistent with the greater liquidity available to the Group;
- the progressive decrease in *term deposits* (-€1.1 billion year-on-year) due to the absence of deposits by corporate clients of UBI Banca International and the private banking and affluent segments of the network banks in relation to action taken to optimise the cost of term forms of funding, in progress since 2013.

Debt securities issued – over 95% of which bonds – amounted to €42.3 billion (+€0.7 billion compared with a year before; +€0.4 billion over nine months and -€0.8 billion in the third quarter) of which €4 billion were subordinated securities (€5.07 billion in September 2013, €4.7 billion in December 2013 and €4 billion in June 2014).

The progressive decrease in amounts of subordinated instruments is mainly attributable to the following factors:

- *the accumulation of repayment instalments on some instruments;*
- *the elimination of the subordination clause on the only outstanding EMTN instrument as at 30th September 2013 amounting to €111.3 million (the issue was subject to an invitation in September 2013 to bondholders to offer their securities for sale. The operation involved the conversion of the remaining securities in issue after the offer into unsecured senior instruments from 30th October 2013, the payment date for quarterly interest);*
- *the early redemption in the first quarter of 2014 of preference shares valued at €340 million in the balances both for September and December 2013.*

In terms of type of instrument, *bonds* amounting to €40.5 billion increased year-on-year (+€1.6 billion) and over nine months (+€0.8 billion), but fell compared with June (-€0.6 billion) affected by maturities of EMTN securities, not offset by issuances. *Certificates of deposit* (€1.6 billion) fell with respect to all the comparative periods, due above all to the decrease in business with ordinary customers, while the downtrend for other certificates (-€0.2 billion, consisting solely of commercial paper) incorporated the early redemption of preference shares, mentioned above (€340 million nominal), that occurred in the first quarter of the year.

In terms of type of customer, FUNDING IN SECURITIES FROM INSTITUTIONAL CUSTOMERS totalled €13.1 billion – compared with €12 billion a year before, €12.4 billion in December and €13.9 billion in June – continuing to represent a small percentage of total direct funding.
The high liquidity present in the Group led to a suspension of issuances on institutional markets after the placements carried out at the end of 2013 and the beginning of 2014, notwithstanding the interest and requests expressed by investors for a return by UBI Banca to international debt markets. This return occurred at the beginning of November with a ten-year covered bond issue for €1 billion.

Direct funding from customers

Figures in thousands of euro	30.9.2014 A	%	31.12.2013 B	%	Changes A/B amount	Changes A/B %	30.9.2013 C	%	Changes A/C amount	Changes A/C %
Current accounts and deposits	42,831,393	48.7%	42,627,265	46.0%	204,128	0.5%	42,611,712	45.9%	219,681	0.5%
Term deposits	577,702	0.7%	1,014,170	1.1%	-436,468	-43.0%	1,644,717	1.8%	-1,067,015	-64.9%
Financing	1,560,227	1.8%	6,232,361	6.7%	-4,672,134	-75.0%	6,263,700	6.8%	-4,703,473	-75.1%
- repurchase agreements	*1,031,658*	*1.2%*	*5,756,598*	*6.2%*	*-4,724,940*	*-82.1%*	*5,816,163*	*6.3%*	*-4,784,505*	*-82.3%*
of which: repos with the CCG	*725,475*	*0.8%*	*5,499,671*	*5.9%*	*-4,774,196*	*-86.8%*	*5,520,968*	*6.0%*	*-4,795,493*	*-86.9%*
- other	*528,569*	*0.6%*	*475,763*	*0.5%*	*52,806*	*11.1%*	*447,537*	*0.5%*	*81,032*	*18.1%*
Other payables	612,503	0.7%	828,361	1.0%	-215,858	-26.1%	702,754	0.8%	-90,251	-12.8%
Total amounts due to customers (item 20 liabilities)	**45,581,825**	**51.9%**	**50,702,157**	**54.8%**	**-5,120,332**	**-10.1%**	**51,222,883**	**55.3%**	**-5,641,058**	**-11.0%**
Bonds	40,536,551	46.1%	39,773,397	42.9%	763,154	1.9%	38,975,156	42.0%	1,561,395	4.0%
Certificates of deposit (a)+(d)	1,582,986	1.8%	1,774,941	1.9%	-191,955	-10.8%	2,150,421	2.3%	-567,435	-26.4%
Other certificates (b)+(c)	152,343	0.2%	353,441	0.4%	-201,098	-56.9%	420,041	0.4%	-267,698	-63.7%
Total debt securities issued (item 30 liabilities)	**42,271,880**	**48.1%**	**41,901,779**	**45.2%**	**370,101**	**0.9%**	**41,545,618**	**44.7%**	**726,262**	**1.7%**
of which:										
securities subscribed by institutional customers:	13,149,066	15.0%	12,443,931	13.4%	705,135	5.7%	11,971,010	12.9%	1,178,056	9.8%
The EMTN programme (*)	*3,613,555*	*4.1%*	*4,157,406*	*4.5%*	*-543,851*	*-13.1%*	*5,062,255*	*5.5%*	*-1,448,700*	*-28.6%*
French certificates of deposit programme (a)	*499,915*	*0.6%*	*225,027*	*0.2%*	*274,888*	*122.2%*	*236,029*	*0.3%*	*263,886*	*111.8%*
The euro commercial paper programme (b)	*152,343*	*0.2%*	*13,445*	*0.0%*	*138,898*	*n.s.*	*80,050*	*0.1%*	*72,293*	*90.3%*
The covered bond programme	*8,883,253*	*10.1%*	*7,708,057*	*8.3%*	*1,175,196*	*15.2%*	*6,252,685*	*6.7%*	*2,630,568*	*42.1%*
Preference shares (**) (c)	*-*	*-*	*339,996*	*0.4%*	*-339,996*	*-100.0%*	*339,991*	*0.3%*	*-339,991*	*-100.0%*
securities subscribed by ordinary customers:	28,949,141	33.0%	29,319,478	31.7%	-370,337	-1.3%	29,439,083	31.8%	-489,942	-1.7%
of the Group:										
- Certificates of deposit (d)	*1,083,071*	*1.2%*	*1,549,914*	*1.7%*	*-466,843*	*-30.1%*	*1,914,392*	*2.1%*	*-831,321*	*-43.4%*
- Bonds:	*24,559,417*	*28.0%*	*24,085,839*	*26.0%*	*473,578*	*2.0%*	*23,754,713*	*25.6%*	*804,704*	*3.4%*
issued by UBI Banca	*17,738,583*	*20.2%*	*12,736,571*	*13.7%*	*5,002,012*	*39.3%*	*10,940,621*	*11.8%*	*6,797,962*	*62.1%*
issued by the network banks	*6,820,834*	*7.8%*	*11,349,268*	*12.3%*	*-4,528,434*	*-39.9%*	*12,814,092*	*13.8%*	*-5,993,258*	*-46.8%*
external distribution networks:										
- Bonds issued by the former Centrobanca	*3,306,653*	*3.8%*	*3,683,725*	*4.0%*	*-377,072*	*-10.2%*	*3,769,978*	*4.1%*	*-463,325*	*-12.3%*
Total direct funding	**87,853,705**	**100.0%**	**92,603,936**	**100.0%**	**-4,750,231**	**-5.1%**	**92,768,501**	**100.0%**	**-4,914,796**	**-5.3%**
Due to customers net of the CCG	*44,856,350*		*45,202,486*		*-346,136*	*-0.8%*	*45,701,915*		*-845,565*	*-1.9%*
Total direct funding net of the CCG and institutional funding	*73,979,164*		*74,660,334*		*-681,170*	*-0.9%*	*75,276,523*		*-1,297,359*	*-1.7%*

(*) The corresponding nominal amounts were €3,528 million as at 30th September 2014, €4,125 million as at 31st December 2013 and €4,977 million (€111 million subordinated) as at 30th September 2013. The amounts shown in the table do not include private placements of an "intragroup" nature, which were therefore eliminated in the consolidation (€8 million as at 30th September 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.

In detail, institutional funding was composed as follows:

- EMTN securities (Euro Medium Term Notes) amounting to €3.6 billion, listed in Dublin[1] and issued as part of a programme for a maximum issuance of €15 billion.
  Only two issuances were made over twelve months for €1.750 billion nominal (€750 million in October 2013 and €1 billion in February 2014), against maturities, redemptions and repurchases for a total of €3.199 billion nominal – of which €1.597 billion in the first nine months of 2014 and €0.691 billion in the third quarter alone – which caused a decrease in the total compared with all the comparative periods.
- covered bonds amounting to €8.9 billion, were up on both September and December 2013 due to total placements for €2.5 billion nominal (€1.25 billion in October 2013 with the issue subsequently reopened for €0.25 billion in December and €1 billion in January 2014) offset by marginal decreases (€50.5 million over twelve months) connected with annual repayments on two "amortising" instruments (the marginal change shown in the table in the period July-September 2014 is due solely to accounting valuation effects).
  UBI Banca had ten covered bonds in issue as at 30th September under the first "multioriginator" programme backed by residential mortgages with a €15 billion ceiling[2] for a nominal amount of €8.14 billion (net of amortisation totalling €109.9 million)[3]. The securities are traded in Dublin[4].

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1 The notes in issue were admitted for listing on the Dublin stock exchange on 23rd June 2014 with the transfer of the programme on the following 25th July 2014. The delisting from the London stock exchange where they were previously listed took effect from 24th of October 2014.

2 The ceiling was increased with respect to the previous €10 billion at the time of the annual renewal of the programme on 25 th July 2014.

3 Two self-retained issuances for a total €1.7 billion nominal also existed under that same programme as at 30th September, an issue for €1 billion in December 2013 and one for €0.7 billion in March 2014. A new issuance for €700 million was carried out in October. Because these were repurchased by UBI Banca, these liabilities have not been recognised, in accordance with IFRS.

4 The notes in issue were admitted for listing on the Dublin stock exchange in May 2014 with the transfer of the programme on the following 25th July 2014. The delisting from the London stock exchange where they were previously listed took effect from 24th October 2014.

Direct funding from customers

Figures in thousands of euro	30.9.2014 A	%	30.6.2014 D	%	Changes A/D amount	Changes A/D %
Current accounts and deposits	42,831,393	48.7%	42,504,977	47.2%	326,416	0.8%
Term deposits	577,702	0.7%	853,934	0.9%	-276,232	-32.3%
Financing	1,560,227	1.8%	2,941,959	3.3%	-1,381,732	-47.0%
- repurchase agreements	*1,031,658*	*1.2%*	*2,516,776*	*2.8%*	-1,485,118	-59.0%
of which: repos with the CCG	*725,475*	*0.8%*	*2,255,084*	*2.5%*	-1,529,609	-67.8%
- other	*528,569*	*0.6%*	*425,183*	*0.5%*	103,386	24.3%
Other payables	612,503	0.7%	825,658	0.9%	-213,155	-25.8%
Total amounts due to customers (item 20 liabilities)	**45,581,825**	**51.9%**	**47,126,528**	**52.3%**	**-1,544,703**	**-3.3%**
Bonds	40,536,551	46.1%	41,096,164	45.6%	-559,613	-1.4%
Certificates of deposit (a)+(d)	1,582,986	1.8%	1,743,734	1.9%	-160,748	-9.2%
Other certificates (b)	152,343	0.2%	209,175	0.2%	-56,832	-27.2%
Total debt securities issued (item 30 liabilities)	**42,271,880**	**48.1%**	**43,049,073**	**47.7%**	**-777,193**	**-1.8%**
of which:						
securities subscribed by institutional customers:	13,149,066	15.0%	13,939,183	15.5%	-790,117	-5.7%
The EMTN programme (*)	*3,613,555*	*4.1%*	*4,273,586*	*4.7%*	-660,031	-15.4%
French certificates of deposit programme (a)	*499,915*	*0.6%*	*636,403*	*0.7%*	-136,488	-21.4%
The euro commercial paper programme (b)	*152,343*	*0.2%*	*209,175*	*0.2%*	-56,832	-27.2%
The covered bond programme	*8,883,253*	*10.1%*	*8,820,019*	*9.9%*	63,234	0.7%
securities subscribed by ordinary customers:	28,949,141	33.0%	28,941,740	32.1%	7,401	0.0%
of the Group:						
- Certificates of deposit (d)	*1,083,071*	*1.2%*	*1,107,331*	*1.2%*	-24,260	-2.2%
- Bonds:	*24,559,417*	*28.0%*	*24,408,090*	*27.1%*	151,327	0.6%
issued by UBI Banca	*17,738,583*	*20.2%*	*16,324,310*	*18.1%*	1,414,273	8.7%
issued by the network banks	*6,820,834*	*7.8%*	*8,083,780*	*9.0%*	-1,262,946	-15.6%
external distribution networks:						
- Bonds issued by the former Centrobanca	*3,306,653*	*3.8%*	*3,426,319*	*3.8%*	-119,666	-3.5%
Total direct funding	**87,853,705**	**100.0%**	**90,175,601**	**100.0%**	**-2,321,896**	**-2.6%**
Due to customers net of the CCG	*44,856,350*		*44,871,444*		-15,094	0.0%
Total direct funding net of the CCG and institutional funding	*73,979,164*		*73,981,334*		-2,170	0.0%

(*) The corresponding nominal amounts were €3,528 million as at 30th September 2014 and €4,219 million as at 30th June 2014.

As at 30th of September 2014 the residential mortgage asset pool formed at UBI Finance to back the issuances amounted to €14.3 billion, of which 22.1% originated by Banca Popolare di Bergamo, 17.7% by Banco di Brescia, 14.7% by Banca Popolare Commercio e Industria, 13.7% by UBI Banca, approximately 12.2% by Banca Regionale Europea, 9.1% by Banca Popolare di Ancona, 7.2% by Banca Carime, 1.7% by Banca di Valle Camonica and 1.6% by UBI Banca Private Investment.
The portfolio continued to present a high degree of fragmentation, including over 184 thousand mortgages with average residual debt of €77.5 thousand, distributed with approximately 63.8% in North Italy and in Lombardy especially (44.5% of the total).
The first transfer of residential mortgages to the programme was made in 2014 with value date 1st June by Banca Popolare Commercio e Industria, Banca Popolare di Ancona, Banca Carime and Banca Regionale Europea for a total of €625 million of remaining debt.
Subsequently, after the end of the third quarter, with value date 1st November, the second transfer was made for approximately €600 million of remaining debt by Banca Popolare di Bergamo, Banco di Brescia, UBI Banca, Banca di Valle Camonica and UBI Banca Private Investment.

A second programme, again "multioriginator", is also operational with a ceiling of €5 billion, backed by commercial mortgages and by residential mortgages not used in the first programme. So far this programme, listed on the Dublin stock exchange[5], has only been used for self retained issuances[6].

As at 30th September 2014, the commercial and residential mortgage asset pool formed at UBI Finance CB2 to back the issuances totalled €3.1 billion, of which 20.9% originated by Banca Popolare di Bergamo, 19.7% by Banca Regionale Europea, 17.6% by Banco di Brescia, 17.4% by Banca Popolare di Ancona, 10.4% by Banca Popolare Commercio e Industria, 10.4% by Banca Carime and 3.6% by Banca di Valle Camonica.
The portfolio included approximately 26 thousand mortgages with average residual debt of €118.6 thousand, distributed, as for the first programme, with a high concentration (67.4%) in North Italy and in Lombardy especially (42.5% of the total).

5 The programme was transferred to the Dublin stock exchange on 29th July 2014. The delisting from the London stock exchange took effect from 24th October 2014.
6 Two issuances in 2012 for a total of €1.94 billion nominal (net of the amortisation instalments falling due in the meantime) and a €0.2 billion issuance in March 2014. Because these were repurchased by UBI Banca, these liabilities have not been recognised, in accordance with IFRS.

A transfer of mortgages was made in 2014 with value date 1st May by Banca Popolare Commercio e Industria, Banca Popolare di Ancona, Banca Carime and Banca Regionale Europea for a total remaining debt of approximately €175 million.

- French certificates of deposit amounting to €500 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 €152 million, again issued by UBI Banca International as part of a €6 billion programme also listed in Luxembourg. The abundant liquidity present at system level allowed a moderate recovery for business in these short-term instruments during the year. The decreases that occurred during the quarter were due to the maturities in that period.

FUNDING IN SECURITIES FROM ORDINARY CUSTOMERS – consisting almost entirely of bonds (96.3%) – amounted to €28.9 billion, unchanged compared with June and slightly down from €29.4 billion twelve months before and from €29.3 billion in December.
Within the item, captive bonds (€24.6 billion) maintained a positive trend although in different directions for UBI Banca issuances (+€6.8 billion year-on-year, +€5 billion compared with December and +€1.4 billion since June) and for those of the network banks (-€6 billion, -€4.5 billion and -€1.3 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 placed with network bank customers totalled €6.8 billion nominal over nine months against maturities for €6.1 billion nominal and repurchases totalling €0.3 billion nominal. Operations in the third quarter in particular consisted of €1.6 billion euro of issuances against maturities and repurchases of €1.5 billion.

In the absence of new issuances non-captive funding, which had been carried out in the past by Centrobanca, continued to fall, down to €3.3 billion.

Finally, with regard to certificates of deposits subscribed by ordinary customers (€1.1 billion), the year-on-year decrease in the totals recorded over twelve months (€1.9 billion a year before) slowed in the period July-September. This change in the total was affected mainly by maturities not renewed but also by a reduction in amounts relating to the component swapped with yen (down to €0.5 billion from €0.8 billion in September 2013), amplified by changes in the exchange rate.

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

Maturities for bonds outstanding as at 30th September 2014

Nominal amounts in millions of euro	4th Quarter 2014	2015	2016	2017	Subsequent years	Total
UBI BANCA	1,378	5,323	9,708	3,744	12,358	32,511
of which: EMTNs	*481*	*965*	*100*	*800*	*1,182*	*3,528*
Covered bonds	*25*	*551*	*1,801*	*1,051*	*4,712*	*8,140*
Network banks	1,123	3,475	1,201	548	373	6,720
Other banks in the Group	-	1	-	-	4	5
Total	**2,501**	**8,799**	**10,909**	**4,292**	**12,735**	**39,236**

* * *

As part of UBI Community (the commercial division of the Parent which lends support to the third sector) business, activity to place "UBI Community Social Bonds" continued successfully. These are bonds issued by either UBI Banca or the network banks which, in addition to remunerating the investment at market conditions, offer subscribers the possibility to support initiatives and projects of high social value. Fifteen bonds were issued between January 2014 and the end of October, of which three by the Parent, for a total of €138 million, which made it possible to make donations of approximately €690 thousand.
A total of 56 social bonds have been placed since 2012, subscribed by over 26 thousand, mainly retail, Group customers to generate total funding of €575 million. It was therefore possible to make donations of €2.8 million and allocate approximately €19.6 million to loan pools.

Indirect funding and assets under management

Indirect funding from ordinary customers

Figures in thousands of euro	30.9.2014 A	%	31.12.2013 B	%	Changes A/B amount	%	30.9.2013 C	%	Changes A/C amount	%
Assets under custody	**33,886,055**	**44.5%**	**32,097,938**	**44.8%**	**1,788,117**	**5.6%**	**30,748,732**	**43.9%**	**3,137,323**	**10.2%**
Assets under management	**42,262,033**	**55.5%**	**39,553,848**	**55.2%**	**2,708,185**	**6.8%**	**39,353,072**	**56.1%**	**2,908,961**	**7.4%**
Customer portfolio management	6,786,428	**8.9%**	6,940,568	9.7%	-154,140	-2.2%	7,542,071	10.7%	-755,643	-10.0%
of which: fund based instruments	*1,662,884*	**2.2%**	*1,588,871*	*2.2%*	*74,013*	*4.7%*	*1,607,490*	*2.3%*	*55,394*	*3.4%*
Mutual investment funds and Sicav's	23,227,415	**30.5%**	20,907,196	29.2%	2,320,219	11.1%	20,250,061	28.9%	2,977,354	14.7%
Insurance policies and pension funds	12,248,190	**16.1%**	11,706,084	16.3%	542,106	4.6%	11,560,940	16.5%	687,250	5.9%
of which: Insurance policies	*11,983,988*	**15.7%**	*11,454,276*	*16.0%*	*529,712*	*4.6%*	*11,316,834*	*16.1%*	*667,154*	*5.9%*
Total	**76,148,088**	**100.0%**	**71,651,786**	**100.0%**	**4,496,302**	**6.3%**	**70,101,804**	**100.0%**	**6,046,284**	**8.6%**

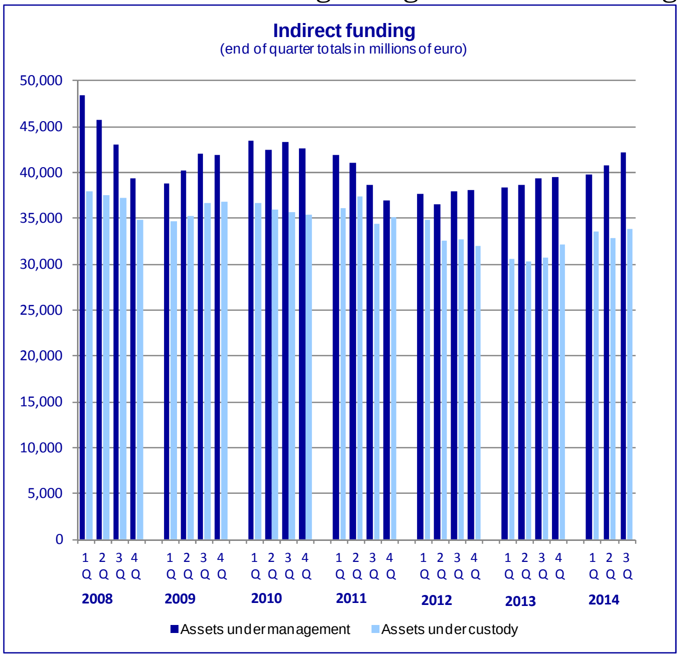
At the end of September the indirect funding of the UBI Banca Group came to over €76.1 billion, a progressive increase with respect to all the comparative periods: +€2.5 billion in the third quarter; +€4.5 billion since the beginning of the year; +€6 billion over twelve months.

Indirect funding from ordinary customers

Figures in thousands of euro	30.9.2014 A	%	30.6.2014 D	%	Changes A/D amount	%
Assets under custody	**33,886,055**	**44.5%**	**32,904,028**	**44.7%**	**982,027**	**3.0%**
Assets under management	**42,262,033**	**55.5%**	**40,762,807**	**55.3%**	**1,499,226**	**3.7%**
Customer portfolio management	6,786,428	8.9%	6,707,457	9.1%	78,971	1.2%
of which: fund based instruments	*1,662,884*	*2.2%*	*1,639,856*	*2.2%*	*23,028*	*1.4%*
Mutual investment funds and Sicav's	23,227,415	30.5%	21,954,955	29.8%	1,272,460	5.8%
Insurance policies and pension funds	12,248,190	16.1%	12,100,395	16.4%	147,795	1.2%
of which: Insurance policies	*11,983,988*	*15.7%*	*11,839,553*	*16.1%*	*144,435*	*1.2%*
Total	**76,148,088**	**100.0%**	**73,666,835**	**100.0%**	**2,481,253**	**3.4%**

The financial wealth of customers benefited from September 2013 mainly from a generalised improvement in conditions on financial markets which continued particularly strongly until May.

The increase in volatility that started in June did not halt growth in the aggregate, which actually strengthened over the summer months, given the extremely low level of interest rates and yields to maturity on government securities which favoured a growing allocation of savings by households into asset management and insurance products.



As shown also in the graph, the trend for indirect funding in 2014 was driven mainly by *assets under management*, which have been recovering gradually since the third quarter of 2012 and have returned to levels above those at the beginning of 2011. They exceeded €42.2 billion (+€2.7 billion over nine months, accounting for 55.5% of the total aggregate, due to the brilliant results achieved in the second (+€1 billion) and third (+€1.5 billion) quarters.

Assets under management increased year-on-year by €2.9 billion driven by mutual investment funds and Sicav's, which rose to €23.2 billion (+€3 billion year-on-year) due to the results of placements of UBI Pramerica products

over twelve months (a total of €3.3 billion, of which €0.7 billion relating to Sicav's[7] and €2.6 billion to mutual funds[8]).
The funds increased since December by €2.3 billion of which €1.3 billion in the third quarter.
A new fund has been placed since 8th September (UBI Pramerica Global High Yield Euro Hedged) for a total of over €1 billion which does not appear in the end of quarter total because it was settled with value date 20th October 2014.

The good performance by assets under management was also assisted by insurance policies and pension funds, up to over €12.2 billion (+€0.1 billion over three months; +€0.6 billion since the beginning of the year; +€0.7 billion over twelve months), due mainly to insurance business, while, although customer portfolio management recovered slightly over the summer to €6.8 billion (+€0.1 billion), it fell over both nine months and twelve months (-€0.2 billion and -€0.8 billion[9] respectively) despite greater stability for fund management within the item, which recovered slightly over the summer to €1.7 billion.

After falling in the second quarter, **assets under custody** also returned to growth and totalled €33.9 billion at the end of December, up by approximately €1 billion compared with June, attributable to large corporate and small entithies. The change over nine and also over twelve months (+€1.8 billion and €3.1 billion, respectively) also reflects the positive trend for financial markets between September 2013 and May 2014.

* * *

At the end of the quarter, Assogestioni (national association of asset management companies)[10] data relating to the UBI Banca Group asset management companies for mutual funds and Sicav's, was as follows for ASSETS UNDER MANAGEMENT ORIGINATED[11]:

- positive net inflows over nine months of €1.28 billion, amounting to 6.9% of assets under management originated at the end of 2013 (net inflows for the sector nationally on the other hand were positive at €67.7 billion, amounting to 12.2% of assets managed at the end of the year);
- an increase in assets in the quarter (+€0.8 billion; +3.9%) largely in line with performance by the sector nationally (+€33.4 billion; +5.4%). The comparison shown in the table over both nine and twelve months shows much greater change for the sector nationally although downwards;
- assets of €20.5 billion, which confirms the Group's position in ninth place with a market share of 3.13%, close to 3.17% in June, but progressively down compared with the other comparative periods (3.32% in December; 3.53% in September 2013).

It must nevertheless be considered that Assogestioni's sample also includes non-banking operators. Consequently, market shares for the UBI Banca Group in the asset management sector are naturally smaller than those for direct funding, lending and number of branches. If the analysis is restricted to banks only, the Group's market share as at 30th September 2014 was 5.63% – down on 5.89% in December – placing UBI Banca in fifth position among Italian operators in the sector.

7 Multiasset Europe 50 Class "A" placed in the fourth quarter of 2013. In September the Board of Directors of UBI Sicav – for which UBI Pramerica is the main distributor in Italy – approved a resolution with effect from 31st October 2014 to merge the sectors "UBI Sicav – Euro Balanced Risk Controlled", "UBI Sicav – Active Duration" and "UBI Sicav – Total Return Defensive" into the sector "UBI Sicav – Euro Liquidity".
8 Protezione Mercato Euro, Europe Multifund, Multiasset Italia, Euro Equity Risk Control, Global Multiasset and Multistrategy Volatility fully placed in the first nine months of 2014.
9 The decrease over twelve months includes -€0.6 billion due to the sale of BDG at the end of November 2013.
10 "Monthly map of assets under management", September 2014.
11 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 (€4.9 billion of mutual funds and sicav's, of which €1.7 billion in equities and €3.2 billion in bonds as at 30th September 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	30.9.2014 A	%	31.12.2013 B	%	Changes A/B amount	 %	30.9.2013 C	%	Changes A/C amount	 %
Equities	2,553	12.4%	2,433	13.1%	120	4.9%	2,385	12.7%	168	7.0%
Balanced	5,082	24.8%	3,067	16.6%	2,015	65.7%	2,687	14.3%	2,395	89.1%
Bond	10,410	50.7%	10,414	56.3%	-4	0.0%	11,069	58.9%	-659	-6.0%
Monetary funds	1,465	7.1%	1,885	10.2%	-420	-22.3%	2,023	10.8%	-558	-27.6%
Flexible	1,015	5.0%	707	3.8%	308	43.6%	627	3.3%	388	61.9%
TOTAL (a)	**20,525**	**100.0%**	**18,506**	**100.0%**	**2,019**	**10.9%**	**18,791**	**100.0%**	**1,734**	**9.2%**

Sector nationally Figures in millions of euro	30.9.2014 A	%	31.12.2013 B	%	Changes A/B amount	 %	30.9.2013 C	%	Changes A/C amount	 %
Equities	137,226	20.9%	120,267	21.6%	16,959	14.1%	110,656	20.8%	26,570	24.0%
Balanced	39,795	6.1%	29,417	5.3%	10,378	35.3%	27,144	5.1%	12,651	46.6%
Bond	304,650	46.5%	268,489	48.2%	36,161	13.5%	260,790	48.9%	43,860	16.8%
Monetary funds	25,593	3.9%	29,110	5.2%	-3,517	-12.1%	30,568	5.7%	-4,975	-16.3%
Flexible	139,816	21.3%	98,995	17.8%	40,821	41.2%	91,265	17.1%	48,551	53.2%
Hedge funds	7,135	1.1%	6,170	1.1%	965	15.6%	6,212	1.2%	923	14.9%
Unclassified	1,364	0.2%	4,383	0.8%	-3,019	-68.9%	6,263	1.2%	-4,899	-78.2%
TOTAL (b)	**655,579**	**100.0%**	**556,831**	**100.0%**	**98,748**	**17.7%**	**532,898**	**100.0%**	**122,681**	**23.0%**
Market share of the UBI Banca Group (a)/(b)	**3.13%**		**3.32%**				**3.53%**			
Market share of the UBI Banca Group limited to banking companies only	**5.63%**		**5.89%**				**5.72%**			

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

- a percentage of lower risk funds (monetary funds and bonds) that is always higher than the figure for the sector, but which has progressively and more sharply decreased over twelve months (down from 69.7% to 57.8%) compared with the Assogestioni sample (down from 54.6% to 50.4%);
- at the same time a greater percentage of balanced funds – up year-on-year from 14.3% to 24.8% (compared with an average figure for the sector nationally up from 5.1% to 6.1%) – also to be seen in relation to the new products (funds and Sicav's) placed in the last twelve months;
- a percentage of equity funds down slightly and constantly lower than the benchmark sample (12.4% compared to 20.9%);
- a modest increase in the percentage of flexible funds compared with a decidedly stronger tendency for the sector;
- no investment in hedge funds (these accounted for 1.1% of the Assogestioni sample).

* * *

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 groups), with assets amounting to €35.6 billion – including €11.5 billion relating to institutional customers – and market share of 2.49%, unchanged compared with June (2.50%), but up compared with December (2.32%) and September 2013 (2.37%).
The increase in the market share (and in the underlying volumes) over both nine and twelve months is mainly due to the acquisition in May of a mandate by UBI Pramerica to manage Aviva Vita Spa's technical reserves (over €3 billion), in implementation of agreements signed in April with the Aviva Group as part of the reorganisation of the existing joint venture for the distribution of life insurance products.

If the analysis is limited to banks only, the UBI Banca Group's market share as at 30th September 2014 was 5.74% – an improvement compared with 5.42% in December and 5.54% in September 2013, but down from 5.82% in June – placing the UBI Banca Group stably in fourth position among operators in the sector.

General banking business with customers: lending

Performance of the loan portfolio

Composition of loans to customers

Figures in thousands of euro	30.9.2014 A	%	*of which deteriorated*	31.12.2013 B	%	*of which deteriorated*	Changes A/B amount	Changes A/B %	30.9.2013 C	%	*of which deteriorated*	Changes A/C amount	Changes A/C %
Current account overdrafts	10,500,177	12.4%	*1,574,514*	11,534,556	13.1%	*1,569,335*	-1,034,379	-9.0%	11,918,251	13.3%	*1,535,134*	-1,418,074	-11.9%
Reverse repurchase agreements	37,475	0.0%	-	18,859	0.0%	-	18,616	98.7%	100,348	0.1%	-	-62,873	-62.7%
Mortgage loans and other medium to long-term financing	51,787,892	61.0%	*4,820,300*	52,400,839	59.3%	*4,614,463*	-612,947	-1.2%	52,988,434	59.0%	*4,565,142*	-1,200,542	-2.3%
Credit cards, personal loans and salary-backed loans	3,739,915	4.4%	*417,243*	4,365,692	4.9%	*512,620*	-625,777	-14.3%	4,452,490	5.0%	*495,951*	-712,575	-16.0%
Finance leases	7,005,424	8.2%	*1,379,238*	7,350,865	8.3%	*1,309,584*	-345,441	-4.7%	7,499,878	8.3%	*1,316,410*	-494,454	-6.6%
Factoring	2,083,007	2.5%	*280,086*	2,480,694	2.8%	*300,292*	-397,687	-16.0%	2,335,737	2.6%	*317,517*	-252,730	-10.8%
Other transactions	9,785,244	11.5%	*977,029*	10,261,980	11.6%	*1,005,979*	-476,736	-4.6%	10,541,056	11.7%	*937,855*	-755,812	-7.2%
Debt instruments:	7,683	0.0%	-	7,982	0.0%	-	-299	-3.7%	10,198	0.0%	*1,060*	-2,515	-24.7%
- structured instruments	*1*	*0.0%*	-	-	-	-	*1*	*n.s.*	-	-	-	*1*	*n.s.*
- other debt instruments	*7,682*	*0.0%*		*7,982*	*0.0%*	-	*-300*	*-3.8%*	*10,198*	*0.0%*	*1,060*	*-2,516*	*-24.7%*
Total	**84,946,817**	**100.0%**	*9,448,410*	**88,421,467**	**100.0%**	*9,312,273*	-3,474,650	**-3.9%**	**89,846,392**	**100.0%**	*9,169,069*	-4,899,575	**-5.5%**

Composition of loans to customers

Figures in thousands of euro	30.9.2014 A	%	*of which deteriorated*	30.6.2014 D	%	*of which deteriorated*	Changes A/D amount	Changes A/D %
Current account overdrafts	10,500,177	12.4%	*1,574,514*	11,073,678	12.7%	*1,546,960*	-573,501	-5.2%
Reverse repurchase agreements	37,475	0.0%	-	400,916	0.5%	-	-363,441	-90.7%
Mortgage loans and other medium to long-term financing	51,787,892	61.0%	*4,820,300*	52,153,647	59.9%	*4,694,091*	-365,755	-0.7%
Credit cards, personal loans and salary-backed loans	3,739,915	4.4%	*417,243*	3,935,424	4.5%	*428,071*	-195,509	-5.0%
Finance leases	7,005,424	8.2%	*1,379,238*	7,120,812	8.2%	*1,310,103*	-115,388	-1.6%
Factoring	2,083,007	2.5%	*280,086*	2,197,792	2.5%	*274,727*	-114,785	-5.2%
Other transactions	9,785,244	11.5%	*977,029*	10,229,153	11.7%	*1,003,396*	-443,909	-4.3%
Debt instruments:	7,683	0.0%	-	7,974	0.0%	-	-291	-3.6%
- structured instruments	*1*	*0.0%*	-	*6*	*0.0%*	-	*-5*	*-83.3%*
- other debt instruments	*7,682*	*0.0%*		*7,968*	*0.0%*	-	*-286*	*-3.6%*
Total	**84,946,817**	**100.0%**	*9,448,410*	**87,119,396**	**100.0%**	*9,257,348*	-2,172,579	**-2.5%**

The UBI Banca Group's loan portfolio fell to €84.9 billion in the third quarter, a decrease of 2.5% compared with a decrease of 1.2% in loans to the private sector only estimated by the Bank of Italy for the sector nationally.

The decrease in the period of €2.2 billion was affected primarily by a fall of €0.9 billion in short-term lending to corporate counterparties. It was also affected by a reduction in transactions of a technical nature by the Parent with the *Cassa di Compensazione e Garanzia* (CCG – a central counterparty clearing house) (-€0.4 billion for reverse repurchase agreement transactions) and by the progressive reduction in volumes of business with non-captive customers of the product companies (-€0.4 billion), connected in part with previous business through indirect distribution networks.

At the same time the third quarter saw a quarter-on-quarter slowdown in new medium to long term grants which slowed but did not halt the process in progress to balance repayments and maturities, partly as a result of the trend for loans to non-captive customers.
As concerns the network banks, notwithstanding the quarterly decrease in grants between July and September, the result seems nevertheless to have improved over nine months with a ratio of grants to repayments of close to 100%, which is significantly up on the same period of the previous year.

The loan portfolio was down by €4.9 billion in the comparison with September 2013 (-5.5% compared with -2.8% for the sector nationally) – of which -€3.5 billion since the beginning of the year (-3.9%; -2.1% for the sector) – a trend again affected by the reduction in non-captive lending already mentioned (-€2.2 billion, of which -€1.9 billion compared with the end of 2013). It was also affected by the fragility of the Italian economy, which after three years of recession is continuing to experience low levels of consumption, production and investments, which are reflected in the persistent weakness of demand from households – with a greater propensity to save – but above all from businesses.

As concerns *customer market segmentation*, 50.4% of the consolidated portfolio at the end of September consisted of loans to the retail market (49.7% in June and 49.8% in December; 49.6% in September 2013), 31.8% to the corporate market (32%; 31.7%; 31.8%), 0.8% to the private banking market (0.8%; 0.8%; 0.8%), while the remaining 17% consisted of types of lending not included in the commercial banking portfolios such as leasing, factoring and UBI Banca lending other than that of the merged product companies (17.5%; 17.7%; 17.8%).

From the viewpoint of *type of lending*:

- mortgage loans and other medium to long-term loans totalled €51.8 billion – down by €0.4 billion over three months due to the quarter-on-quarter slowdown in new grants – but again definitely the main form of lending, having risen to 61% of the total. It must nevertheless be considered that the trend – down also over nine and twelve months (-€0.6 billion and -€1.2 billion respectively) – incorporates a natural fall in total loans of the former B@nca 24-7, currently managed by the Parent (down by €63.2 million in quarter and by €206.2 million since the beginning of the year; -€270.9 million over twelve months);
- repurchase agreements, again down to zero at the end of September, as had already occurred in December (down by €0.4 billion since June), reflect the course of specific UBI Banca business with the CCG (reverse repurchase agreements with Italian government securities as the underlying entered into as an investment of liquidity);
- finance lease lending, relating almost entirely to UBI Leasing, fell further to €7 billion, down in the quarter by €0.1 billion (-€0.3 billion since the beginning of the year; -€0.5 billion over twelve months). The performance of the item continues to be affected mainly by impacts of the discontinuation of distribution through indirect networks and the consequent action taken to refocus business on the captive market carried forward over recent years (-€0.1 billion over three months; -€0.2 billion since the beginning of the year; -€0.3 billion over twelve months). If this is not considered, the total remained more or less stable between July and September;
- factoring loans, granted mainly by UBI Factor, fell in the third quarter by €0.1 billion to €2.1 billion (-€0.4 billion since the beginning of the year; -€0.3 billion over twelve months). For this item too, the performance over both nine and twelve months was affected significantly by the impacts of non-captive business carried out independently by the company (-€0.3 billion), net of which the loan portfolio fell only modestly;
- the different forms of consumer credit, which totalled €3.7 billion, are being affected more than other items by the discontinuation of distribution networks and the rationalisation of non-captive business. They fell by €0.2 billion compared with June and by €0.6 billion since the beginning of year due to decreases in the business transferred to Prestitalia (salary backed lending down by €132.6 million over three months and €384.1 million over nine months) and in the remaining business of the former B@nca 24-7 contributed to UBI Banca (personal and special purpose loans, credit cards, current account overdrafts and other types of lending; -€89.6 million; -€289.7 million). This compares with a positive but still modest trend for network banks business (+€26.7 million; +€48 million).
  The year-on-year change (-€0.71 billion) also summarises a fall in volumes of Prestitalia business (-€0.46 billion) and in the former B@nca 24-7 business (-€0.36 billion), which was only marginally offset by network bank business (+€0.11 billion);
- other short-term forms of lending, which totalled €20.3 billion overall, fell significantly compared with June, mostly in the corporate segment: -€1 billion consisting of -€0.6 billion of current account overdraft lending and -€0.4 billion of "other transactions" (loans for advances, portfolio, import/export transactions, very short term lending, etc.).

Changes over nine and twelve months (-€1.5 billion and -€2.2 billion respectively) were attributable mainly to a progressive reduction in current account overdraft lending (-€1 billion; €1.4 billion) while the fall in "other transactions" was more modest (-€0.5 billion; -€0.8 billion), partly due to a temporary recovery in the second quarter.

From the viewpoint of *maturities*, the decrease that occurred in the third quarter mainly affected short-term loans (down by €1.5 billion to €22.4 billion), while medium to long-term lending rose to account for 73.6% of the total and fell by a smaller amount (down by €0.7 billion to €62.5 billion).
Both components performed more uniformly over nine and twelve months: -€1.9 billion and -€2.5 billion for short-term loans, notwithstanding a temporary recovery in the second quarter; -€1.6 billion and -€2.4 billion for medium to long-term lending.

The *ratio of loans to deposits* stood at 96.7% at the end of September, almost unchanged over three and twelve months (96.6% in June; 96.9% in September 2013), but had increased compared with December (95.5%).

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

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

Customers or Groups	30.9.2014	30.6.2014	31.3.2014	31.12.2013	30.9.2013
Largest 10	2.5%	2.6%	2.8%	2.7%	2.8%
Largest 20	4.4%	4.5%	4.6%	4.6%	4.7%
Largest 30	5.7%	5.8%	5.9%	6.0%	6.1%
Largest 40	6.7%	6.8%	6.9%	7.1%	7.1%
Largest 50	7.5%	7.7%	7.8%	7.9%	7.9%

As concerns *"large exposures"*, the supervisory report at the end of September 2014, prepared on the basis of the provisions of the new Basel 3 rules[1], in force from 1st January 2014, continues to show three positions which have exceeded the threshold of 10% of the regulatory capital, for a total of €25.2 billion composed as follows:

- €21.5 billion to the Ministry of the Treasury, principally related to investments in government securities by the Parent (€21.9 billion in June; €21.1 billion in March);
- €2.6 billion to the *Cassa di Compensazione e Garanzia* (CCG – a central counterparty clearing house), in relation to business by the Parent (€2.9 billion in June; €1.7 billion in March);
- €1.1 billion, in relation to business with a major banking counterparty (unchanged compared with both June and March).

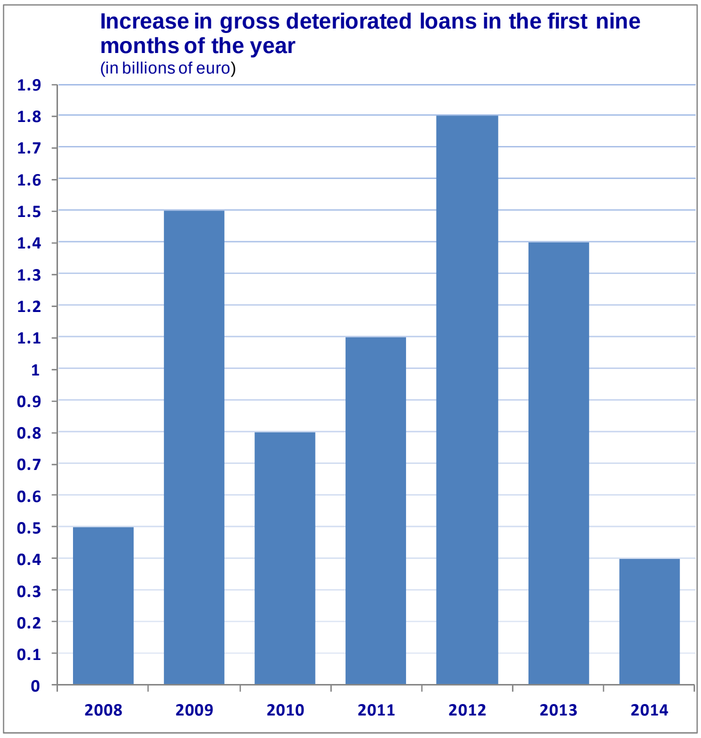
Large exposures

Figures in thousands of euro	30.9.2014	30.6.2014	31.3.2014
Number of positions	3	3	3
Exposure	25,202,896	25,943,899	23,889,494
Positions at risk	1,212,957	1,238,280	1,153,346

In consideration of the application of a zero weighting factor for transactions with the government, only two actual risk positions for the UBI Group existed after weightings for a total of €1.2 billion, marginally down compared with June but slightly up compared with March.
The percentage of the regulatory capital is well below the limit of 25% set for banking groups for each of the exposures reported.

1 Bank of Italy Circular No. 285 and No. 286 of 17th December 2013.

Risk



In a continuing context of a weak Italian economy, credit quality seems to be showing greater stability.
At the end of September total *gross deteriorated loans* of the Group had reached €13.1 billion, an increase of €415.4 million compared with December (+3.3%). As shown in the graph, this increase is the lowest since the beginning of the long crisis, slowing significantly compared with the same period in previous years.

This trend is accompanied by an equally significant fall in new classifications from performing status (-€1.1 billion and -37.2% in the comparison with the first nine months of 2013), which, while they regarded the impaired category, mainly involved that of exposures past due and/or in arrears.

The overall performance of the item since the beginning of the year – over 70% of which was attributable to the third quarter – is in reality the aggregate result of a reduction in impaired loans (-€121.2 million; -2.4%) and in exposures past due and/or in arrears (-€157.1 million; -18.8%), which more than offset the increase in non-performing loans (+€690.7 million; +11.7%) – driven mainly by transfers from other categories of deteriorated loans – while restructured loans remained unchanged in the period.

Quarterly changes in gross deteriorated loans

	2014			2013			
Figures in thousands of euro	3Q	2Q	1q	4Q	3Q	2Q	1q
Non-performing loans	225,254	335,287	130,195	168,918	135,998	299,725	138,100
Impaired loans	46,452	-162,579	-5,048	72,219	362,281	63,960	460,526
Restructured loans	37,006	-47,509	13,504	187,424	-6,000	2,466	-85,755
Exposures past due and/or in arrears	-7,552	4,309	-153,887	-121,288	34,317	17,083	-14,490
Gross deteriorated loans	**301,160**	**129,508**	**-15,236**	**307,273**	**526,596**	**383,234**	**498,381**
transfers from performing exposures	*663,234*	*637,065*	*623,163*	*1,060,454*	*1,028,420*	*966,722*	*1,068,519*
transfers into performing exposures	*-99,302*	*-171,812*	*-356,074*	*-392,400*	*-201,668*	*-249,182*	*-348,341*

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[2] *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*[3].

On the other hand, gross deteriorated loans saw an increase of €0.72 billion over twelve months (+5.8%), mainly attributable to non-performing loans (+€0.86 billion), but also to restructured loans (+€0.19 billion), while reductions occurred for impaired loans (-€49 million) and above all for exposures past due and/or in arrears (-€0.28 billion).

2 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.
3 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.

At the end of September *net deteriorated loans* amounted to €9.4 billion, compared with all the comparative periods: +€191.1 million over three months (+2.1%); +€136.1 million since December (+1.5%); +€279.3 million since September 2013 (+3%).

Loans and advances to customers as at 30th September 2014

Figures in thousands of euro	Gross exposure		Impairment losses	Carrying amount		Coverage (*)
Deteriorated loans	***(14.70%)***	**13,089,297**	**3,640,887**	***(11.12%)***	**9,448,410**	**27.82%**
- Non-performing loans	*(7.39%)*	6,575,785	2,664,906	*(4.60%)*	3,910,879	40.53%
- Impaired loans	*(5.57%)*	4,961,348	799,157	*(4.90%)*	4,162,191	16.11%
- Restructured loans	*(0.98%)*	875,070	146,401	*(0.86%)*	728,669	16.73%
- Past due loans	*(0.76%)*	677,094	30,423	*(0.76%)*	646,671	4.49%
Performing loans	***(85.30%)***	**75,926,290**	**427,883**	***(88.88%)***	**75,498,407**	**0.56%**
Total		**89,015,587**	**4,068,770**		**84,946,817**	**4.57%**

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

Loans and advances to customers as at 30th June 2014

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

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

Loans and advances to customers as at 31st 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		**92,264,962**	**3,843,495**		**88,421,467**	**4.17%**

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

Loans and advances to customers as at 30th September 2013

Figures in thousands of euro	Gross exposure		Impairment losses	Carrying amount		Coverage (*)
Deteriorated loans	***(13.22%)***	**12,366,592**	**3,197,523**	***(10.21%)***	**9,169,069**	**25.86%**
- Non-performing loans	*(6.11%)*	5,716,131	2,360,743	*(3.73%)*	3,355,388	41.30%
- Impaired loans	*(5.36%)*	5,010,304	702,918	*(4.79%)*	4,307,386	14.03%
- Restructured loans	*(0.73%)*	684,645	104,580	*(0.65%)*	580,065	15.28%
- Past due loans	*(1.02%)*	955,512	29,282	*(1.04%)*	926,230	3.06%
Performing loans	***(86.78%)***	**81,143,382**	**466,059**	***(89.79%)***	**80,677,323**	**0.57%**
Total		**93,509,974**	**3,663,582**		**89,846,392**	**3.92%**

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.

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

Despite the high percentage of positions backed by collateral – written-down to a lesser extent as a result, amongst other things, of the precautionary loan to value ratio employed for residential mortgages granted to individuals by the Group – *total coverage* progressively improved to 27.82% from 25.86% in September 2013, also as a result of increased write-downs, which occurred with the increase in the internal migration from the impaired category to non-performing status.

Coverage for *performing loans* at the end of December was 0.56%, more or less unchanged compared with June and September 2013 (0.57%), but slightly down compared with December (0.61%).

NON-PERFORMING LOANS

Gross non-performing loans rose over nine months from €5.9 billion to €6.6 billion, an increase of €0.7 billion (+11.7%), of which +€0.2 billion in the third quarter (+3.5%).
The year-on-year change, on the other hand, was +€0.9 billion (+15%).

As already reported disposals of non-performing loans were carried out in 2014 totalling approximately €79 million (of which €17.6 million in the third quarter), mostly fully written-down, composed as follows:

- €55.8 million attributable to the UBI Banca loan portfolios received from the former B@nca 24-7 and Centrobanca;
- approximately €23 million relating to the network banks.

Over nine months, the change in the total gross amount was determined almost totally, although with decreasing intensity, by the network banks, by UBI Leasing and by Prestitalia, while in the case of UBI Banca the portfolio benefited from the above mentioned disposals and then continued to grow between July and September.

Gross non-performing loans backed by collateral rose gradually to €4.25 billion (+€0.15 billion compared with June; +€0.54 billion compared with December; +€0.74 billion year-on-year), with a percentage which rose at the same time to 64.6%[4] (64.5% in June; 63% in December; 61.4% in September 2013), benefiting in particular in the first half from the disposals of unsecured loans already mentioned.

Net non-performing loans rose over nine months from €3.4 billion to €3.9 billion, an increase of €0.5 billion (+13.8%), of which €0.1 billion only in the third quarter (+3.7%).
The total rose by approximately €0.6 billion since September 2013 (+16.6%).

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

- new classifications, driven almost entirely by transfers from other categories of deteriorated exposures (mainly impaired loans), increased by 24%. It must also be considered that the pace of new classifications into the non-performing category fell in the third quarter by over 30% compared with the previous three months, returning to a level just a little higher than in the first quarter;
- an increase in write-offs (+37%) and an increase of €4.6 million in profits on disposals partly in relation to the already mentioned disposals of non-performing loans in the period.

The combined effect of the trends reported above and changes in the loan portfolio caused the ratio of *non-performing loans to loans* to rise progressively over twelve months from 6.11% to 7.39% gross and from 3.73% to 4.60% net.

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4 Net of the IDI position amounting to €153 million, classified as non-performing in the second quarter of 2013, but not written down because full recovery of the loan is forecast, the percentage of non-performing loans backed by collateral would be 66.2%.

At the end of September net non-performing loans as a percentage of the total with no coverage in terms of either collateral or personal guarantee stood at 12.5%, unchanged over three months, but down compared with the other comparative periods (13.5% in December; 14.3% in September 2013).
Despite the new classifications since April of a series of positions (some for a substantial amount, with high levels of provisioning) *coverage* for non-performing loans, which stood at 40.53%, had decreased compared with all the comparative periods and in the comparison with December in particular (41.60%), partly due to the negative impact produced by the disposals of unsecured non-performing loans carried during the year.

If positions written-off to the income statement relating to creditor actions still in progress are also considered, coverage would in reality have been 54.99% (55.09% in June, 56.05% in December and 55.57% in September 2013).
On the other hand, at the end of the quarter coverage for non-performing loans not backed by collateral considered gross of those write-offs was 71.32% (71.65% in June; 72.49% in December; 71.80% in September 2013).

IMPAIRED LOANS

Gross impaired loans were largely unchanged year-on-year as a result of the reclassification into restructured loans of the Tassara position amounting to €126 million, which occurred in the fourth quarter of 2013. However, they fell marginally from €5.1 billion to €5 billion since the beginning of the year, attributable entirely to Prestitalia and to UBI Banca (in relation to the portfolios of the former Centrobanca and B@nca 24-7), against increases for UBI Leasing and to a lesser extent for the network banks. Finally the item increased slightly compared with June (+€46.5 million), attributable to the network banks.

An analysis of migration in the nine-month period, compared with the same period in the previous year shows an overall reduction in new classifications (-35%), which involved both new classifications from performing status and transfers from other categories of deteriorated loans. Transfers into the performing category and repayments remained basically steady, notwithstanding a significant reduction in new classifications, in line with the stability of the percentage of regularisations for impaired loans. In detail:

- new classifications from performing status almost halved (-€507 million), with quarterly figures constantly lower than those recorded in 2013 and in the last quarter in particular, which had been affected by the new classification of the Sorgenia position amounting to €149 million;
- transfers from other categories of deteriorated loans, consisting mostly of exposures past due and/or in arrears, fell by €343 million;
- transfers to other categories of deteriorated exposures, consisting mainly of non-performing loans, but also restructured loans, were up by approximately €300 million, although they did record a substantial quarterly slowdown in the third quarter, compared with the high in the previous period.

At the end of September *impaired loans backed by collateral* amounted to approximately €3.3 billion, relatively stable over twelve months, accounting for 65.5% of the total (63.9% in June; 61.8%[5] in December; 65.8% in September 2013).

Net impaired loans fell over nine months from €4.3 billion to €4.2 billion (-€152 million; 3.5%), a trend which was replicated year-on-year. On the other hand, the item remained relatively stable over the summer (+€44.8 million).

At the end of September, *coverage*, which stood at 16.11% had fallen slightly compared with June (16.23%), but had improved in the comparison with December (15.12%) and above all with September 2013 (14.03%).

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.

The good performance until June was the result of a more than proportional increase in provisioning, assisted in the fourth quarter of 2013 by some new classifications – including Sorgenia – with significant levels of coverage, and by the transfer to other categories of positions with low coverage (Carlo Tassara).
Coverage was affected in the third quarter mainly by the transfer into the category of positions with less provisioning.

Finally, coverage for impaired loans not backed by collateral was 25.80% (25.29% in June; 23.50% in December; 21.32% in September 2013).

Loans to customers: changes in gross deteriorated exposures in the first nine months 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	**1,385,288**	**1,737,359**	**240,297**	**1,183,794**	**4,546,738**
transfers from performing exposures	115,815	640,569	11,762	1,155,316	1,923,462
transfers from other classes of deteriorated exposures	1,191,047	922,103	186,276	5,303	2,304,729
other increases	78,426	174,687	42,259	23,175	318,547
Decreases	**-694,552**	**-1,858,534**	**-237,296**	**-1,340,924**	**-4,131,306**
transfers into performing exposures	-11,863	-278,115	-1,096	-336,114	-627,188
write-offs	-414,916	-5,083	-3,394	-43	-423,436
payments received	-231,512	-315,222	-122,885	-63,945	-733,564
disposals	-12,904	-200	-529	-	-13,633
transfers to other classes of deteriorated exposure	-12,742	-1,245,431	-109,392	-937,164	-2,304,729
other decreases	-10,615	-14,483	-	-3,658	-28,756
Final gross exposure as at 30th September 2014	**6,575,785**	**4,961,348**	**875,070**	**677,094**	**13,089,297**

Loans to customers: changes in gross deteriorated exposures in the first half of 2014

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

Loans to customers: changes in gross deteriorated exposures in the first nine months 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	**1,168,349**	**2,555,345**	**208,758**	**1,839,001**	**5,771,453**
transfers from performing exposures	92,805	1,147,769	8,732	1,814,355	3,063,661
transfers from other classes of deteriorated exposures	962,533	1,264,988	145,191	6,082	2,378,794
other increases	113,011	142,588	54,835	18,564	328,998
Decreases	**-594,526**	**-1,668,578**	**-298,047**	**-1,802,091**	**-4,363,242**
transfers into performing exposures	-3,191	-351,287	-11,894	-432,819	-799,191
write-offs	-302,977	-1,187	-4,322	-96	-308,582
payments received	-220,798	-321,192	-55,401	-86,607	-683,998
disposals	-8,354	-	-	-	-8,354
transfers to other classes of deteriorated exposure	-9,154	-946,804	-221,911	-1,200,925	-2,378,794
other decreases	-50,052	-48,108	-4,519	-81,644	-184,323
Final gross exposure as at 30th September 2013	**5,716,131**	**5,010,304**	**684,645**	**955,512**	**12,366,592**

RESTRUCTURED LOANS

Gross restructured loans, amounting to €0.87 billion were unchanged compared with the end of 2013[6]. This stability is in reality the aggregate result of opposing trends:

- an increase in the first quarter of €13.5 million. This incorporated the stipulation of three new loan restructuring agreements for over €35 million, one of which for a large amount relates to the UBI Banca portfolio acquired from the former Centrobanca;
- a reduction of €47.5 million in the second quarter, notwithstanding the signing of an additional three new agreements for a total of €30 million;
- an increase of €37 million in the third quarter, relating entirely to UBI Banca and UBI Leasing, which incorporated the signing of a further seven agreements for approximately €86 million.

The performance reported above also benefited from disposals for approximately €13 million carried out between January and June relating almost entirely to positions in UBI Banca's former Centrobanca portfolio.

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

- an increase of €41 million in transfers from other categories of deteriorated exposures (mainly impaired loans but also exposures past due and/or in arrears), concentrated almost entirely in the third quarter;
- a substantial decrease of €112 million in transfers to other categories of deteriorated loans and to impaired loans in particular;
- an appreciable increase in repayments (+€67 million) only partially offset by a reduction to zero of transfers to performing positions at the same time (-€11 million).

At the end of September coverage for restructured loans had risen to 16.73%, an improvement compared with all the comparative periods. The performance over twelve months can be summarised as follows:

- an initial reduction from 15.28% in September 2013 to 13.94% in December as a result of the transfer to the category of the Tassara position, backed by collateral and therefore written down to a lesser extent;
- a subsequent increase which became greater in the third quarter and which was affected partly by the disposals mentioned above, characterised by a lower level of coverage, but above all by transfers to the category in the third quarter of positions mostly from the impaired category with high levels of coverage, including two from UBI Banca (in the former Centrobanca portfolio) for a total of €38 million.

EXPOSURES PAST DUE AND/OR IN ARREARS

Gross exposures past due and/or in arrears fell over twelve months from €0.96 billion to €0.68 billion, an increase of -€0.28 billion (-29.1%) occurring almost entirely between October 2013 and March 2014. This trend – common to all banks and companies in the Group with the sole exception of Prestitalia – nevertheless includes the new classification in 2014 of a series of positions relating to the network banks, UBI Banca (for the portfolio relating to the former Centrobanca) and UBI Leasing, some of which for substantial amounts.

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

- a fall of €0.66 billion (-36%) in new classifications of positions from performing loan status, which confirmed the progressive fall in new positions already in progress since the beginning of 2013;
- a natural reduction at the same time in transfers to other categories of deteriorated loan (€0.26 billion; -22%), mainly to impaired loans;
- a decrease again at same time (-€97 million; -22%) in transfers to performing status which nevertheless remain substantial and which demonstrate the high rate of turnover that distinguishes this category due to the automatic nature of the classification procedures.

Despite a reduction to 4.49% at the end of September from 4.78% in June, coverage still increased compared with December (2.83%) in relation to the increase in the impairment losses recognised during the first quarter.

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6 In the last quarter of 2013 this item increased by €187.4 million – relating mainly to the network banks but also to UBI Banca – of which €126 million attributable to the new classification of the Tassara position.

The interbank market and the liquidity position

The net interbank position of the UBI Banca Group as at 30th September 2014 was net debt of €12.3 billion, an increase compared with both -€11.9 billion at the end of June and -€10.9 billion as at 31st December 2013.

The balance continues to be related predominantly to refinancing operations (LTROs) with the ECB. Net of operations with central banks, the net interbank position was one of debt of €677 million up from -€355 million at the end of June (it was funding of €419 million as at 31st December 2013).

The Group continues to very safely maintain a positive position in terms of liquidity reserves, demonstrated, amongst other things, by specific short-term (liquidity coverage ratio) and structural (net stable funding ratio) Basel 3 indicators, both greater than 100%[58].

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

Net interbank position

Figures in thousands of euro	30.9.2014	30.6.2014	31.3.2014	31.12.2013	30.9.2013
Loans and advances to banks	3,329,046	4,078,892	4,009,183	4,129,756	4,118,005
of which: loans to central banks	*602,076*	*649,941*	*309,971*	*860,080*	*681,238*
Due to banks	15,588,229	15,964,805	15,397,770	15,017,266	15,066,091
of which: due to central banks	*12,184,683*	*12,180,750*	*12,173,833*	*12,166,333*	*12,155,083*
Net interbank position	**-12,259,183**	**-11,885,913**	**-11,388,587**	**-10,887,510**	**-10,948,086**
Loans and advances excluding central banks	2,726,970	3,428,951	3,699,212	3,269,676	3,436,767
Due to banks excluding central banks	3,403,546	3,784,055	3,223,937	2,850,933	2,911,008
Net interbank position net of central banks	**-676,576**	**-355,104**	**475,275**	**418,743**	**525,759**

Figures in thousands of euro	30.9.2013	30.6.2013	31.3.2013	31.12.2012	30.9.2012
Loans and advances to banks	4,118,005	4,774,761	5,505,388	6,072,346	5,286,733
of which: loans to central banks	*681,238*	*874,926*	*698,396*	*1,191,235*	*698,769*
Due to banks	15,066,091	15,025,192	15,086,195	15,211,171	14,765,300
of which: due to central banks	*12,155,083*	*12,139,750*	*12,121,417*	*12,098,917*	*12,075,917*
Net interbank position	**-10,948,086**	**-10,250,431**	**-9,580,807**	**-9,138,825**	**-9,478,567**
Loans net of central banks	3,436,767	3,899,835	4,806,992	4,881,111	4,587,964
Amounts due net of central banks	2,911,008	2,885,442	2,964,778	3,112,254	2,689,383
Net interbank position net of central banks	**525,759**	**1,014,393**	**1,842,214**	**1,768,857**	**1,898,581**

Details of performance on the interbank market in the third quarter are given below.

Loans and advances to banks stood at €3.3 billion at the end of September, down by €750 million compared with June, due to a reduction in all components as follows:

- a decrease of €48 million in liquidity held with central banks regarding the centralised account for the compulsory reserve.

58 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%.

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;

- a decrease of €702 million in loans to other banks, the aggregate result of a fall in current accounts (-€136 million) and above all in other financing (-€578 million), which includes reverse repurchase agreements with counterparties on the market, which reduced to zero in the quarter (€575 million at the end of June), following the closure of uncovered short positions on European government securities (this component correlated with financial liabilities held for trading/uncovered short positions).

Loans to banks: composition

Figures in thousands of euro	30.9.2014 A	%	30.6.2014 B	%	Changes A/B amount	Changes A/B %	31.12.2013 C	%	Changes A/C amount	Changes A/C %	30.9.2013 D	%
Loans to central banks	**602,076**	**18.1%**	**649,941**	**15.9%**	-47,865	-7.4%	**860,080**	**20.8%**	-258,004	-30.0%	**681,238**	**16.5%**
Compulsory reserve requirements	599,892	18.0%	647,743	15.9%	-47,851	-7.4%	858,856	20.8%	-258,964	-30.2%	630,375	15.3%
Other	2,184	0.1%	2,198	0.0%	-14	-0.6%	1,224	0.0%	960	78.4%	50,863	1.2%
Loans and advances to banks	**2,726,970**	**81.9%**	**3,428,951**	**84.1%**	-701,981	-20.5%	**3,269,676**	**79.2%**	-542,706	-16.6%	**3,436,767**	**83.5%**
Current accounts and deposits	1,869,420	56.2%	2,005,332	49.2%	-135,912	-6.8%	1,618,297	39.2%	251,123	15.5%	1,847,434	44.9%
Term deposits	33,953	1.0%	21,747	0.5%	12,206	56.1%	32,253	0.8%	1,700	5.3%	64,829	1.6%
Other financing:	823,597	24.7%	1,401,872	34.4%	-578,275	-41.3%	1,615,115	39.1%	-791,518	-49.0%	1,470,179	35.7%
- reverse repurchase agreements	*65*	*0.0%*	*574,619*	*14.1%*	*-574,554*	*######*	*959,121*	*23.2%*	*-959,056*	*######*	*845,135*	*20.5%*
- other	*823,532*	*24.7%*	*827,253*	*20.3%*	*-3,721*	*-0.4%*	*655,994*	*15.9%*	*167,538*	*25.5%*	*625,044*	*15.2%*
Debt instruments	-	-	-	-	-	-	4,011	0.1%	-4,011	-100.0%	54,325	1.3%
Total	**3,329,046**	**100.0%**	**4,078,892**	**100.0%**	-749,846	-18.4%	**4,129,756**	**100.0%**	-800,710	-19.4%	**4,118,005**	**100.0%**

Interbank funding amounted to €15.6 billion at the end of September and consisted of a concentration of €12.2 billion from the ECB, due to the LTRO finance totalling €12 billion[59] since the first quarter of 2012.

Net of that funding, amounts due to banks stood at €3.4 billion, down by €380 million over three months. This performance reflects on the one hand a fall in current accounts (-€440 million) and in term deposits (-€83 million), as part of ordinary business on the market, as well as in other payables (-€11 million, which includes the relationship for the settlement of credit cards with the *Istituto Centrale Banche Popolari*). On the other hand, a moderate increase was seen in financing (+€154 million), attributable in part to funding from reverse repurchase agreements (+€48 million) and in part from medium to long-term transactions with the EIB to support SMEs (this financing totalled €1.48 billion and in addition to the Parent, inclusive of the former Centrobanca, the network banks also have access to this).

Due to banks: composition

Figures in thousands of euro	30.9.2014 A	%	30.6.2014 B	%	Changes A/B amount	Changes A/B %	31.12.2013 C	%	Changes A/C amount	Changes A/C %	30.9.2013 D	%
Due to central banks	**12,184,683**	**78.2%**	**12,180,750**	**76.3%**	3,933	0.0%	**12,166,333**	**81.0%**	18,350	0.2%	**12,155,083**	**80.7%**
Due to banks	**3,403,546**	**21.8%**	**3,784,055**	**23.7%**	-380,509	-10.1%	**2,850,933**	**19.0%**	552,613	19.4%	**2,911,008**	**19.3%**
Current accounts and deposits	1,206,707	7.7%	1,646,935	10.3%	-440,228	-26.7%	897,991	6.0%	308,716	34.4%	1,147,528	7.6%
Term deposits	88,013	0.6%	170,902	1.1%	-82,889	-48.5%	57,700	0.4%	30,313	52.5%	45,147	0.3%
Financing:	1,917,312	12.3%	1,763,191	11.0%	154,121	8.7%	1,666,187	11.1%	251,125	15.1%	1,532,970	10.2%
- repurchase agreements	*425,482*	*2.7%*	*376,962*	*2.3%*	*48,520*	*12.9%*	*384,790*	*2.6%*	*40,692*	*10.6%*	*417,000*	*2.8%*
- other	*1,491,830*	*9.6%*	*1,386,229*	*8.7%*	*105,601*	*7.6%*	*1,281,397*	*8.5%*	*210,433*	*16.4%*	*1,115,970*	*7.4%*
Other payables	191,514	1.2%	203,027	1.3%	-11,513	-5.7%	229,055	1.5%	-37,541	-16.4%	185,363	1.2%
Total	**15,588,229**	**100.0%**	**15,964,805**	**100.0%**	-376,576	-2.4%	**15,017,266**	**100.0%**	570,963	3.8%	**15,066,091**	**100.0%**

* * *

59 The carrying amount includes interest expense accruing.

The liquidity reserve as at 30th September 2014, consisting of the portfolio of assets eligible for refinancing with the central bank stood at €27 billion (net of haircuts), compared with €30 billion at the end of June. It was composed of €15 billion of assets deposited with the European Central Bank (the "collateral pool") and of €12 billion (€14.7 billion as at 30th June 2014) of Italian government securities not refinanced with the *Cassa di Compensazione e Garanzia* (CCG - a central counterparty clearing house), available non-pool.

The change seen in the quarter (-€2.9 billion) relates primarily to the early repayment (on 7th August) of the last €3 billion nominal (€2.8 billion net of haircuts) of government backed bonds issued (the previous €3 billion had been repaid on 7th March 2014). Repayments occurred in the same period for approximately €600 million relating to own securitisations, offset by an increase of the same amount in propriety securities which can be refinanced with the CCG against an improvement in the balance on funding and loans, while ABACO loans fell by approximately €100 million.

It must also be reported that in order to conserve the size of the collateral pool, which had included the position in backed securities, €2.7 billion (net of haircuts) of government securities were allocated to it (previously already available non-pool).

If account is taken of the proportion already pledged (€12.2 billion, unchanged compared with the end of the first half), the margin of liquidity still available (consisting entirely of Italian government securities eligible) amounted to €14.9 billion as at 30th September 2014 (€17.8 billion three months before), compared with an early warning threshold set by the 2014 financial risks policy of €8 billion.

In consideration of the abundant liquidity existing in the banking system and also of maturities in the very near future (in January and February 2015) of three-year financing with the ECB for a total of €12 billion, after the end of the third quarter UBI Banca gradually started to repay its LTRO funding, as a function of the excess liquidity that is being created.

A repayment of €1 billion with value date 8th October had already been made at the date of this report and early repayment of another €3 billion with value date 12th November has been requested.

Assets eligible for refinancing

	30.9.2014		30.6.2014		31.3.2014		31.12.2013		30.9.2013	
Figures in billions of euro	nominal amount	amount eligible (net of haircuts)	nominal amount	amount eligible (net of haircuts)	nominal amount	amount eligible (net of haircuts)	nominal amount	amount eligible (net of haircuts)	nominal amount	amount eligible (net of haircuts)
Securities owned (AFS, HTM and L&R) (*)	17.72	18.85	17.49	18.26	18.35	19.18	13.40	13.73	13.55	13.71
Government backed bonds	-	-	3.00	2.80	3.00	2.79	6.00	5.76	6.00	5.66
Covered bonds ("self-retained" issues)	3.84	3.18	3.84	3.17	4.02	3.33	2.87	2.32	3.05	2.74
Securitisation of residential mortgages of the former B@nca 24-7	1.11	0.92	1.14	0.92	1.17	0.92	1.21	0.94	1.21	0.95
UBI Leasing leased assets securitisation	0.94	0.80	1.04	0.88	1.15	0.97	1.27	1.04	1.26	1.16
Banco di Brescia securitisation of performing loans to SMEs	0.44	0.37	0.64	0.54	0.77	0.63	0.81	0.67	0.82	0.69
Banca Popolare di Bergamo securitisation of performing loans to SMEs	0.52	0.44	0.62	0.52	0.73	0.62	0.85	0.70	0.84	0.79
Banca Popolare Commercio e Industria securitisation of performing loans to SMEs	0.34	0.29	0.58	0.48	0.57	0.48	0.58	0.48	0.58	0.47
Banca Popolare di Ancona securitisation of performing loans to SMEs	0.60	0.51	0.71	0.59	0.71	0.59	0.71	0.59	0.71	0.58
Loans eligible resulting from participation in ABACO (**)	3.62	1.68	3.84	1.79	4.04	1.83	3.77	1.68	3.80	1.79
Total	**29.13**	**27.04**	**32.90**	**29.95**	**34.51**	**31.34**	**31.47**	**27.91**	**31.82**	**28.54**

(*) These include government securities not refinanced with the *Cassa di Compensazione e Garanzia* (central counterparty clearing house) for the following amounts:
30th September 2014: €14.7 billion (net of haircuts), of which €2.7 billion contributed to the pool and €12 billion available, non-pool;
30th June 2014: €17.7 billion (net of haircuts), of which €3 billion contributed to the pool and €14.7 billion available, non-pool;
31st March 2014: €18.8 billion (net of haircuts), of which €3.3 billion contributed to the pool and €15.5 billion available, non-pool;
31st December 2013: €13.7 billion (net of haircuts), of which €3.6 billion contributed to the pool and €10.1 billion available, non-pool;
30th September 2013: €13 billion (net of haircuts), of which €3.1 billion contributed to the pool and €9.9 billion available, non-pool.

(**) ABACO (bank assets eligible as collateral) is the name given to procedures drawn up by the Bank of Italy for the management of loans eligible for refinancing. In order to qualify as eligible, an asset must meet specific requirements contained in Bank of Italy regulations concerning the following: type of debtor (public sector, non-financial company, international and supranational institutions), credit rating (set by external ratings, rating tools of approved providers and internal ratings [for banks authorised by the Bank of Italy to use internal rating models]), minimum amount (€0.1 million for domestic loans) and type of asset.
A refinement of a procedural nature was made in the third quarter of 2013 which had an impact on the nominal values of ABACO assets.

Financial activities

Total financial assets of the Group had reached €22.6 billion as at 30th September 2014, up from €21.8 billion at the end of 2013. Inclusive of financial liabilities, consisting of financial derivatives, net assets totalled €22 billion (€20.4 billion in December).
As shown in the table, almost all of the total (91.3%) continues to consist of Italian government securities, which increased over nine months by a total of €0.9 billion. The progressive increase in the available-for-sale portfolio (which came to account for 81.1% of financial assets, up from 70.9% at the end of 2013) was offset by a decrease in the trading portfolio (down to 4.5% from 14%), subject to profit-taking since the second quarter of the year.
The size of the trading portfolio is calibrated on a profit-taking basis, while investments in available-for-sale assets are used with a view to supporting net interest income, with account taken of the performance of the loan portfolio.

Financial assets/liabilities

	30.9.2014		30.6.2014		Changes (A) / (B)		31.12.2013		ges		30.9.2013		Changes (A)/(D)	
Figures in thousands of euro	Carrying amount (A)	%	Carrying amount (B)	%	amount	%	Carrying amount (C)	%	amount	%	Carrying amount (D)	%	amount	%
Financial assets held for trading	1,014,902	4.5%	2,168,661	9.8%	-1,153,759	-53.2%	3,056,264	14.0%	-2,041,362	-66.8%	3,318,492	15.4%	-2,303,590	-69.4%
of which: financial derivatives contracts	*608,018*	*2.7%*	*499,630*	*2.3%*	*108,388*	*21.7%*	*456,884*	*2.1%*	*151,134*	*33.1%*	*474,273*	*2.2%*	*133,745*	*28.2%*
Financial assets designated at fair value	193,637	0.9%	192,408	0.9%	1,229	0.6%	208,143	1.0%	-14,506	-7.0%	207,370	0.9%	-13,733	-6.6%
Available-for-sale financial assets	18,331,820	81.0%	16,742,576	75.6%	1,589,244	9.5%	15,489,497	70.9%	2,842,323	18.4%	14,900,979	69.1%	3,430,841	23.0%
Held-to-maturity investments	3,076,556	13.6%	3,049,841	13.7%	26,715	0.9%	3,086,815	14.1%	-10,259	-0.3%	3,149,620	14.6%	-73,064	-2.3%
Financial assets (a)	**22,616,915**	**100.0%**	**22,153,486**	**100.0%**	**463,429**	**2.1%**	**21,840,719**	**100.0%**	**776,196**	**3.6%**	**21,576,461**	**100.0%**	**1,040,454**	**4.8%**
of which:														
- debt instruments	*21,565,258*	*95.4%*	*21,205,509*	*95.7%*	*359,749*	*1.7%*	*20,678,536*	*94.7%*	*886,722*	*4.3%*	*20,607,589*	*95.5%*	*957,669*	*4.6%*
- of which: Italian government securities	*20,659,334*	*91.3%*	*20,283,008*	*91.6%*	*376,326*	*1.9%*	*19,737,806*	*90.4%*	*921,528*	*4.7%*	*19,444,979*	*90.1%*	*1,214,355*	*6.2%*
- equity instruments	*264,349*	*1.2%*	*259,215*	*1.2%*	*5,134*	*2.0%*	*273,915*	*1.3%*	*-9,566*	*-3.5%*	*274,977*	*1.3%*	*-10,628*	*-3.9%*
- Units in UCITS.	*179,290*	*0.8%*	*189,132*	*0.9%*	*-9,842*	*-5.2%*	*431,384*	*2.0%*	*-252,094*	*-58.4%*	*219,622*	*1.0%*	*-40,332*	*-18.4%*
Financial liabilities held for trading (b)	**586,243**	**100.0%**	**496,946**	**100.0%**	**89,297**	**18.0%**	**1,396,350**	**100.0%**	**-810,107**	**-58.0%**	**1,294,108**	**100.0%**	**-707,865**	**-54.7%**
of which: financial derivatives contracts	*586,243*	*100.0%*	*496,930*	*100.0%*	*89,313*	*18.0%*	*417,388*	*29.9%*	*168,855*	*40.5%*	*423,353*	*32.7%*	*162,890*	*38.5%*
Net financial assets (a-b)	**22,030,672**		**21,656,540**		**374,132**	**1.7%**	**20,444,369**		**1,586,303**	**7.8%**	**20,282,353**		**1,748,319**	**8.6%**

The portfolio consisting of "financial assets held for trading" (€1,014,902 thousand) was smaller than the same portfolio held by the Parent (€1,119,978 thousand) due to the presence of financial derivatives contracts entered into by UBI Banca with the Group network banks and product companies. These instruments, in addition to being partially and potentially subject to intragroup elimination in the consolidation, were classified by the Parent as held for trading because the relative assets hedged were recognised in the balance sheets of the Group network banks and product companies. When the consolidation was prepared, those same instruments, entered into to hedge the underlying assets, were recognised within hedging derivatives.
Financial derivatives classified as held for trading held by the Parent amounted to €715,936 thousand in September 2014, while the figure for the Group was €608,018 thousand.

Management accounting figures[1] for 30th September 2014, show the following:

- in terms of *type of financial instrument*, the Group securities portfolio was composed as follows: 95% (93.5% in December) of government securities; 4.1% (4.4%) of corporate securities (of which approximately 75% were issued by major Italian and international banks and financial institutions; 71% of the investments in corporate securities also carry an "investment grade" rating); 0.8% (0.9%) of funds and hedge funds and 0.1% (1.2%) of equities;
- from a *financial viewpoint*, floating rate securities accounted for approximately 52.2% (19.4%) of the portfolio[2] and fixed rate securities for 43.9% (75.7%)[3], while the remainder was composed of structured instruments (held mainly in the AFS portfolio), equities, funds and convertible securities;
- as regards the *currency of denomination*, 99.7% of the securities were denominated in euro and 0.2% in dollars with currency hedges, while in terms of geographical distribution, 99.7% of the investments (excluding hedge funds) were issued from countries in the euro area (both these distributions were unchanged compared with the end of 2013);
- finally, an analysis by *rating* (for the bond portfolio only) shows that 98.7% (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 analysis relates to a smaller portfolio than that stated in the consolidated financial statements, because they exclude equity investments, some smaller portfolios and also financial derivatives contracts.
2 Fixed rate securities purchased as part of asset swaps are also considered as floating rate (95% of the floating rate securities). The increase as at 31st December 2013 is the result of hedges performed in the second quarter on the AFS portfolio.
3 The reduction is due to sales made in the trading portfolio.

Available-for-sale financial assets

"Available-for-sale financial assets" (AFS), asset item 40, are measured at fair value with the recognition of changes in a separate fair value reserve in equity, except for losses due to reductions in value that are considered significant or prolonged. In this case the reduction in value that occurred in the period is recognised through profit or loss, the amount being transferred from the negative or positive reserve that may have been recognised in equity previously. Following the recognition of impairment losses, recoveries in value continue to be recognised in the separate fair value reserve in equity if they relate to equity instruments and through profit and loss if they relate to debt instruments. Any decreases below the level of the previous impairment losses are recognised through profit and loss.
Definitions relating to the fair value hierarchy (levels 1, 2 and 3) are given in Section A.4 of Part A – Accounting Policies in the Notes to the Consolidated Financial Statements in the 2013 Annual Report.

Available-for-sale financial assets: composition

Figures in thousands of euro	30.9.2014				31.12.2013				Changes (A) / (B)		30.9.2013			
	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	17,184,146	902,466	1,219	18,087,831	14,144,436	852,136	3,513	15,000,085	3,087,746	20.6%	13,612,490	1,006,876	5,055	14,624,421
of which: Italian government securities	*16,717,914*	*465,270*	*-*	*17,183,184*	*13,632,023*	*428,529*	*-*	*14,060,552*	*3,122,632*	*22.2%*	*13,076,136*	*405,163*	*-*	*13,481,299*
Equity instruments	2,795	-	186,904	189,699	2,184	-	180,851	183,035	6,664	3.6%	28,738	-	153,323	182,061
Units in UCITS	10,497	43,793	-	54,290	254,639	51,738	-	306,377	-252,087	-82.3%	43,045	51,452	-	94,497
Financing	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	**17,197,438**	**946,259**	**188,123**	**18,331,820**	**14,401,259**	**903,874**	**184,364**	**15,489,497**	**2,842,323**	**18.4%**	**13,684,273**	**1,058,328**	**158,378**	**14,900,979**

Available-for-sale financial assets: composition

Figures in thousands of euro	30.9.2014				30.6.2014				Changes (A) / (D)	
	L 1	L 2	L 3	Carrying amount (A)	L 1	L 2	L 3	Carrying amount (D)	amount	%
Debt instruments	17,184,146	902,466	1,219	18,087,831	15,607,823	885,802	1,223	16,494,848	1,592,983	9.7%
of which: Italian government securities	*16,717,914*	*465,270*	*-*	*17,183,184*	*15,119,243*	*454,015*	*-*	*15,573,258*	*1,609,926*	*10.3%*
Equity instruments	2,795	-	186,904	189,699	2,908	-	179,612	182,520	7,179	3.9%
Units in UCITS	10,497	43,793	-	54,290	11,377	53,831	-	65,208	-10,918	-16.7%
Financing	-	-	-	-	-	-	-	-	-	-
Total	**17,197,438**	**946,259**	**188,123**	**18,331,820**	**15,622,108**	**939,633**	**180,835**	**16,742,576**	**1,589,244**	**9.5%**

Available-for-sale financial assets totalled €18.3 billion as at 30th September 2014 and were composed mainly as follows:

- €17,580 million in the UBI Banca AFS portfolio (€15,996 million in June and €14,753 million in December 2013);
- €578 million in the IW Bank portfolio (€577 million in June and €573 million at the end of the year), consisting almost entirely of floating rate Italian government securities, designed to stabilise the bank's net interest income, given the nature of its normal operations.

The increase that occurred in the first nine months of the year (+€2.8 billion) is attributable to *Italian government securities* in the UBI Banca portfolio, which recorded the following:

- an increase of €1.5 billion in the first six months of the year due to net investments in BTPs of €0.9 billion nominal and to an increase in the fair value of securities held in portfolio for the remainder;
- a total increase of €1.6 billion in the third quarter, the result of net investments of €1.3 billion nominal (purchases of €1.5 billion of BTPs maturing in 2019 and €50 million of CTZs, against sales of €0.25 billion nominal of BTPS maturing in 2016 which allowed gross profit of €10.6 million to be realised) and of further appreciation in prices.

As already reported, two switching operations were also carried out in the first half for a total nominal amount of €3.2 billion (the first involved sales and purchases of €1.55 billion of BTPs with a lengthening of the maturities, while the second involved sales of BTPs amounting to €1.65 billion and purchases of BOTs and CTZs amounting to €1.6 billion). They generated recognition of a gross gain totalling €63 million.

Total outstanding debt instruments[4] amounting to €18.1 billion, were composed as follows: €17.2 billion (of which €16.7 billion in government securities) classified in fair value level one and €0.9 billion in level two, consisting of €0.5 billion in Italian sovereign securities and the remainder mainly in bonds issued by major Italian banking groups. The total classified within level three (€1.2 million) continues to remain negligible.

Equity instruments[5], amounting to €189.7 million, increased slightly in the third quarter following changes in fair value and marginal purchases of shares classified within fair value level three (up from €180.9 million the end of 2013 to €186.9 million in September 2014).
The remaining securities in fair value level one amounted to €2.8 million (€2.2 million in December).

Units in UCITS – relating almost entirely to UBI Banca – fell slightly in the quarter to €54.3 million, due to a reduction in the value of property funds. The comparison with December (€306.4 million) was affected by the sale in the second quarter of three ETFs classified within fair value level one (a book value of €244 million at the end of 2013). This operation generated a gross gain of €19.7 million.
Property funds contained in the UCITS portfolio totalled €16 million (€16.9 million in June), slightly down in the quarter due to reductions in the market value of the units held 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

Figures in thousands of euro	30.9.2014 Carrying amount (A)	30.9.2014 Fair Value L 1	L 2	L 3	Total	31.12.2013 Carrying amount (B)	31.12.2013 Fair Value L 1	L 2	L 3	Total	Changes (A) / (B) amount	%	30.9.2013 Carrying amount (C)	30.9.2013 Fair Value L 1	L 2	L 3	Total
Debt instruments	3,076,556	3,087,840	-	-	3,087,840	3,086,815	3,153,553	-	-	3,153,553	-10,259	-0.3%	3,149,620	3,223,500	-	-	3,223,500
of which: Italian government	*3,076,556*	*3,087,840*	-	-	*3,087,840*	*3,086,815*	*3,153,553*	-	-	*3,153,553*	*-10,259*	*-0.3%*	*3,149,620*	*3,223,500*	-	-	*3,223,500*
Financing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	**3,076,556**	**3,087,840**	**-**	**-**	**3,087,840**	**3,086,815**	**3,153,553**	**-**	**-**	**3,153,553**	**-10,259**	**-0.3%**	**3,149,620**	**3,223,500**	**-**	**-**	**3,223,500**

Held-to-maturity investments: composition

Figures in thousands of euro	30.9.2014 Carrying amount (A)	30.9.2014 Fair Value L 1	L 2	L 3	Total	30.6.2014 Carrying amount (D)	30.6.2014 Fair Value L 1	L 2	L 3	Total	Changes (A) / (D) amount	%
Debt instruments	3,076,556	3,087,840	-	-	3,087,840	3,049,841	3,085,020	-	-	3,085,020	26,715	0.9%
of which: Italian government securities	*3,076,556*	*3,087,840*	-	-	*3,087,840*	*3,049,841*	*3,085,020*	-	-	*3,085,020*	*26,715*	*0.9%*
Financing	-	-	-	-	-	-	-	-	-	-	-	-
Total	**3,076,556**	**3,087,840**	**-**	**-**	**3,087,840**	**3,049,841**	**3,085,020**	**-**	**-**	**3,085,020**	**26,715**	**0.9%**

Held-to-maturity investments had a book value of €3.1 billion as at 30th September 2014. The item consisted of BTPs purchased in February 2012 for a nominal amount of €3 billion with maturity on 15th November 2014.
With a view to maintaining the contribution of the securities portfolio to net interest income, the Group has decided to reinvest the liquidity from the maturity of the investment in medium to long-term Italian government bonds to be recognised in the AFS portfolio.

4 Again in September, as in the previous comparative periods, these did not include direct investments in ABS instruments. An investment of €21 million (classified within UBI Leasing's loans and receivables) regarding an own securitisation (Lombarda Lease Finance 4) eliminated in the consolidation no longer existed as at 30th September 2014, having been closed down on 30th July 2014. Own securitisations amounted to €21 million in June 2014, while they totalled €23.9 million in December 2013 and €23.4 million in September 2013 due to the presence of ABS securities classified within UBI Banca's AFS portfolio, redeemed on 30th April 2014.
5 Shareholdings that are not classified as companies subject to control, joint control or significant influence are recognised here.

Financial instruments held for trading

Financial assets held for trading

Asset item 20, "Financial assets held for trading" (HFT), comprises financial trading instruments "used to generate a profit from short-term fluctuations in price". They are recognised at fair value through profit or loss – FVPL.
Definitions relating to the fair value hierarchy (levels 1, 2 and 3) are given in Section A.4 of Part A – Accounting Policies in the Notes to the Consolidated Financial Statements in the 2013 Annual Report.

Financial assets held for trading: composition

Figures in thousands of euro	30.9.2014 L 1	L 2	L 3	Carrying amount (A)	31.12.2013 L 1	L 2	L 3	Carrying amount (B)	Changes (A) / (B) amount	%	30.9.2013 L 1	L 2	L 3	Carrying amount (C)
On-balance sheet assets														
Debt instruments	400,151	466	254	400,871	2,590,923	*95*	618	2,591,636	-2,190,765	-84.5%	2,832,846	-	702	2,833,548
of which: Italian government securities	*399,594*	-	-	*399,594*	*2,590,439*	-	-	*2,590,439*	*-2,190,845*	*-84.6%*	*2,814,060*	-	-	*2,814,060*
Equity instruments	4,642	-	447	5,089	6,490	-	447	6,937	-1,848	-26.6%	9,035	-	467	9,502
Units in UCITS	236	1	687	924	168	1	638	807	117	14.5%	404	1	764	1,169
Financing	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total (a)	**405,029**	**467**	**1,388**	**406,884**	**2,597,581**	**96**	**1,703**	**2,599,380**	**-2,192,496**	**-84.3%**	**2,842,285**	**1**	**1,933**	**2,844,219**
Derivative instruments														
Financial derivatives	590	607,428	-	608,018	293	456,591	-	456,884	151,134	33.1%	2,687	471,586	-	474,273
Credit derivatives	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total (b)	**590**	**607,428**	**-**	**608,018**	**293**	**456,591**	**-**	**456,884**	151,134	33.1%	**2,687**	**471,586**	**-**	**474,273**
Total (a+b)	**405,619**	**607,895**	**1,388**	**1,014,902**	**2,597,874**	**456,687**	**1,703**	**3,056,264**	**-2,041,362**	**-66.8%**	**2,844,972**	**471,587**	**1,933**	**3,318,492**

Financial assets held for trading amounted to €1 billion at the end of September 2014 (-53.2% compared with June and -66.8% compared with December).

Financial assets held for trading: composition

Figures in thousands of euro	30.9.2014 L 1	L 2	L 3	Carrying amount (A)	30.6.2014 L 1	L 2	L 3	Carrying amount (D)	Changes (A) / (D) amount	%
On-balance sheet assets										
Debt instruments	400,151	466	254	400,871	1,660,434	*133*	253	1,660,820	-1,259,949	-75.9%
of which: Italian government	*399,594*	-	-	*399,594*	*1,659,909*	-	-	*1,659,909*	*-1,260,315*	*-75.9%*
Equity instruments	4,642	-	447	5,089	6,921	-	443	7,364	-2,275	-30.9%
Units in UCITS	236	1	687	924	204	1	642	847	77	9.1%
Financing	-	-	-	-	-	-	-	-	-	-
Total (a)	**405,029**	**467**	**1,388**	**406,884**	**1,667,559**	**134**	**1,338**	**1,669,031**	**-1,262,147**	**-75.6%**
Derivative instruments										
Financial derivatives	590	607,428	-	608,018	393	499,237	-	499,630	108,388	21.7%
Credit derivatives	-	-	-	-	-	-	-	-	-	-
Total (b)	**590**	**607,428**	**-**	**608,018**	**393**	**499,237**	**-**	**499,630**	**108,388**	**21.7%**
Total (a+b)	**405,619**	**607,895**	**1,388**	**1,014,902**	**1,667,952**	**499,371**	**1,338**	**2,168,661**	**-1,153,759**	**-53.2%**

The large contraction is attributable to substantial sales made by the Parent of *Italian government securities* classified in fair value level one, which fell to €400 million.
In fact after net investments of €0.8 billion nominal made in the first quarter, the portfolio was subject to profit-taking from the second quarter (net disposals of €1.8 billion nominal in the period April-June and of €1.25 billion nominal in the third quarter).

-

The remaining categories were again of negligible amount, composed as follows:

- €5.1 million of *equity instruments* (€7.4 million in June and €6.9 million in December), slightly down due to a decrease recorded in fair value level one, while securities classified within level three remained unchanged;

- €0.9 million of *units in UCITS* relating mostly to hedge funds purchased by UBI Banca before 30th June 2007, classified within fair value level three and amounting to €0.7 million[6].

Finally, financial assets classified as HFT also included *derivative instruments* amounting to €608 million (€499.6 million in June and €456.9 million in December), 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.

Financial liabilities held for trading

Financial liabilities held for trading: composition

	30.9.2014				31.12.2013				Changes (A) / (B)		30.9.2013			
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)
On-balance sheet liabilities														
Due to banks	-	-	-	-	959,994	-	-	959,994	-959,994	-100.0%	870,005	-	-	870,005
Due to customers	-	-	-	-	18,968	-	-	18,968	-18,968	-100.0%	750	-	-	750
Debt instruments	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total (a)	**-**	**-**	**-**	**-**	**978,962**	**-**	**-**	**978,962**	**-978,962**	**-100.0%**	**870,755**	**-**	**-**	**870,755**
Derivative instruments														
Financial derivatives	25	586,218	-	586,243	52	417,336	-	417,388	168,855	40.5%	242	423,111	-	423,353
Credit derivatives	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total (b)	**25**	**586,218**	**-**	**586,243**	**52**	**417,336**	**-**	**417,388**	**168,855**	**40.5%**	**242**	**423,111**	**-**	**423,353**
Total (a+b)	**25**	**586,218**	**-**	**586,243**	**979,014**	**417,336**	**-**	**1,396,350**	**-810,107**	**-58.0%**	**870,997**	**423,111**	**-**	**1,294,108**

Financial liabilities held for trading, composed solely of financial derivatives, amounted to €586 million (€497 million in June and €1.4 billion at the end of 2013).

Compared with December, on-balance sheet liabilities (€979 million) fell to zero following the closure of all uncovered short positions relating to the Parent which are recognised within this item (mainly relating to French and German government securities and to a residual extent to Italian government securities).

Financial liabilities held for trading: composition

	30.9.2014				30.6.2014				Changes (A) / (D)	
Figures in thousands of euro	L 1	L 2	L 3	Carrying amount (A)	L 1	L 2	L 3	Carrying amount (D)	amount	%
On-balance sheet liabilities										
Due to banks	-	-	-	-	16	-	-	16	-16	-100.0%
Due to customers	-	-	-	-	-	-	-	-	-	-
Debt instruments	-	-	-	-	-	-	-	-	-	-
Total (a)	**-**	**-**	**-**	**-**	**16**	**-**	**-**	**16**	**-16**	**-100.0%**
Derivative instruments										
Financial derivatives	25	586,218	-	586,243	316	496,614	-	496,930	89,313	18.0%
Credit derivatives	-	-	-	-	-	-	-	-	-	-
Total (b)	**25**	**586,218**	**-**	**586,243**	**316**	**496,614**	**-**	**496,930**	**89,313**	**18.0%**
Total (a+b)	**25**	**586,218**	**-**	**586,243**	**332**	**496,614**	**-**	**496,946**	**89,297**	**18.0%**

6 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 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	30.9.2014				31.12.2013				Changes (A) / (B)		30.9.2013			
	L 1	L 2	L 3	Carrying amount (A)	L 1	L 2	L 3	Carrying amount (B)	amount	%	L 1	L 2	L 3	Carrying amount (C)
Debt instruments	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Equity instruments	3,770	927	64,864	69,561	-	927	83,016	83,943	-14,382	-17.1%	-	1,690	81,724	83,414
Units in UCITS	117,389		6,687	124,076	117,129	-	7,071	124,200	-124	-0.1%	113,581	-	10,375	123,956
Financing	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	**121,159**	**927**	**71,551**	**193,637**	**117,129**	**927**	**90,087**	**208,143**	**-14,506**	**-7.0%**	113,581	1,690	92,099	**207,370**

Financial assets designated at fair value related entirely to the Parent and amounted to €193.6 million, unchanged compared with June (€192.4 million), but slightly down on the total at the end of 2013 (€208.1 million).

Financial assets designated at fair value: composition

Figures in thousands of euro	30.9.2014				30.6.2014				Changes (A) / (D)	
	L 1	L 2	L 3	Carrying amount (A)	L 1	L 2	L 3	Carrying amount (D)	amount	%
Debt instruments	-	-	-	-	-	-	-	-	-	-
Equity instruments	3,770	927	64,864	69,561	3,604	927	64,800	69,331	230	0.3%
Units in UCITS	117,389		6,687	124,076	116,865	-	6,212	123,077	999	0.8%
Financing	-	-	-	-	-	-	-	-	#RIF!	-
Total	**121,159**	**927**	**71,551**	**193,637**	**120,469**	**927**	**71,012**	**192,408**	**1,229**	**0.6%**

This class was composed as follows at the end of the period,

- €69.6 million of *equity instruments*, recognised almost entirely within fair value level three and consisting of securities held in relation to merchant banking and private equity business (€83.9 million in December). Two disposals were completed in the first part of the year: the partial disposal of the stake held in Humanitas Spa (3.75% of the share capital) and the total disposal of the investment in Manisa Srl (28.66% of the share capital) with the related subscription of "Development shares" issued by Isagro Spa, classified, on the other hand, in fair value level one;
- €124.1 million of *units in UCITS* which included the listed Tages funds in level one (funds of hedge funds) amounting to €117.4 million (€116.9 million at the end of June, €117.1 million in December) and residual investments in hedge funds in fair value level three amounting to €6.7 million (the latter are also recognised in the HFT class amounting to €0.7 million).

Exposure to sovereign debt risk

UBI Banca Group: exposures to sovereign debt risk

Country / portfolio of classification Figures in thousands of euro	30.9.2014 Nominal amount	30.9.2014 Carrying amount	30.9.2014 Fair value	30.6.2014 Nominal amount	30.6.2014 Carrying amount	30.6.2014 Fair value	31.12.2013 Nominal amount	31.12.2013 Carrying amount	31.12.2013 Fair value
- Italy	**19,565,991**	**21,423,629**	**21,434,903**	**19,660,820**	**21,195,588**	**21,230,767**	**19,727,172**	**20,595,425**	**20,662,157**
financial assets and liabilities held for trading (net exposure)	401,775	399,594	399,594	1,655,182	1,659,893	1,659,893	2,605,276	2,569,364	2,569,364
available-for-sale financial assets	15,404,735	17,188,539	17,188,529	14,099,235	15,573,258	15,573,258	13,245,565	14,060,552	14,060,546
held-to-maturity investments	3,000,000	3,076,556	3,087,840	3,000,000	3,049,841	3,085,020	3,000,000	3,086,815	3,153,553
loans and receivables	759,481	758,940	758,940	906,403	912,596	912,596	876,331	878,694	878,694
- Spain	**12,008**	**12,008**	**12,008**	**19,989**	**19,989**	**19,989**	**72,047**	**72,047**	**72,047**
loans and receivables	12,008	12,008	12,008	19,989	19,989	19,989	72,047	72,047	72,047
- Germany	**-**	**-**	**-**	**-**	**-**	**-**	**-600,000**	**-646,519**	**-646,519**
financial assets and liabilities held for trading (net exposure)	-	-	-	-	-	-	-600,000	-646,519	-646,519
- France	**499**	**499**	**499**	**17**	**17**	**17**	**-299,807**	**-311,175**	**-311,175**
financial assets and liabilities held for trading (net exposure)	-	-	-	-	-	-	-300,000	-311,368	-311,368
loans and receivables	499	499	499	17	17	17	193	193	193
- Holland	**10**	**10**	**10**	**10**	**10**	**10**	**10**	**10**	**10**
loans and receivables	10	10	10	10	10	10	10	10	10
- Argentina	**2,416**	**767**	**767**	**2,406**	**748**	**748**	**2,411**	**687**	**687**
financial assets and liabilities held for trading (net exposure)*	2,416	767	767	2,406	748	748	2,411	687	687
Total on-balance sheet exposure	**19,580,924**	**21,436,913**	**21,448,187**	**19,683,242**	**21,216,352**	**21,251,531**	**18,901,833**	**19,710,475**	**19,777,207**

(*) The figures relating to the exposure to Argentina as at 30th June 2014 are different from those published in the half-year financial report due to a previous error in the compilation of the table.

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

The book value of the sovereign debt risk exposures of the UBI Banca Group as at 30th September 2014 was €21.4 billion, almost unchanged compared with June (€21.2 billion), but up from €19.7 billion at the end of 2013.

The exposure continues to be concentrated in Italian government securities amounting to €20.7 billion, of which €17.2 billion classified as available-for-sale, €0.4 billion as held for trading and €3.1 billion as held-to-maturity.
Loans to Italian public administrations, which had grown in the first half to €913 million from €879 million at the end of the year, recorded a decrease to €759 million.

The following was recorded in 2014 with regard to other countries:

- a substantial contraction in the risk relating to Spain attributable to lending business by UBI Banca International (down to €12 million[7] from €72 million in December, due to the closure of an exposure to the State Railways in the second quarter);
- the disappearance of uncovered short positions – as part of trading activities – relating to Germany and France.

Although marginal, growth was recorded in the third quarter in credit exposure to France (€499 million), connected with factoring business carried out by UBI Banca International.

* * *

7 These were factoring receivables, for which the receivables purchased relate to government counterparties, and included positions past due relating to Spanish municipalities amounting to €6.5 million.

An analysis of the *distribution by maturity of Italian government securities* held in portfolio is given below.

The average life of the AFS portfolio is 5.3 years (5.9 years in December 2013), and that of the held to maturity portfolio is 0.13 years (0.9 years), while that of government securities classified within the trading portfolio (HFT) is 1.4 years (1.6 years).

The comparative figures show the following:

- an increase over nine months in securities in the "up to 6 months" group, due to the forthcoming maturity (November 2014) of investments classified within the held-to-maturity portfolio and following the purchases of BOTs and CTZs made in the second quarter (as part of the switches made in the AFS portfolio);
- a decrease in the percentage in the "six months to one year" group and in the "one year to three years" group (down as a whole to 17.4% from 61.9% in December), attributable to progressive sales carried down within the trading portfolio and also to the maturity of the HTM portfolio and disposals in the AFS portfolio;
- a greater percentage in the "three years to five years" group (up to 43.1% from 22% at the end of the year), following new investments made in the second and third quarters in the AFS portfolio.

Maturities of Italian government securities

Figures in thousands of euro	30.9.2014					30.6.2014				
	Financial assets held for trading (*)	Available-for-sale financial assets	Held-to-maturity investments	Carrying amount	%	Financial assets held for trading (*)	Available-for-sale financial assets	Held-to-maturity investments	Carrying amount	%
Up to 6 months	1,624	1,764,507	3,076,556	4,842,687	23.4%	4,902	1,762,461	3,049,841	4,817,204	23.8%
Six months to one year	199,510	223,244	-	422,754	2.0%	748,708	133	-	748,841	3.7%
One year to three years	198,292	2,975,316	-	3,173,608	15.4%	906,298	3,420,701	-	4,326,999	21.3%
Three years to five years	-	8,895,180	-	8,895,180	43.1%	-	7,060,149	-	7,060,149	34.8%
Five years to ten years	167	1,055,757	-	1,055,924	5.1%	-5	1,162,778	-	1,162,773	5.7%
Over ten years	1	2,269,180	-	2,269,181	11.0%	-10	2,167,036	-	2,167,026	10.7%
Total	**399,594**	**17,183,184**	**3,076,556**	**20,659,334**	**100.0%**	**1,659,893**	**15,573,258**	**3,049,841**	**20,282,992**	**100.0%**

(*) Net of the relative uncovered short positions.

Figures in thousands of euro	31.12.2013				
	Financial assets held for trading (*)	Available-for-sale financial assets	Held-to-maturity investments	Carrying amount	%
Up to 6 months	7,912	-	-	7,912	0.0%
Six months to one year	1,439,942	163,870	3,086,815	4,690,627	23.8%
One year to three years	1,126,778	6,381,972	-	7,508,750	38.1%
Three years to five years	-	4,330,939	-	4,330,939	22.0%
Five years to ten years	-21,075	1,279,939	-	1,258,864	6.4%
Over ten years	15,807	1,903,832	-	1,919,639	9.7%
Total	**2,569,364**	**14,060,552**	**3,086,815**	**19,716,731**	**100.0%**

(*) Net of the relative uncovered short positions.

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

Equity and capital adequacy

Changes in consolidated shareholders' equity

Reconciliation between equity and profit for the period of the Parent with consolidated equity as at 30th September 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	9,751,240	212,354
Effect of the consolidation of subsidiaries including joint ventures	1,249,102	220,302
Effect of measuring other significant equity investments using the equity method	66,599	28,399
Dividends received during the period	-	-268,301
Other consolidation adjustments (including the effects of the PPA)	-266,201	-42,922
Equity and profit for the period in the consolidated accounts	**10,800,740**	**149,832**

Changes in the consolidated equity of the Group in the first nine months of 2014

Figures in thousands of euro	Balances as at 31.12.2013	Allocation of prior year profit		Changes January-September 2014				30.9.2014
				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	-58,591	-4,411	-	-	-	**3,482,242**
Valuation reserves	-170,968	-	-	-	-	-	373,737	**202,769**
Treasury shares	-6,121	-	-	781	-	-	-	**-5,340**
Profit for the period	250,830	-250,830	-	-	-	-	149,832	**149,832**
Equity attributable to the shareholders of the Parent	**10,339,392**	**-**	**-58,591**	**-3,630**	**-**	**-**	**523,569**	**10,800,740**

The equity attributable to the shareholders of the Parent, UBI Banca, as at 30th September 2014 inclusive of profit for the period, was €10,800.7 million, an increase compared with €10,339.4 million at the end of 2013.

Valuation reserves attributable to the Group: composition

Figures in thousands of euro	30.9.2014	31.12.2013
Available-for-sale financial assets	233,695	-155,515
Cash flow hedges	-1,397	-2,037
Currency translation differences	-243	-243
Actuarial gains/losses for defined benefit pension plans	-88,027	-71,914
Special revaluation laws	58,741	58,741
Total	**202,769**	**-170,968**

As shown in the table "Changes in the consolidated equity of the Group in the first nine months of 2014", the increase of €461.3 million is the result of the following;

- the allocation of €58.6 million of 2013 consolidated profit to dividends and other uses[1];
- an improvement of €373.7 million in the balance for valuation reserves – which became positive – generated almost entirely by the impact of comprehensive income as follows: +€389.2 million for available-for-sale financial assets; +€0.6 million for cash flow hedges; -€16.1 million for gains/losses relating to defined benefit pension plans;

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

- an aggregate negative impact of €4.4 million for other reserves of profits;
- an increase of €0.8 million following the assignment of shares to the Senior Management of the Group in relation to incentive schemes;
- the recognition of profit for the period of €149.8 million;

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

Figures in thousands of euro	30.9.2014 Positive reserve	30.9.2014 Negative reserve	30.9.2014 Total	31.12.2013 Positive reserve	31.12.2013 Negative reserve	31.12.2013 Total
1. Debt instruments	326,008	-169,040	156,968	96,032	-336,633	-240,601
2. Equity instruments	70,896	-2,925	67,971	72,847	-2,481	70,366
3. Units in UCITS	10,614	-1,858	8,756	17,698	-2,978	14,720
4. Financing	-	-	-	-	-	-
Total	**407,518**	**-173,823**	**233,695**	**186,577**	**-342,092**	**-155,515**

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

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	**504,080**	**5,174**	**9,039**	**-**	**518,293**
2.1 Increases in fair value	479,420	4,923	5,352	-	489,695
2.2 Transfer to income statement of negative reserves	997	130	3,402	-	4,529
- following impairment losses	-	*87*	*1,145*	-	*1,232*
- from disposal	*997*	*43*	*2,257*	-	*3,297*
2.3 Other changes	23,663	121	285	-	24,069
3. Negative changes	**-106,511**	**-7,569**	**-15,003**	**-**	**-129,083**
3.1 Reductions in fair value	-71,798	-3,247	-3,925	-	-78,970
3.2 Impairment losses	-	-	-	-	-
3.3 Transfer to income statement of positive reserves: from disposal	-28,874	-621	-9,982	-	-39,477
3.4 Other changes	-5,839	-3,701	-1,096	-	-10,636
4. Closing balances as at 30th September 2014	**156,968**	**67,971**	**8,756**	**-**	**233,695**

As shown in the table, the increase mentioned above of €389.2 million in the "fair value reserve for available-for-sale financial assets" is fully attributable to debt instruments (for which the balance improved by €397.6 million to +€157 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 €144.2 million, with a recovery of €381.6 million since the beginning of the year, of which €354.3 million originated by the Parent portfolio.

The reserve relating to debt instruments recorded increases in fair value of €479.4 million in the first nine months of the year, of which +€383.5 million relating to the Parent (over 95% on Italian government securities), €81.5 million to Lombarda Vita, €6.7 million to IW Bank (from the Italian government securities portfolio) and €6.4 million to UBI Assicurazioni.

The table also shows decreases: reductions in fair value of €71.8 million, relating mainly to Lombarda Vita, and transfers to the income statement of positive reserves from disposals of €28.9 million largely in relation to the disposal of government securities in the UBI Banca portfolio.

Finally, the other increases and decreases of +€23.7 million and -€5.8 million respectively are primarily due to the recognition of IRAP (local production tax) deferred tax assets not recognised in previous years on the balance in the AFS securities reserve existing as at 31st December 2013.

As concerns equity instruments, increases in fair value came to €4.9 million, mainly in relation to the Parent (€3.7 million, relating to the interest held in S.A.C.B.O.) and to the Lombarda Vita (€1 million).
Decreases, however, include reductions in fair value of €3.2 million, of which €2.2 million relating to UBI Banca (almost entirely attributable to SIA) and €0.6 million to Lombarda Vita.

Units in UCITS also benefited from increases in fair value amounting to €5.4 million – of which €4.4 million relating to UBI Banca and €0.9 million to Lombarda Vita – in addition to transfers of negative reserves to the income statement totalling €3.4 million, relating entirely to Lombarda Vita.
Reductions in fair value amounted to €3.9 million, of which €3.8 million relating to Lombarda Vita, while transfers to the income statement of positive reserves from disposals amounting to €10 million, consisted of €9.7 million relating to the Parent – following the disposal of three ETF funds – and of €0.3 million relating to Lombarda Vita.

Information on the shareholder structure

With regard to interests held of greater than 2% reported pursuant to article 120 of the Consolidated Finance Act (Legislative Decree No. 58/1998), the Bank has received no reports of changes compared with the position reported in the Interim Financial Report as at and for the period ended 30th June 2014, which therefore may be consulted.

It must in any case be considered that the percentage interests reported in the previous half-year 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.

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

On the basis of updates of the shareholders' register, the registered shareholders of UBI Banca numbered 79,961[2] as at 30th September 2014 (78,689 at the end of the first half and 94,544 in December 2013). If shareholders who are not listed in the shareholders' register are also considered, as results from reports provided by financial intermediaries on the ex dividend date (19th May 2014), then the total of registered and unregistered shareholders was over 155 thousand.

2 At the date of this report, the registered shareholders UBI Banca numbered 78,614, a figure which incorporates the removal of 2,155 registered shareholders from the register because they did not possess the minimum number of shares required by article 8 of the Articles of Association (250 shares).
On 24th April, on conclusion of the transition period allowed to increase shareholdings up to the minimum, the Management Board of UBI Banca took note that 20,553 shareholders had lost their registered status.

Capital adequacy

The new prudential rules for banks and investment companies contained in EU Regulation 575/2013 (the Capital Requirements Regulation, known as the CRR) and in the EU Directive 2013/36/EU (the Capital Requirements Directive, known as CRD IV), came into force on 1st January 2014. These transpose standards defined by the Basel Committee on Banking Supervision (known as the Basel 3 framework) into European Union regulations.
The CRR comes directly into force in member states, while the regulations contained in CRD IV require implementation through national legislation.
On conclusion of a public consultation process started in November 2013, on the following 17th December the Bank of Italy published Circular No. 285 "Rules for the prudential supervision of banks", which implements the new EU regulations.

Capital ratios (Basel 3)

Figures in thousands of euro	30.9.2014	30.6.2014
Common Equity Tier 1 capital before filters and transitional provisions	8,021,654	7,974,150
Effects of transitional provisions provided for by the regulations (minority interests)	386,750	375,601
Effects of transitional provisions provided for by the regulations (AFS reserves)	-103,187	-103,596
Adjustments to Common Equity Tier 1 capital due to prudential filters provided for by the regulations	-2,104	-2,811
Government securities sterilisation effect	-103,344	-59,810
Common Equity Tier 1 capital net of prudential filters and transitional provisions	**8,199,769**	**8,183,533**
Deductions from Common Equity Tier 1 capital	-490,597	-519,438
of which: negative items due to shortfall of provisions to expected losses, inclusive of the application of transitional provisions	*-490,597*	*-519,438*
Common Equity Tier 1 capital	**7,709,172**	**7,664,095**
Additional Tier 1 capital before deductions	**38,990**	**39,441**
Deductions from Additional Tier 1	-38,990	-39,441
of which: negative items due to shortfall of provisions to expected losses, inclusive of the application of transitional provisions	*-38,990*	*-39,441*
Additional Tier 1 capital	**-**	**-**
Tier 1 capital (Common Equity Tier 1 + Additional Tier 1)	**7,709,172**	**7,664,095**
Tier 2 capital before transitional provisions	**3,347,673**	**3,527,869**
Effects of grandfathering provisions on Tier 2 instruments	6,780	19,376
Tier 2 capital after transitional provisions	**3,354,453**	**3,547,245**
Deductions from Tier 2 capital	-339,035	-357,932
of which: negative items due to shortfall of provisions to expected losses, inclusive of the application of transitional provisions	*-353,058*	*-372,586*
Tier 2 capital	**3,015,418**	**3,189,313**
Total own funds	**10,724,590**	**10,853,408**
Credit risk	4,348,406	4,414,926
Credit valuation adjustment risk	11,524	10,808
Market risk	49,620	55,728
Operational risk	333,773	333,773
Total prudential requirements	**4,743,323**	**4,815,235**
Risk weighted assets	**59,291,538**	**60,190,438**
Common Equity Tier 1 ratio (Common Equity Tier 1 capital / Risk weighted assets)	**13.00%**	**12.73%**
Tier 1 ratio (Tier 1 capital / Risk weighted assets)	**13.00%**	**12.73%**
Total capital ratio (Total own funds / Risk weighted assets)	**18.09%**	**18.03%**

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

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

As shown in the table, at the end of September the UBI Banca Group's common equity tier one capital (CET1) stood at €7.7 billion, up by €45 million in the quarter, mainly as result of a reduction in the shortfall (the difference between expected loss amounts and provisions).

As already reported, on the basis of supervisory regulations, the calculation of capital ratios as at 30th September 2014 does not include profit for the period and the consequent changes in filters and deductions.

The tier two capital, on the other hand, fell from approximately €3 billion (€3.2 billion as at 30th June) due to the amortisation of subordinated securities. As opposed the previous regulations, under the framework established by the CRR, amortisation occurs on the basis of the days remaining in the life of the instrument.

As a result of the changes reported above, total own funds stood at €10.7 billion (€10.9 billion as at 30th June).

Risk weighted assets (RWAs) fell from €60.2 billion to €59.3 billion, primarily as a result of a decrease in capital requirements for credit risk, in relation to a reduction in total volumes of lending.

At the end of the period the capital ratios[3] of the UBI Banca Group consisted of a common equity tier one ratio[4] and a tier one ratio of 13% (12.73% in June) and a total capital ratio of 18.09% (18.03%).
Nevertheless, as already reported the usual annual process to update the risk parameters employed (historical data series relating to lending parameters) scheduled for the fourth quarter will impact the end-of-year ratios.

The pro forma CET1 ratio as at 30th September 2014, calculated on the basis of the rules that will be in force at the end of the transitory period (known as the fully phased in CET1 ratio) is estimated at 12%.

The fully loaded common equity tier one ratio is estimated operationally at 11.2%. The calculation takes account of operations currently being completed (Aviva and UBI Assicurazioni) and of the periodic update of the historical data series mentioned above. However, no optimisation and/or self financing operations were included.

Finally, as at 30th September 2014 the leverage ratio[5] according to Basel 3 rules stood at approximately 5.9% (5.8% as at 30th June), while in terms of management accounting figures it is estimated when fully loaded at 5.4%.

3 The minimum capital ratios required by UBI Banca Group for 2014, which take account of the obligation to maintain a capital buffer equal to 2.5% of risk-weighted assets, are 7% for the Common Equity Tier 1 ratio, 8% for the Tier 1 ratio and 10.5% for the total own funds ratio.
4 Common Equity Tier 1 phased-in.
5 Under Basel 3, 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.

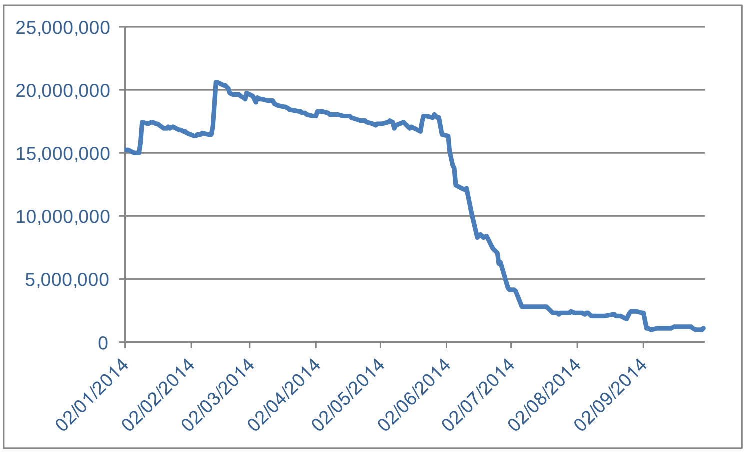
The information already reported in this same section of the Interim Financial Report as at and for the period ended 30th June 2014, and in Part E of the Notes to the Consolidated Financial Statements as at and for the period ended 31st December 2013 may be consulted for the general aspects, the risk management policies and the organisational models and measurement methods.

Market risk

Interest rate risk and price risk - Supervisory trading book

Internal models and other methods of sensitivity analysis.

Change in market risk:
daily market VaR for the Group trading book in the first nine months of 2014



The decrease in risk in the trading book portfolios is connected mainly with the sale of Italian government securities in the second and third quarters of the year.

VaR by risk factor calculated on the entire trading book of the UBI Group as at 30th September 2014 is given below.

Trading book of the UBI Banca Group	30.9.2014	Average	Minimum	Maximum	30.6.2014	31.12.2013
Currency risk	5,903	567,253	1,791	1,239,529	6,851	1,096,417
Interest rate risk	818,308	1,276,395	695,646	1,945,182	901,399	1,790,539
Equity risk	265,121	219,306	147,313	379,128	311,201	161,084
Credit risk	724,962	10,439,124	719,033	18,901,460	4,069,720	14,012,264
Volatility risk	24,637	150,986	24,483	320,266	44,459	309,114
Diversification effect (1)	(757,191)				(992,238)	(2,023,928)
Total (2)	**1,081,740**	**11,578,519**	**1,070,679**	**20,628,449**	**4,341,392**	**15,345,490**

(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, the minimum VaR on 29th September 2014.

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

At the end of the third quarter positive sensitivity was found in both of the scenarios considered by Group financial risk policy: an upward (+100 bp) and a downward (-100 bp) shock on the yield curve. In detail:

- in the upward shift in the yield curve scenario (+100 bp), Group exposure to interest rate risk, in terms of core sensitivity, was +€223.31 million;
- in the downward shift in the yield curve scenario (-100 bp), on the other hand, core sensitivity of +€77.49 million was found. This exposure was affected by the constraint of non-negative interest rates imposed (today close to zero) and therefore by the application a floor on the shift of relative curve.

In compliance with the Financial Risks Policy, both levels include an estimate of the impact of early repayments and modelling of on-demand items on the basis of the internal model.

In the negative shock scenario, the sensitivity originated by the network banks was -€18.27 million and the sensitivity generated by the product companies was approximately +€73.24 million, while the Parent contributed a total of +€22.52 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 third quarter of 2014, given as a percentage of the tier one capital and total own funds.

Risk indicators - annual average	September 2014 / September	June 2014 / June 2013	March 2014 / March 2013	FY 2013
parallel shift of +200 bp				
sensitivity/tier one capital	1.42%	2.12%	2.75%	3.14%
sensitivity/total own funds*	1.02%	1.50%	1.90%	2.20%

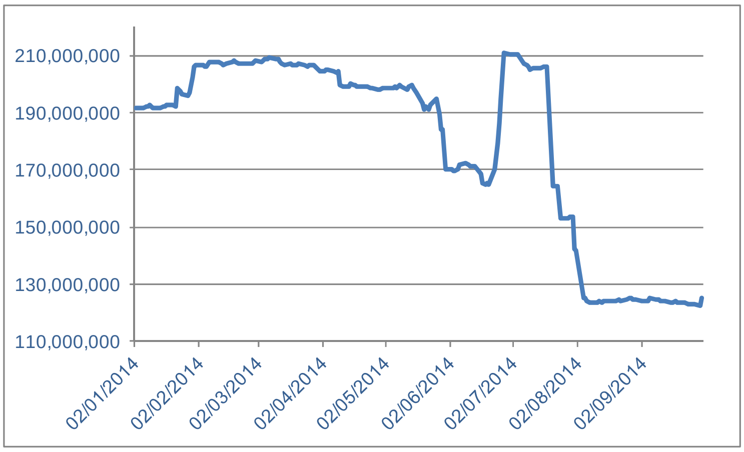
Risk indicators - end of period values	30.9.2014	30.6.2014	31.3.2014	31.12.2013
parallel shift of +200 bp				
sensitivity/tier one capital	2.50%	2.57%	0.05%	0.21%
sensitivity/total own funds*	1.79%	1.81%	0.04%	0.14%

* 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 period of twelve months.
The effect resulting from the behaviour profile of on-demand items (the replicating portfolio) contributes to the overall determination of exposure.

Group exposure to interest rate risk, estimated in terms of an impact on net interest income resulting from an increase in reference interest rates of 100 bp was +€108.36 million for the period ended 30th September 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 nine months of 2014



Market VaR does not include VaR on securities classified as held-to-maturity and the VaR on hedge funds.

The decrease in risk in the banking book portfolios in the third quarter of the year is connected mainly with the update of the two-year historical data series used to calculate VaR.

VaR by risk factor calculated on the banking book of the UBI Group as at 30th September 2014 is given below.

Banking book of the UBI Banca Group	30.9.2014	Average	Minimum	Maximum	30.6.2014	31.12.2013
Currency risk	49,527	54,640	43,641	62,115	52,683	58,633
Interest rate risk	8,742,947	16,749,180	8,461,536	27,140,347	9,925,094	25,788,208
Equity risk	460,869	2,710,526	429,102	7,640,752	464,455	7,517,896
Credit risk	128,959,657	178,174,830	128,642,766	209,224,196	208,920,034	185,236,883
Volatility risk	317,703	405,797	299,936	475,714	348,098	460,909
Diversification effect (1)	(13,305,902)				(9,043,104)	(28,009,406)
Total (2)	**125,224,801**	**179,353,105**	**122,336,002**	**211,147,418**	**210,667,260**	**191,053,123**

(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 27th June 2014, the minimum VaR on 29th September 2014.

Liquidity risk

The section of this interim report on activity on the interbank market may be consulted for information on the net interbank debt and details of the Group's liquidity reserve.

Short term liquidity analysis is monitored using a net liquidity balance model of analysis at consolidated level over a time horizon of 30 days, supplemented with stress tests designed to assess the Group's ability to withstand crisis scenarios characterised by an increasing level of severity. The position at the end of the quarter was one of ample funds.

The structural balance between assets and liabilities, measured on the basis of their degree of liquidity is also one of an ample positive balance.

Further information on liquidity risk is given in Part E, section 1, sub-section 3 – Banking Group – Liquidity risk – of the Notes to the Consolidated Financial Statements in the 2013 Annual Report, which may be consulted.

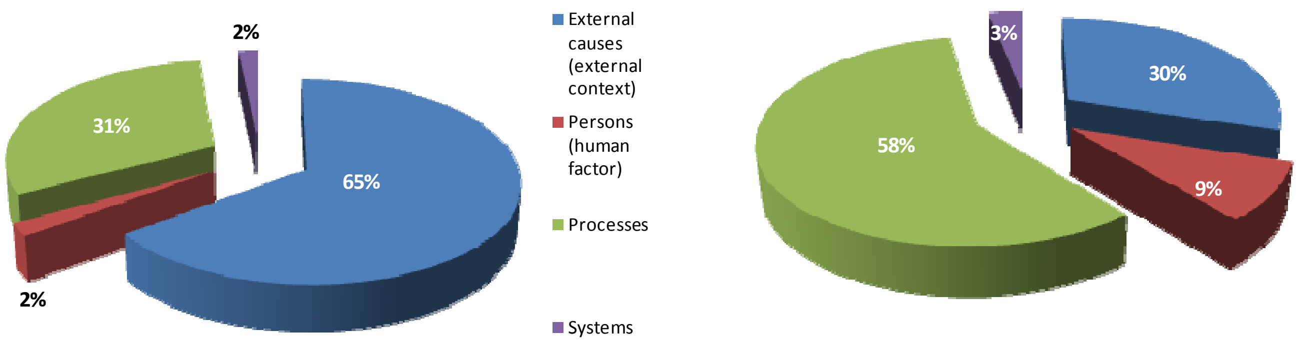
Operational risks

From 1st January 2009 until 30th September 2014, 26,747 events were detected for a cost of €298 million (of which €30 million recovered) concentrated in the risk drivers "external causes" (65% of the number of events and 30% of the total losses, primarily on financial frauds and payment cards) and "processes" (31% of the number of events detected and 58% of the total losses, mainly due to litigation for compounding of interest).

Percentage of operational losses by risk driver
(detection 1st January 2009 – 30th September 2014)

Event frequency

Profit impact

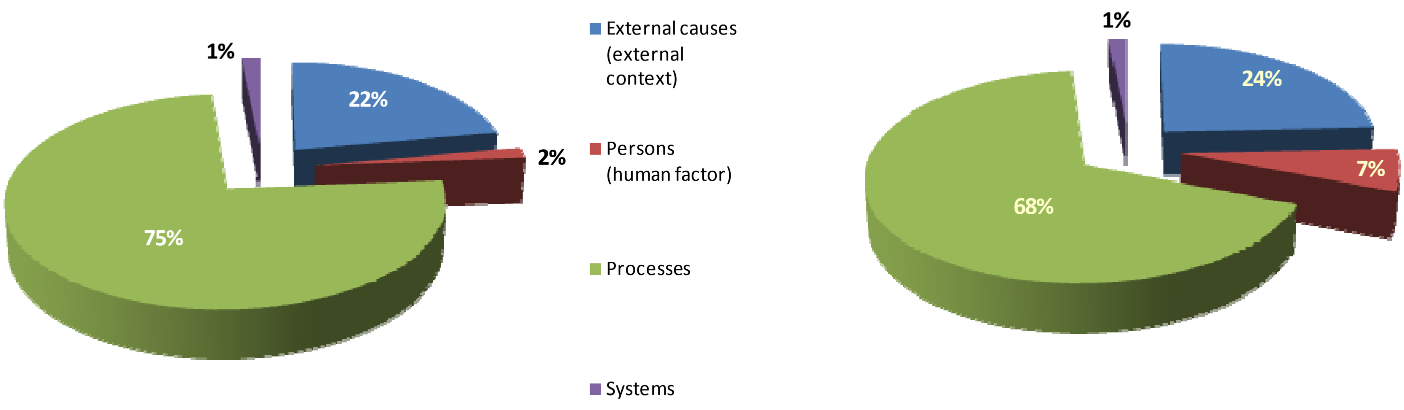


In the first nine months of 2014, 2,228 events were detected for a cost of €11.5 million, concentrated in the risk drivers "processes" (75% of the number of events detected and 68% of the total losses, again attributable mainly to litigation for compounding of interest) and "external causes" (22% of the number of events detected and 24% of the total losses, largely robberies and thefts).

Percentage of operational losses by risk driver
(detection 1st January 2014 – 30th September 2014)

Event frequency

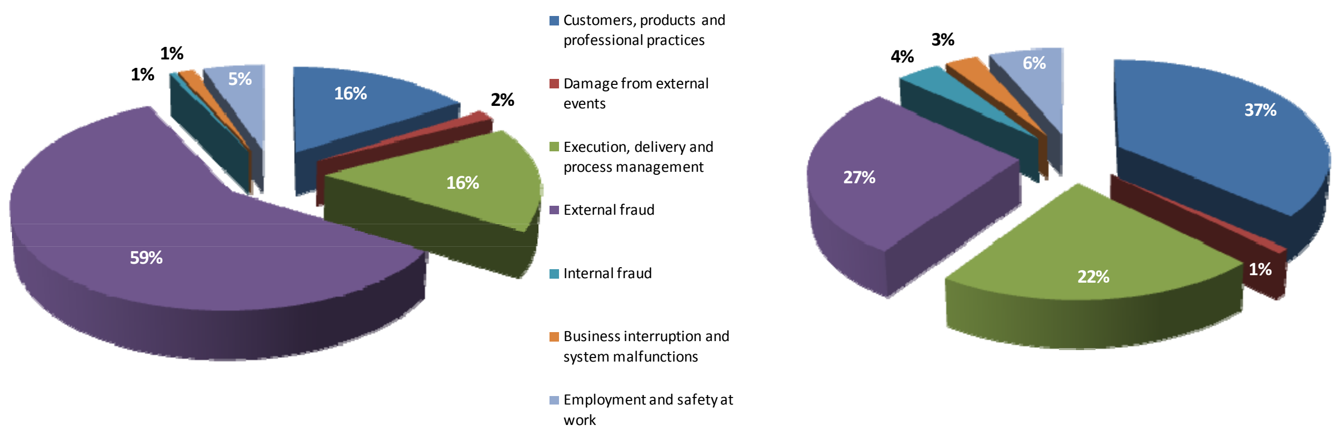
Profit impact



The 26,747 events detected from 1st January 2009 until 30th September 2014 were concentrated principally in the event types “external fraud” (59% of the number and 27% of the losses, attributable mainly to financial fraud, payment card fraud and thefts and robberies), “customers, products and professional practices” (16% of events and 37% of the total losses, mostly due to disputes regarding the compounding of interest) and “execution, delivery and process management” (16% of the number and 22% of the losses, mainly for tax litigation and late processing of suspense items).

Percentage of operational losses by type of event
(detection 1st January 2009 – 30th September 2014)

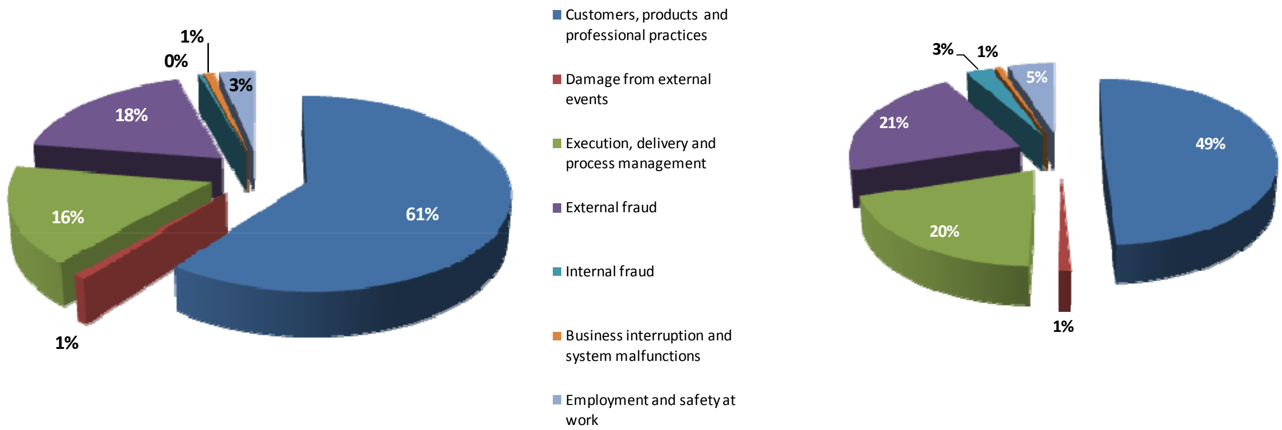
Event frequency | Profit impact



The 2,228 events detected in the first nine months of 2014 were concentrated in the event types “customers, products and professional practices” (61% of the number of events detected and 49% of the total losses, mainly litigation for compounding of interest), “external fraud” (18% of the number and 21% of the losses, mainly thefts and robberies) and “execution, delivery and process management” (16% of the number and 20% of the total losses, due mainly to the mistaken execution of customers’ instructions).

Percentage of operational losses by type of event
(detection 1st January 2014 – 30th September 2014)

Event frequency | Profit impact



Capital requirement

The half year financial report for the period ended 30th June 2014. 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	January - September 2014 A	January - September 2013 B	Change A-B	% change A/B	FY 2013 C
Unione di Banche Italiane Scpa	212,354	139,091	73,263	52.7%	71,340
Banca Popolare di Bergamo Spa	128,664	124,214	4,450	3.6%	138,720
Banco di Brescia Spa	38,622	27,815	10,807	38.9%	3,386
Banca Popolare Commercio e Industria Spa	44,824	32,826	11,998	36.6%	36,539
Banca Regionale Europea Spa	16,474	14,542	1,932	13.3%	26,530
Banca Popolare di Ancona Spa	9,444	4,620	4,824	104.4%	4,645
Banca Carime Spa	(2,002)	13,823	(15,825)	n.s.	24,010
Banca di Valle Camonica Spa	4,194	1,824	2,370	129.9%	1,860
UBI Banca Private Investment Spa	4,328	3,694	634	17.2%	4,039
Centrobanca Sviluppo Impresa SGR Spa	(180)	(292)	(112)	(38.4%)	(407)
Banque de Dépôts et de Gestion Sa (*) (1)	-	(7,447)	(7,447)	(100.0%)	(8,532)
IW Bank Spa	5,758	2,637	3,121	118.4%	2,295
UBI Banca International Sa (*)	(12,028)	736	(12,764)	n.s.	(10,328)
UBI Pramerica SGR Spa	27,965	20,113	7,852	39.0%	30,866
UBI Leasing Spa	(27,638)	(54,110)	(26,472)	(48.9%)	(67,001)
UBI Factor Spa	8,850	10,623	(1,773)	(16.7%)	7,342
Prestitalia Spa	(4,401)	(15,472)	(11,071)	(71.6%)	(20,243)
BPB Immobiliare Srl	639	921	(282)	(30.6%)	1,036
Società Bresciana Immobiliare Mobiliare - S.B.I.M. Spa	1,511	1,146	365	31.8%	1,527
UBI Sistemi e Servizi SCpA (2)	4,448	7,211	(2,763)	(38.3%)	-
UBI Fiduciaria Spa	(448)	(232)	216	93.1%	(307)
UBI Assicurazioni Spa (49,99%)	8,080	5,718	2,362	41.3%	7,513
Aviva Assicurazioni Vita Spa (49,99%)	3,200	8,250	(5,050)	(61.2%)	9,100
Aviva Vita Spa (50%)	10,100	16,350	(6,250)	(38.2%)	16,150
Lombarda Vita Spa (40%)	5,727	12,613	(6,886)	(54.6%)	13,346
UBI Management Co. Sa	371	219	152	69.4%	420
UBI Trustee Sa	254	8	246	n.s.	18
CONSOLIDATED	**149,832**	**101,944**	**47,888**	**47.0%**	**250,830**

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

(1) 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.

(2) Since this is a consortium company with mutual, not-for-profit objects, UBI Sistemi e Servizi ends the year with a break-even result.

Net loans and advances to customers

Figures in thousands of euro	30.9.2014 A	30.6.2014 B	31.12.2013 C	30.9.2013 D	Change A-D	% change A/D
Unione di Banche Italiane Scpa	22,666,345	23,352,148	25,168,913	26,013,350	-3,347,005	-12.9%
Banca Popolare di Bergamo Spa	18,470,442	18,828,908	18,841,272	18,931,667	-461,225	-2.4%
Banco di Brescia Spa	12,592,922	12,920,570	12,644,164	12,985,449	-392,527	-3.0%
Banca Popolare Commercio e Industria Spa	8,245,823	8,487,611	8,378,292	8,286,407	-40,584	-0.5%
Banca Regionale Europea Spa	8,590,574	8,854,311	8,811,291	9,024,557	-433,983	-4.8%
Banca Popolare di Ancona Spa	7,705,091	7,752,058	7,622,923	7,706,459	-1,368	0.0%
Banca Carime Spa	4,376,097	4,458,008	4,719,756	4,606,884	-230,787	-5.0%
Banca di Valle Camonica Spa	1,789,019	1,838,927	1,836,012	1,824,432	-35,413	-1.9%
UBI Banca Private Investment Spa	487,110	486,302	475,611	468,902	18,208	3.9%
Prestitalia Spa	2,055,586	2,188,238	2,439,690	2,516,630	-461,044	-18.3%
Banque de Dépôts et de Gestion Sa (1)	-	-	-	175,565	-175,565	-100.0%
UBI Banca International Sa	545,897	592,398	774,489	780,642	-234,745	-30.1%
IW Bank Spa	374,260	363,189	314,484	304,754	69,506	22.8%
UBI Factor Spa	1,992,272	2,044,599	2,286,120	2,168,956	-176,684	-8.1%
UBI Leasing Spa	7,040,556	7,215,565	7,440,930	7,590,454	-549,898	-7.2%
CONSOLIDATED	**84,946,817**	**87,119,396**	**88,421,467**	**89,846,392**	**-4,899,575**	**-5.5%**

Risk indicators

Percentages	Net non-performing loans/ Net loans			Net impaired loans/Net loans			Net non-performing loans + Net impaired loans/Net loans		
	30.9.2014	31.12.2013	30.9.2013	30.9.2014	31.12.2013	30.9.2013	30.9.2014	31.12.2013	30.9.2013
Unione di Banche Italiane Scpa	1.35%	1.18%	1.30%	3.36%	3.39%	2.90%	4.71%	4.57%	4.20%
Banca Popolare di Bergamo Spa	4.16%	3.37%	3.16%	2.70%	3.11%	3.64%	6.86%	6.48%	6.80%
Banco di Brescia Spa	3.09%	2.34%	2.35%	6.55%	5.58%	4.97%	9.64%	7.92%	7.32%
Banca Popolare Commercio e Industria Spa	4.34%	4.03%	4.08%	2.50%	2.45%	2.14%	6.84%	6.48%	6.22%
Banca Regionale Europea Spa	4.62%	4.17%	3.71%	4.01%	4.00%	4.00%	8.63%	8.17%	7.71%
Banca Popolare di Ancona Spa	6.23%	5.77%	5.41%	5.23%	5.52%	5.93%	11.46%	11.29%	11.34%
Banca Carime Spa	4.52%	3.39%	3.40%	6.21%	5.42%	5.51%	10.73%	8.81%	8.91%
Banca di Valle Camonica Spa	4.74%	4.63%	4.32%	3.75%	3.86%	3.44%	8.49%	8.49%	7.76%
UBI Banca Private Investment Spa	2.98%	2.91%	2.93%	1.80%	1.79%	1.51%	4.78%	4.70%	4.44%
Prestitalia Spa	0.84%	0.45%	0.21%	11.62%	14.18%	12.77%	12.46%	14.63%	12.98%
Banque de Dépôts et de Gestion Sa (1)	-	-	0.12%	-	-	0.37%	-	-	0.49%
UBI Banca International Sa	2.60%	2.28%	1.49%	8.85%	7.79%	9.56%	11.45%	10.07%	11.05%
IW Bank Spa	-	-	-	0.15%	0.17%	0.94%	0.15%	0.17%	0.94%
UBI Factor Spa	11.37%	9.90%	10.42%	0.07%	0.16%	0.47%	11.44%	10.06%	10.89%
UBI Leasing Spa	9.32%	7.41%	7.03%	6.89%	5.98%	6.45%	16.21%	13.39%	13.48%
CONSOLIDATED	**4.60%**	**3.89%**	**3.73%**	**4.90%**	**4.88%**	**4.79%**	**9.50%**	**8.77%**	**8.52%**

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

Direct funding from customers

Figures in thousands of euro	30.9.2014 A	30.6.2014 B	31.12.2013 C	30.9.2013 D	Change A-D	%change A/D
Unione di Banche Italiane Scpa	35,757,465	36,306,783	35,559,531	33,359,714	2,397,751	7.2%
Banca Popolare di Bergamo Spa	15,844,632	16,146,081	16,771,292	17,302,900	-1,458,268	-8.4%
Banco di Brescia Spa	8,772,477	9,009,813	10,214,529	10,491,738	-1,719,261	-16.4%
Banca Popolare Commercio e Industria Spa	5,860,041	6,214,438	6,454,020	6,599,877	-739,836	-11.2%
Banca Regionale Europea Spa	5,256,291	5,461,333	5,989,089	6,242,908	-986,617	-15.8%
Banca Popolare di Ancona Spa	5,327,029	5,475,305	5,909,274	6,298,602	-971,573	-15.4%
Banca Carime Spa	5,769,660	5,908,833	6,383,495	6,519,093	-749,433	-11.5%
Banca di Valle Camonica Spa	1,198,310	1,242,468	1,289,306	1,306,577	-108,267	-8.3%
UBI Banca Private Investment Spa	599,798	603,317	544,281	565,532	34,266	6.1%
Banque de Dépôts et de Gestion Sa (1)	-	-	-	298,705	-298,705	-100.0%
UBI Banca International Sa	908,166	987,069	1,292,882	1,555,424	-647,258	-41.6%
IW Bank Spa	2,482,030	2,466,343	2,757,511	2,876,688	-394,658	-13.7%
CONSOLIDATED	**87,853,705**	**90,175,601**	**92,603,936**	**92,768,501**	**-4,914,796**	**-5.3%**

Direct funding from customers includes amounts due to customers and debt securities issued, with the exclusion of debt instruments subscribed directly by companies in the Group.

Direct funding for the following banks was therefore adjusted as follows:

Figures in millions of euro	30.9.2014	30.6.2014	31.12.2013	30.9.2013
Bonds				
Unione di Banche Italiane Scpa	1,665.3	1,778.8	1,875.5	664.6
Banca Popolare di Bergamo Spa	1,017.4	847.8	386.1	-
Banco di Brescia Spa	1,920.1	1,369.9	1,154.8	650.0
Banca Popolare Commercio e Industria	227.4	-	-	-
Banca Regionale Europea Spa	1,239.2	1,241.3	690.5	608.5
Banca Popolare di Ancona Spa	818.2	699.0	612.5	440.4
Banca di Valle Camonica Spa	428.7	394.2	253.1	252.5
IW Bank Spa	10.0	10.0	-	-
Euro Commercial Paper and French certificates of deposit				
UBI Banca International Sa	2,010.3	3,426.5	3,075.0	2,971.7

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

Indirect funding from customers (at market prices)

Figures in thousands of euro	30.9.2014 A	30.6.2014 B	31.12.2013 C	30.9.2013 D	Change A-D	%change A/D
Unione di Banche Italiane Scpa	5	5	5	5	-	-
Banca Popolare di Bergamo Spa	30,062,347	29,075,932	27,641,234	26,225,884	3,836,463	14.6%
Banco di Brescia Spa	16,726,699	14,830,203	13,612,421	12,936,499	3,790,200	29.3%
Banca Popolare Commercio e Industria Spa	10,947,264	10,630,867	10,252,248	10,079,442	867,822	8.6%
Banca Regionale Europea Spa	10,153,999	9,878,666	9,018,269	8,723,928	1,430,071	16.4%
Banca Popolare di Ancona Spa	4,829,664	4,585,925	4,033,300	3,617,467	1,212,197	33.5%
Banca Carime Spa	6,903,557	6,702,081	6,259,293	5,995,356	908,201	15.1%
Banca di Valle Camonica Spa	1,386,468	1,311,821	1,205,143	1,151,975	234,493	20.4%
UBI Banca Private Investment Spa	6,217,087	5,962,761	5,465,073	5,278,525	938,562	17.8%
Banque de Dépôts et de Gestion Sa (1)	-	-	-	637,833	-637,833	-100.0%
UBI Pramerica SGR Spa	24,105,910	23,051,562	22,718,642	22,360,418	1,745,492	7.8%
UBI Banca International Sa	2,810,894	2,985,284	2,781,767	2,462,619	348,275	14.1%
IW Bank Spa	3,060,315	3,188,944	3,131,886	3,074,632	-14,317	-0.5%
Lombarda Vita Spa	5,040,839	5,057,107	4,853,289	4,834,521	206,318	4.3%
Aviva Vita Spa	4,937,278	4,756,627	4,512,424	4,393,249	544,029	12.4%
Aviva Assicurazioni Vita Spa	2,148,591	2,171,395	2,188,441	2,148,080	511	0.0%
CONSOLIDATED	**76,148,088**	**73,666,835**	**71,651,786**	**70,101,804**	**6,046,284**	**8.6%**

The totals for the network banks also include indirect funding consisting of bonds issued by UBI Banca.

Assets under management (at market prices)

Figures in thousands of euro	30.9.2014 A	30.6.2014 B	31.12.2013 C	30.9.2013 D	Change A-D	%change A/D
Unione di Banche Italiane Scpa	-	-	-	-	-	-
Banca Popolare di Bergamo Spa	13,932,444	13,381,683	12,922,812	12,704,074	1,228,370	9.7%
Banco di Brescia Spa	6,967,082	6,830,596	6,740,007	6,659,177	307,905	4.6%
Banca Popolare Commercio e Industria Spa	4,980,632	4,724,528	4,597,080	4,561,324	419,308	9.2%
Banca Regionale Europea Spa	4,554,309	4,417,543	4,296,394	4,288,689	265,620	6.2%
Banca Popolare di Ancona Spa	1,927,646	1,832,658	1,730,853	1,675,089	252,557	15.1%
Banca Carime Spa	3,210,595	3,098,395	3,060,765	3,000,538	210,057	7.0%
Banca di Valle Camonica Spa	527,492	508,392	464,283	461,252	66,240	14.4%
UBI Banca Private Investment Spa	4,892,128	4,668,084	4,379,076	4,226,592	665,536	15.7%
Banque de Dépôts et de Gestion Sa (1)	-	-	-	637,833	-637,833	-100.0%
UBI Pramerica SGR Spa	24,105,910	23,051,562	22,718,642	22,360,418	1,745,492	7.8%
UBI Banca International Sa	121,768	129,237	150,592	136,773	-15,005	-11.0%
IW Bank Spa	587,895	588,033	588,409	581,493	6,402	1.1%
Lombarda Vita Spa	5,040,839	5,057,107	4,853,289	4,834,521	206,318	4.3%
Aviva Vita Spa	4,937,278	4,756,627	4,512,424	4,393,249	544,029	12.4%
Aviva Assicurazioni Vita Spa	2,148,591	2,171,395	2,188,441	2,148,080	511	0.0%
CONSOLIDATED	**42,262,033**	**40,762,807**	**39,553,848**	**39,353,072**	**2,908,961**	**7.4%**

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

Other information

Inspections

As part of action taken nationally, on 3rd October 2014 the **Bank of Italy** informed the Group of the start of inspections designed to assess REMUNERATION AND INCENTIVE PRACTICES AND POLICIES in place in the UBI Banca Group. At the date of this report analysis activity by the inspection team was still in progress.

With regard to inspection activity carried out by the supervisory authority on the question of TRANSPARENCY AND INTEGRITY IN CUSTOMER RELATIONSHIPS (Title VI of the Consolidated Banking Act), we report the following:

- as already reported in the half year financial report, on conclusion of the proceedings in progress, the Group was notified of the following penalties:
  - on 21st July 2014, the General Manager of Banca Regionale Europea was fined €10 thousand, determined by taking into consideration the corrective action put in place to remedy the shortcomings found;
  - on 1st August 2014, the General Manager of Banca Popolare Commercio and the Chief of Compliance at UBI Banca were fined €10 thousand each, again taking account of correction action taken to remedy the shortcomings found;
- the results have not yet been received of the penalty proceedings initiated by the Bank of Italy with a notification of 20th March 2014, when the results of inspections conducted into the Company were presented in the last quarter of 2013 regarding senior managers at Prestitalia, who subsequently (on 16th May 2014) submitted their defences.

Litigation

Ordinary litigation

Compared with the situation reported in the half year financial report, which may be consulted, we report that significant litigation for which a probable risk has been estimated includes the determination of proceedings against Banca Popolare di Ancona regarding a claim for damages for pre-contractual and contractual responsibility in relation to a finance transaction which did not take place.

* * *

UBI Banca, as the Parent, has officially replied to two consumer associations – ADUSBEF and FEDERCONSUMATORI – which sent a series of letters to major banks regarding presumed unconscionable clauses contained in banking contracts.
The heterogeneous and indeterminate nature of the criticisms contained in the letter received was underlined, and it was pointed out that the criticisms did not apply to the actual text of the contracts stipulated by the UBI Banca Group. All the accusations were rejected and the Group reaffirmed the integrity of its operations in compliance with regulations in force and the rights of customers.

Tax litigation

Questionnaires and information requests

VALUE ADDED TAX – COLLECTION COMMISSIONS

In the quarter in question the tax authorities sent special questionnaires through its various competent offices to some of the network banks and to some special purpose entities (formed in accordance with Law No. 130 of 30th April 1999 and belonging to the Group). These were designed to acquire documentation on the treatment applied for VAT purposes to banking fees and commissions concerning the management of the collection of loans transferred to the special purpose entity UBI Finance Srl as part of operations to issue covered bonds.

Assessment notices – payment demands

REGISTRY TAX FOR BRANCH CONTRIBUTION TRANSACTIONS

In the first 10 days of October UBI Banca, Banca Popolare di Bergamo, Banco di Brescia, Banca Popolare Commercio e Industria and Banca Regionale Europea received multiple payment demands for registry tax from the competent offices of the tax authorities for alleged failure to register contracts for the transfer of companies carried out in 2010.
Briefly the reorganisation of the Group's branch network carried out in that year involved the following:

- a project to optimise the geographical market coverage of the banks mentioned above, designed to focus their activities in their respective core geographical areas;
- the consequent intragroup transfer of 316 branches through 14 contributions of company operations;
- the subsequent transfer to the Parent, UBI Banca, (and other entities) of the shares resulting from the contribution for the purpose of restoring the original shareholder structure.

All the payment demands issued by the various offices of the tax authorities contain a demand for the payment of registry tax (and in some cases also mortgage tax and cadastral tax) on a pro rata basis on the grounds that – according to the Finance Administration – the branch network reorganisation involved the existence of contracts for the transfer of company operations entered into from time to time between the individual contributing banks and the "UBI Banca Group" (the latter entity was not identified more precisely by the tax authorities in the payment demands) or other entities.
The total amount demanded by the tax authorities is €47.5 million net of fines. In consideration of the provisions of the legislation on registry tax and with account also taken of case law arising on the matter in the meantime, the Group considers that the reorganisation carried out did not involve any form of tax avoidance or infringement of the law.
In consideration of the importance of the matter, the Group promptly consulted major law firms in order to identify the most profitable initiatives to take to demonstrate the complete integrity of its actions.

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

Following on from what had been ascertained previously, the Tax Commission of Milan ruled in favour of UBI Banca with regard to pool financing in which the former subsidiary Centrobanca participated. Moreover, in confirmation of the arguments put forward in various instances by the banks assessed, some offices of the tax authorities have provided for specific internal review because no agreement "has been found" signed in Italy where the essential parts of the agreement are stated. Since the accusations made against Group companies fall within that situation, it is believed that a positive solution to the problem will be found.

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

All litigation concerning the above matter which involved Banca Popolare di Bergamo and Banca Popolare Commerce e Industry insofar as they act as depositary banks was concluded during the quarter. The years concerned by the tax assessments were 2006 to 2009. As already reported the dispute was settled according to the terms illustrated in the tax authorities Resolution No. 97/2013 – see 28.3% of commissions subject to VAT and no obligation to pay fines. Following payment, the banks charged on the increase in the tax pursuant to article 60 of Presidential Decree No. 633/1972 now due to clients and they must now pay only the interest which totals €0.5 million.

VAT TAX REGIME FOR SERVICES PROVIDED TO SPECIAL PURPOSE ENTITIES AS PART OF OPERATIONS TO ISSUE COVERED BONDS

In the last ten days of October, Banca Regionale Europea received a notice of assessment from the competent office of the tax authorities, issued following an inspection begun by means of a questionnaire for alleged failure to apply VAT to services provided in 2009 to UBI Finance Srl (a special purpose entity) relating to loans transferred as part of a programme to issue covered bonds backed by residential mortgages. The tax authorities' claim amounts to €71 thousand plus fines.

PREFERENCE SHARES – UBI BANCA AND BANCO DI BRESCIA

UBI Banca and Banco di Brescia received notices of tax assessment in July relating to the tax year 2009 for alleged failure to apply withholding tax pursuant to article 26, paragraph 5 of Presidential Decree No. 600/1973 on interest paid to subsidiary companies resident in Delaware on bank deposits made by them. These deposits were made as the consideration for the issue of financial instruments consisting of preference shares which were in turn issued by those companies. This all occurred as part of operations to strengthen capital provided for and regulated by the Bank of Italy in the early 2000s. Circular No. 263 published by the Bank of Italy and the relative authorisations issued to UBI Banca (the former Banca Popolare di Bergamo and the former Banca Popolare Commercio e Industria) and to Banco di Brescia gave instructions in this respect.

According to the tax authorities the circumstance that these deposits "qualified" for inclusion in the regulatory capital leads to the assumption that from a tax viewpoint they constitute financing and not a deposit.

The withholding tax not applied for the tax year 2009 amounts to €4.4 million for UBI Banca and to €1.5 million for Banco di Brescia. The banks have officially appealed against these notices, while they must temporarily pay the withholding tax pending judgement.

As concerns prior years already subject to dispute, a ruling was given during the quarter by the Regional Tax Commission of Milan (Ruling No. 4572/2014), which rejected UBI Banca's appeal with regard to the tax year 2004. It must be considered that that ruling is limited solely to approval of the findings of the court of first instance with no assessment of the evidence produced by the parties in the court of appeal.

With account taken of the substantial capital involved in the matter and the integrity and transparency of the actions taken by banks in these capital transactions now contested from a tax viewpoint (it must be remembered that these capital procedures were followed by many banks in the Italian banking system because they originated with the Bank of Italy itself), it is confirmed as a possible risk but without the need to make any special provision. At the same time the amount collected temporarily by the tax authorities for the tax years assessed, amounting to €15.6 million for UBI Banca and €4.8 million for Banco di Brescia, has been recognised within "other assets".

UBI LEASING

Notices of assessment relating to the years 2004 and 2005 were settled during the quarter following conciliation agreements. They concerned the hypothesis of invoicing for non-existent transactions and that is the reclassification of leasing transactions with extremely large instalment payments as sales. These conciliation agreements gave rise to payments of €0.9 million for tax and €0.4 million in fines, plus interest of €0.2 million.
Provisions had already been set aside for these amounts.
In that same period the company received notices of assessment for alleged failure to recognise income on the final purchase of properties subject to property leasing contracts where the purchaser had in the meantime set a higher value on the asset for the purposes of mortgage and land registry taxes. The arguments put forward by the local office of the tax authorities are in contrast with the very nature of the contracts, with the tax authorities own practices

(Resolution No. 12/E/2007) and with procedures for recognising revenue according to established accounting standards.
The sum claimed by the tax authorities is €37 thousand for taxes, plus fines for the same amount and interest.
This dispute represents a new type of claim and therefore no precedents exist in terms of interpretation and/or case law.

Tax aspects

Provisions were issued in the third quarter of 2014, both in terms of legislation and interpretation, which had particular impacts on Group companies.

Conversion of Decree Law No. 91 of 24th June 2014 ("The competition Decree")

Law No. 116 of 11th August 2014 converted Decree Law No. 91/2014 into law without any significant amendments from a tax viewpoint. A brief illustration of this was given in the half year financial report which may therefore be consulted.

Decree Law No. 133 of 12th September 2014 ("*Decreto sblocca Italia*" – Unblock Italy Decree)

This decree introduces few changes as far as strictly tax aspects are concerned.
For *Società di Investimento Immobiliare Quotate* (SIIQs – listed property investment companies), it introduces a special tax regime for these companies together with amendments to the relative other statutory provisions. More specifically, it introduces exemption from corporate income tax (IRES) and local production tax (IRAP) for gains realised on properties destined for rental and also on shares held in similar companies whether listed or unlisted and it therefore removes obstacles to foreign investment. It also makes it clear that the provisions of international conventions signed by Italy apply to profits distributed by SIIQs. Special tax provisions are also provided for cases where a property fund converts to an SIIQ and also for cases where a property fund contributes a number of mainly rented properties to an SIIQ.
With regard to project bonds, the deadline by which bonds must be issued in order to benefit – limited to interest only – from the tax regime for government securities (see 12.50% withholding tax) is lifted and details of the tax regime for the transfer of collateral that backs this type of instrument are clarified.
With regard to personal income tax (IRPEF), a tax deduction is introduced for individuals who acquire residential properties destined to rental by 31st December 2017.
The decree includes provisions of a civil law nature designed to stimulate recovery of the property and construction sector which could have interesting repercussions also on the banking industry. These include provisions to liberalise the non-residential large property rental market as well as rent-to-buy contracts, the tax aspects of which are still being established.

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

At the date of this report, no decree has been issued to implement the law enacted last March, an "Implementation Law" for the revision of the tax system. Aspects of interest for the Group include provisions designed to regulate the introduction into Italy of a group VAT number, the definition of the abuse of tax law and tax avoidance, management of tax risk and the revision of tax penalties from an administrative and legal viewpoint. Unless extensions are introduced, legislative degrees to implement the law must be issued by 27th March 2015.

Repatriation of assets held abroad ("voluntary disclosure")

The legislature is currently examining regulations which, in line with OECD criteria, will allow taxpayers who hold assets abroad to regularise their tax position also with regard to prior years. As opposed to other "tax Shield" operations, the proposal under examination involves full payment of unpaid taxes, but with a significant reduction in the fines normally applicable. Similar "regularisation" options should be allowed for entities other than natural persons where tax and social security violations have been committed for assets also held in Italy.

Proposed 2015 *Legge di stabilità* ("stability law" – annual finance law)

A bill was drawn up for this law in October and is now before Parliament. We report one aspect of major interest. According to the intentions of the government the cost of permanent employee labour will become deductible for IRAP purposes (net of the deductions already currently allowed) from 2015 with the repeal at same time of the base IRAP rate (provided for in the recent Decree Law No. 66 – 2014), which for banks would therefore return to the 2013 level (4.65%), in addition naturally to any regional surtaxes there may be.
Other provisions include the following: raising the substitute tax due from pension funds on the result accruing from 11.5% to 20%; increasing the tax on dividends received by non-commercial entities (which include for example foundations) for which the tax base rises from 5% to 77.74%; increasing the substitute tax due on the annual revaluation of post employment benefits from 11% to 17%.

* * *

The tax authorities issued the following circulars for interpretation purposes:

Circular No. 27/E/2014: this document concerning practices contains clarifications provided by the tax authorities on new obligations for using IT systems for paying taxes and contributions by means of the F24 form. These obligations, introduced by Decree Law No. 66/2014 from 1st October 2014, have reduced cases of hardcopy payment authorisations issued by customers.

Circular No. 28/E/2014: on the question of offsetting tax credits greater than €15 thousand, the tax authority has clarified, amongst other things, that the auditor's stamp of approval required by law regards all tax credits attributable to income taxes and the relative surtaxes and that the obligation is also valid for tax credits resulting from the transformation of deferred tax assets recognised in the balance sheet according to the provisions of article 2, paragraph 55 and subsequent paragraphs of Degree Law No. 201/2011. The stamp of approval does not regard profits or losses which are transferred by companies participating in a "physical unit" under a national tax consolidation regime.

Important events after the end of the third quarter and the outlook for consolidated operations

No events of significance that might affect the operating results and financial position presented occurred after 30th September 2014, the reporting date of this interim financial report, and until 11th November 2014, the date of its approval by the Management Board of UBI Banca Scpa.

The following is nevertheless reported for your information:

EARLY REPAYMENTS OF THE LTRO FINANCE (LONGER - TERM REFINANCING OPERATION)

In consideration of its abundant liquidity position, UBI Banca started from October to make early repayments of part of its outstanding LTRO finance with the ECB (a total of €12 billion, of which €6 billion with contractual maturity on 29th January 2015 and the remaining €6 billion on 26th February 2015). In detail:

- €1 billion relating to funds subscribed at auction with original maturity on 29th January 2015 was repaid with value date 8th October;
- on 4th November the Bank of Italy was informed of the intention to repay a further €3 billion acquired at that same auction, with value date 12th November.

ISSUANCE OF COVERED BONDS

On 4th November UBI Banca returned to international debt markets with a benchmark ten-year fixed-rate (1.25%) covered bond issue for €1 billion, under the Group's covered bond programme. The operation was received with great success (orders were received for a total of approximately €3 billion from 125 institutional investors) allowing the bond to be priced at a level equal to the ten-year mid-swap rate +30 basis points, significantly less than the spread guidance of 38-39 basis points announced before the launch of the operation.
The spread applied was the lowest ever for UBI Banca issuances performed since 2009 and is close to levels paid by major banks in central Europe.
Sixty five percent of the bond issuance was subscribed by foreign institutional investors and 35% by Italian investors. The largest percentage was purchased by mutual investment funds (51%) followed by central banks (27%), insurance and pension funds (12%) and banks (10%).

TLTRO (TARGETED LONGER - TERM REFINANCING OPERATIONS)

The UBI Banca Group will take part in the second TLTRO auction – operations for refinancing by the ECB designed to expand lending to businesses and households – bidding for approximately €3 billion, scheduled for next December.
On the other hand, no bid for finance was submitted in the first auction held in the middle of September.

* * *

With regard to the **outlook for consolidated operations**, we report the forecasts given below on the basis of information currently available.

Net interest income will be influenced by the performance of average volumes of business, by the maturity of government securities in the fourth quarter – which will be replaced in an opportunistic way – by the benefits of repricing action already taken with regard to funding and by the resilience of medium to long-term loan spreads.

Net fee and commission income will benefit from the usual and positive seasonal factors normally experienced in the last quarter of the year.

The expected year-on-year fall in recurring operating expenses is confirmed.

The slowdown in the pace of new defaults on loans recorded in the first nine months of the year and the results of the AQR allow expectations of a slight overall year-on-year improvement in loan losses, in terms of absolute amounts, to be confirmed.

Bergamo, 11th November 2014

THE MANAGEMENT BOARD

MANDATORY INTERIM CONSOLIDATED FINANCIAL STATEMENTS

AS AT AND FOR THE PERIOD ENDED 30TH SEPTEMBER 2014

Gruppo UBI Banca

Mandatory interim consolidated financial statements as at and for the period ended 30th September 2014

Consolidated balance sheet

Figures in thousands of euro		30.9.2014	31.12.2013	30.9.2013
ASSETS				
10.	Cash and cash equivalents	497,623	589,705	505,765
20.	Financial assets held for trading	1,014,902	3,056,264	3,318,492
30.	Financial assets designated at fair value	193,637	208,143	207,370
40.	Available-for-sale financial assets	18,331,820	15,489,497	14,900,979
50.	Held-to-maturity investments	3,076,556	3,086,815	3,149,620
60.	Loans and advances to banks	3,329,046	4,129,756	4,118,005
70.	Loans and advances to customers	84,946,817	88,421,467	89,846,392
80.	Hedging derivatives	615,897	253,609	294,878
90.	Fair value change in hedged financial assets (+/-)	53,668	33,380	45,164
100.	Equity investments	314,143	411,886	421,918
120.	Property, plant and equipment	1,741,474	1,798,353	1,908,712
130.	Intangible assets	2,883,252	2,918,509	2,938,448
	of which: *- goodwill*	*2,511,679*	*2,511,679*	*2,536,574*
140.	Tax assets	2,566,942	2,833,188	2,385,593
	a) current	311,563	552,039	391,959
	b) deferred	2,255,379	2,281,149	1,993,634
	- of which pursuant to Law No. 214/2011	*1,899,375*	*1,864,579*	*1,504,580*
150.	Non-current assets and disposal groups held for sale	195,469	79,877	20,448
160.	Other assets	777,806	931,388	939,797
TOTAL ASSETS		**120,539,052**	**124,241,837**	**125,001,581**

Figures in thousands of euro		30.9.2014	31.12.2013	30.9.2013
LIABILITIES AND EQUITY				
10.	Due to banks	15,588,229	15,017,266	15,066,091
20.	Due to customers	45,581,825	50,702,157	51,222,883
30.	Debt securities issued	42,271,880	41,901,779	41,545,618
40.	Financial liabilities held for trading	586,243	1,396,350	1,294,108
60.	Hedging derivatives	806,325	483,545	936,894
80.	Tax liabilities	732,156	756,359	619,552
	a) current	268,890	404,246	267,348
	b) deferred	463,266	352,113	352,204
100.	Other liabilities	2,673,720	2,111,533	2,781,684
110.	Post-employment benefits	383,871	382,262	373,165
120.	Provisions for risks and charges:	282,886	309,219	314,808
	a) pension and similar obligations	80,000	77,387	77,462
	b) other provisions	202,886	231,832	237,346
140.	Valuation reserves	202,769	-170,968	-350,178
170.	Reserves	3,482,242	3,294,414	3,292,320
180.	Share premiums	4,716,866	4,716,866	4,716,866
190.	Share capital	2,254,371	2,254,371	2,254,371
200.	Treasury shares (-)	-5,340	-6,121	-6,121
210.	Non-controlling interests (+/-)	831,177	841,975	837,576
220.	Profit for the period/year (+/-)	149,832	250,830	101,944
TOTAL LIABILITIES AND EQUITY		**120,539,052**	**124,241,837**	**125,001,581**

Consolidated income statement

	Figures in thousands of euro	9M 2014	9M 2013	FY 2013
10.	Interest and similar income	2,311,573	2,452,681	3,254,962
20.	Interest and similar expense	(935,260)	(1,161,315)	(1,504,247)
30.	**Net interest income**	**1,376,313**	**1,291,366**	**1,750,715**
40.	Fee and commission income	1,043,279	1,032,957	1,382,528
50.	Fee and commission expense	(135,084)	(144,848)	(195,462)
60.	**Net fee and commission income**	**908,195**	**888,109**	**1,187,066**
70.	Dividends and similar income	9,244	9,337	10,409
80.	Net trading income	56,447	78,961	107,234
90.	Net hedging loss	(9,091)	(3,746)	(3,318)
100.	Income (losses) from disposal or repurchase of:	101,954	90,005	217,475
	a) loans and receivables	(1,544)	(1,033)	(3,149)
	b) available-for-sale financial assets	108,572	89,420	220,025
	d) financial liabilities	(5,074)	1,618	599
110.	Net profit on financial assets and liabilities designated at fair value	1,192	3,235	3,163
120.	**Gross income**	**2,444,254**	**2,357,267**	**3,272,744**
130.	Net impairment losses on:	(628,419)	(598,919)	(990,489)
	a) loans and receivables	(626,151)	(576,641)	(942,978)
	b) available-for-sale financial assets	(1,889)	(24,193)	(26,898)
	d) other financial transactions	(379)	1,915	(20,613)
140.	**Net financial income**	**1,815,835**	**1,758,348**	**2,282,255**
170.	**Net income from banking and insurance operations**	**1,815,835**	**1,758,348**	**2,282,255**
180.	Administrative expenses	(1,576,210)	(1,582,593)	(2,194,758)
	a) staff costs	(976,637)	(974,378)	(1,337,687)
	b) other administrative expenses	(599,573)	(608,215)	(857,071)
190.	Net provisions for risks and charges	(3,951)	(14,333)	(12,372)
200.	Depreciation and net impairment losses on property, plant and equipment	(65,191)	(73,178)	(119,956)
210.	Amortisation and net impairment losses on intangible assets	(58,812)	(58,255)	(78,535)
220.	Other net operating income/expense	222,112	195,988	310,511
230.	**Operating expenses**	**(1,482,052)**	**(1,532,371)**	**(2,095,110)**
240.	Profits of equity investments	27,930	43,841	46,506
260.	Net impairment losses on goodwill	-	-	(24,895)
270.	Profits (losses) on disposal of investments	538	8	(7,251)
280.	**Pre-tax profit from continuing operations**	**362,251**	**269,826**	**201,505**
290.	Taxes on income for the period/year from continuing operations	(187,483)	(149,566)	72,632
300.	**Post-tax profit from continuing operations**	**174,768**	**120,260**	**274,137**
310.	Post-tax profit (loss) from discontinued operations	-	-	-
320.	**Profit for the period/year**	**174,768**	**120,260**	**274,137**
330.	Profit for the period/year attributable to non-controlling interests	(24,936)	(18,316)	(23,307)
340.	**Profit for the year/period attributable to the shareholders of the Parent**	**149,832**	**101,944**	**250,830**

	9M 2014	9M 2013	FY 2013
Annualised basic earnings per share	0.2235	0.1426	0.2689
Annualised diluted earnings per share	0.2235	0.1426	0.2689

Consolidated statement of comprehensive income

	Figures in thousands of euro	9M 2014	9M 2013	FY 2013
10.	**PROFIT FOR THE PERIOD/YEAR**	**174,768**	**120,260**	**274,137**
	Other comprehensive income net of taxes without transfer to the income statement			
40.	Defined benefit plans	-17,818	2,305	-7,399
	Other comprehensive income net of taxes with transfer to the income statement			
90.	Cash flow hedges	669	2,089	3,081
100.	Available-for-sale financial assets	371,422	225,681	412,156
120.	Share of valuation reserves of equity-accounted investees	17,841	-9,518	-6,118
130.	**Total other comprehensive income net of taxes**	**372,114**	**220,557**	**401,720**
140.	**COMPREHENSIVE INCOME (item 10 + 130)**	**546,882**	**340,817**	**675,857**
150.	CONSOLIDATED COMPREHENSIVE INCOME ATTRIBUTABLE TO NON-CONTROLLING INTERESTS	23,313	18,793	23,259
160.	**CONSOLIDATED COMPREHENSIVE INCOME ATTRIBUTABLE TO THE SHAREHOLDERS OF THE PARENT**	**523,569**	**322,024**	**652,598**

Statement of changes in consolidated equity for the period ended 30th September 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 - September 2014									30th September 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	-	-	-	-	-	-	-	-	-	-177	-	**2,762,270**	***2,254,371***	***507,899***
a) ordinary shares	2,717,340	-	2,717,340	-	-			-	-	-	-	-	-177	-	2,717,163	*2,254,371*	*462,792*
b) other shares	45,107	-	45,107	-	-	-	-	-	-	-	-	-	-	-	45,107	*-*	*45,107*
Share premiums	4,772,267	-	4,772,267	-	-	-	-	-	-	-	-	-	-207	-	**4,772,060**	***4,716,866***	***55,194***
Reserves	3,553,596	-	3,553,596	274,137	-92,113	-2,430	-	-	-	-	-	-	-2,185	-	**3,731,005**	***3,482,242***	***248,763***
a) retained earnings	1,508,859	-	1,508,859	274,137	-92,113	-	-	-	-	-	-	-	-2,185	-	1,688,698	*1,439,955*	*248,743*
b) other	2,044,737	-	2,044,737	-	-	-2,430	-	-	-	-	-	-	-	-	2,042,307	*2,042,287*	*20*
Valuation reserves	-174,959	-	-174,959	-	-		-	-	-	-	-	-	-1	372,114	**197,154**	***202,769***	***-5,615***
Equity instruments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	**-**	***-***	***-***
Treasury shares	-6,121	-	-6,121	-	-	781	-		-	-	-	-	-	-	**-5,340**	***-5,340***	***-***
Profit for the period	274,137	-	274,137	-274,137	-	-	-	-	-	-	-	-	-	174,768	**174,768**	***149,832***	***24,936***
Equity	**11,181,367**	**-**	**11,181,367**	**-**	**-92,113**	**-1,649**	**-**	**-**	**-**	**-**	**-**	**-**	**-2,570**	**546,882**	**11,631,917**	***10,800,740***	***831,177***
Equity attributable to the shareholders of the Parent	***10,339,392***	***-***	***10,339,392***	***-***	***-58,591***	***-1,590***	***-***	***-***	***-***	***-***	***-***	***-***	***-2,040***	***523,569***	***10,800,740***	***X***	***X***
Equity attributable to non-controlling interests	***841,975***	***-***	***841,975***	***-***	***-33,522***	***-59***	***-***	***-***	***-***	***-***	***-***	***-***	***-530***	***23,313***	***831,177***	***X***	***X***

Statement of changes in consolidated equity for the period ended 30th September 2013

Figures in thousands of euro	Balances as at 31.12.2012	Restatement of opening balances	Balances as at 1.1.2013	Allocation of prior year profit		Changes January - September 2013								30th September 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	Consolidated comprehensive income	**Equity**	***attributable to the shareholders of the Parent***	***attributable to non-controlling interests***
Share capital:	2,764,895	-	2,764,895	-	-	-2,397	**3**	**-**	**-**	**-**	**-**	**-**	**-**	**2,762,501**	***2,254,371***	***508,130***
a) ordinary shares	2,719,788	-	2,719,788	-	-	-2,397	3	-	-	-	-	-	-	2,717,394	*2,254,371*	*463,023*
b) other shares	45,107	-	45,107	-	-	-	-	-	-	-	-	-	-	45,107	*-*	*45,107*
Share premiums	4,772,714	-	4,772,714	-	-	-438	5	-	-	-	-	-	-	**4,772,281**	***4,716,866***	***55,415***
Reserves	3,527,244	-	3,527,244	91,666	-65,665	-1,744	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**3,551,501**	***3,292,320***	***259,181***
Valuation reserves	-574,975	-	-574,975	-	-	774	**-**	**-**	**-**	**-**	**-**	**-**	220,557	**-353,644**	***-350,178***	***-3,466***
Equity instruments	-	-	-	-	-	-	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	***-***	***-***
Treasury shares	-4,375	-	-4,375	-	-	-	**-**	**-1,746**	**-**	**-**	**-**	**-**	**-**	**-6,121**	***-6,121***	***-***
Profit for the period	91,666	-	91,666	-91,666	-	-	**-**	**-**	**-**	**-**	**-**	**-**	**120,260**	**120,260**	***101,944***	***18,316***
Equity	**10,577,169**	**-**	**10,577,169**	**-**	**-65,665**	**-3,805**	**8**	**-1,746**	**-**	**-**	**-**	**-**	**340,817**	**10,846,778**	***10,009,202***	***837,576***
Equity attributable to the shareholders of the Parent	***9,737,882***	***-***	***9,737,882***	***-***	***-47,934***	***-1,032***	***8***	***-1,746***	***-***	***-***	***-***	***-***	***322,024***	***10,009,202***	***X***	***X***
Equity attributable to non-controlling interests	***839,287***	***-***	***839,287***	***-***	***-17,731***	***-2,773***	***-***	***-***	***-***	***-***	***-***	***-***	***18,793***	***837,576***	***X***	***X***

Consolidated statement of cash flows (indirect method)

Figures in thousands of euro	9M 2014	9M 2013
A. OPERATING ACTIVITIES		
1. Ordinary activities	**1,129,530**	**729,438**
- profit for the period (+/-)	174,768	120,260
- gains/losses on financial assets held for trading and on financial assets/liabilities at fair value (+/-)	-57,639	-82,196
- gains/losses on hedging activities (-/+)	9,091	3,746
- net impairment losses on loans (+/-)	628,419	598,919
- depreciation, amortisation and net impairment losses on property, plant and equipment and intangible assets (+/-)	124,003	131,433
- net provisions for risks and charges and other expense/income (+/-)	3,951	14,333
- net premiums not received (-)	-	-
- other insurance income/expense not received(-/+)	-	-
- outstanding taxes and duties	242,043	-46,009
- net impairment losses on disposal groups held for sale after tax (-/+)	-	-
- other adjustments (+/-)	4,894	-11,048
2. Net cash flows from/used by financial assets	**3,024,844**	**6,863,855**
- financial assets held for trading	2,999,157	784,403
- financial assets designated at fair value	15,697	-3,694
- available-for-sale financial assets	-3,420,859	-370,766
- loans and advances to banks: repayable on demand	-	-
- loans and advances to banks: other loans and receivables	800,710	1,954,341
- loans and advances to customers	2,848,499	2,464,936
- other assets	-218,360	2,034,635
3. Net cash flows from/used by financial liabilities	**-4,133,083**	**-7,669,110**
- amounts due to banks repayable on demand	-	-
- amounts due to banks: other payables	570,963	-145,080
- due to customers	-5,120,332	-2,535,524
- debt securities issued	370,101	-3,513,535
- financial liabilities held for trading	-810,107	-479,766
- financial liabilities designated at fair value	-	-
- other liabilities	856,292	-995,205
Net cash flows from/used in operating activities	**21,291**	**-75,817**
B. INVESTING ACTIVITIES		
1. Cash flows from	**10,951**	**9,337**
- disposals of equity investments	-	-
- dividends received on equity investments	9,244	9,337
- disposals of held-to-maturity investments	-	-
- disposals of property, plant and equipment	1,707	-
- disposals of intangible assets	-	-
- disposals of subsidiaries and lines of business	-	-
2. Cash flows used in	**-32,211**	**-1,308**
- purchases of equity investments	-	-1,308
- purchases of held-to-maturity investments	-	-
- purchases of property, plant and equipment	-9,982	-
- purchases of intangible assets	-22,229	-
- purchases of subsidiaries and lines of business	-	-
Net cash flows from/used in investing activities	**-21,260**	**8,029**
C. FINANCING ACTIVITIES		
- issues/purchases of treasury shares	-	-1,739
- issues/purchases of equity instruments	-	-
- distribution of dividends and other uses	-92,113	-66,316
Net cash flows from/used in financing activities	**-92,113**	**-68,055**
NET CASH GENERATED/USED DURING THE PERIOD	**-92,082**	**-135,843**

Reconciliation

Figures in thousands of euro	9M 2014	9M 2013
Cash and cash equivalents at beginning of period	589,705	641,608
Total net cash flows generated/absorbed during the period	-92,082	-135,843
Cash and cash equivalents: effect of changes in exchange rates	-	-
Cash and cash equivalents at the end of the period	**497,623**	**505,765**

Notes

Accounting policies

This interim financial report as at and for the period ended 30th of September 2014 of the UBI Group, approved by the Management Board on 11th November 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 for the period ended 30th September 2014, 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 important 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 and additions and the reclassified consolidated financial statements both prepared in euro 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 report relates to the scope of consolidation as at 30th September 2014 which has not been modified compared with the same scope reported in the Interim Financial Report as at and for the period ended 30th June 2014, except for those changes reported in the relative section of the "Interim consolidated management report as at and for the period ended 30th September 2014".

With regard to the provisions of IAS 10, concerning events occurring after the balance sheet date of the Interim Financial Report, subsequent to 30th September 2014, the balance sheet date of the Report in question, and until 11th November 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.

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, 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.

Other aspects

REGULATORY DEVELOPMENTS

As already reported in the half year financial report for 2014, which may be consulted for full details, the provisions of Regulation EU 1254/2012 have come into force during the current year which, with regard to the most important aspects, have:

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

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

As concerns the most important aspects, the changes introduced led to the appearance of joint control pursuant to IFRS 11, with regard to the following investments:

- Aviva Vita;
- Aviva Assicurazioni Vita; and
- UBI Assicurazioni;

previously recognised in accordance with IAS 28 as investments subject to significant influence[3].

The consolidation methods provided for by IFRS 11 do not determine any changes in the consolidated financial statements of the UBI Banca Group with respect to the treatment employed until 31st December 2013 in accordance with IAS 28, as the investments in question continue to be accounted for according to the equity method. Therefore the main changes for the UBI Banca Group resulting from the introduction of the regulations in question concern changes to the financial statements as at and for the period ended 31st December 2014 following the introduction of IFRS 12.

FORBEARANCE

As already reported in the half year financial report as at and for the period ended 30th June 2014 which may be consulted for full information, in order to help standardise the definitions and in line with the definition introduced by the ESMA[4], on 24th July 2014 the EBA[5] issued a "Final draft Implementing Technical Standards[6]" (ITS) with the objective, for regulatory purposes, of defining common criteria and harmonisation elements to identify measurements of forbearance in order to reduce divergences in the implementation of the definition of default and impairment.

At present, the ITSs, which once approved will form an addendum to the body of the regulations on supervisory reporting[7] (FINREP - financial Reporting) are still being approved by the European Commission.

The new reporting provisions once approved will come into force with a reporting date of 30th September 2014 (to be submitted by 31st December 2014). The UBI Banca Group therefore started a specific project sometime ago designed to map positions classified as forborne, in accordance with the regulations mentioned in order to ensure compliance with the new reporting obligations.

Studies also continued by the sector trade association, the Italian Banking Association, during the reporting period, to verify the reconciliation between the current categories in use for reporting and accounting purposes (i.e. the Bank of Italy categories) and those defined by the EBA.

Full information will be given on the subject in the 2014 Annual Report. Therefore the classification and measurement criteria for loans employed in the 2013 annual report have been maintained for the financial statements as at and for the period ended 30th September 2014.

[3] We report with particular regard to the above-mentioned conclusions relating to the *banc assurance* partnership with the Aviva Group that these could be subject to modification following the definition of agreements provided for by new contractual commitments undertaken with the Aviva Group with particular regard to current relationships concerning governance.
Furthermore, we also report that from 30th June 2014 part of these investments has already been subject to reclassification in compliance with IFRS 5 within "non-current assets and disposal groups held for sale", because the Group has signed a series of agreements for the overall reorganisation of the existing joint venture which provide for, amongst other things, the disposal of 30% of two joint ventures (keeping a stake of around 20% of the share capital in each of them).

[4] European Securities and Market Authority.

[5] European Banking Authority.

[6] ITS. On 21st October 2013 the EBA issued the document "Recommendations on asset quality reviews", with which it introduced an initial definition of forbearance measures, following which initial information on the matter was furnished in the notes to the financial statements in the 2013 Annual Report.

[7] Since those regulations apply to supervisory reporting, for full information we report that, with regard to financial statements, the rules provided by Bank of Italy Circular No. 262 remain in force, in application of the provisions of international accounting standard IAS 39.

IMPAIRMENT OF AFS SECURITIES

The fair value measurement of available-for-sale securities as at 30th September 2014 resulted in the recognition of impairment losses through profit and loss of €2.6 million (gross of tax and non-controlling interests), of which €1 million relating to securities held by UBI Banca.
These impairment losses are attributable overall to equity instruments and consisted of €1.4 million on shareholdings and €1.2 million on investments in UCITS (mostly held by the Parent), the fair value of which is obtained on the basis of the NAVs periodically reported by the asset management companies.

The impairment losses were recognised, in compliance with Group policy on the impairment of available-for-sale equity instruments, when the fair value of the instruments either remained below the historical cost of purchase for a period of longer than 18 months or fell below that level by more than 35% or in cases of impairment following the recognition of previous impairment losses.

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 fourth quarter, will reduce the impairment losses recognised through profit and loss in the third quarter. On the other hand, any recovery in value compared with prices recorded as at 30th June will be recognised in a separate reserve in equity.

Item 130b) in the income statement shows a total of €1.9 million of net impairment losses on available for sale financial assets, having recorded recoveries in value in the period on two bonds held in portfolio amounting to €0.7 million.

INTERBANK DEPOSIT PROTECTION FUND

In November 2013, the Bank of Italy requested intervention to support the Interbank Deposit Protection Fund (IDPF) on behalf of Banca Tercas to cover its capital shortfall as ascertained by an extraordinary commissioner, relating to the period prior to its extraordinary administration.
The IDPF sent a letter to its members in January 2014 in which it set the financial commitment to be borne by the banking sector at a maximum of €280 million and as a consequence, on the basis of the current rates, the UBI Banca Group could have been required to pay a maximum amount of €17.1 million which, moreover, would only be subject to final quantification when the due diligence was completed, scheduled for the first months of 2014.
Since it was probable that the UBI Group may have to pay the maximum contribution requested, it recognised that amount in the income statement for 2013 within the item *"130d Net impairment losses on: other financial transactions"* in compliance with the provisions of Bank of Italy Circular No. 262/2005 which considers the IDPF basically as financial guarantees, with the balancing entry in item 100 "other liabilities".
In September of this year the IDPF sent its members a further letter stating that in addition to the amount in cash of €265 million, in place of the previous €280 million, the action taken to support Banca Tercas had given rise to the assumption of further commitments by the fund connected with the occurrence of future events for which additional costs could be incurred by the fund.
In consideration of the above and until the IDPF determine the amount, the provisions already made were confirmed as at 30th September 2014 because they were considered quite sufficient to meet the presumed cost.

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 30th September 2014" is reliably based on the records contained in corporate documents and accounting records.*

the Senior Officer Responsible for
preparing the accounting documents

(signed on the original)

Bergamo, 11th November 2014

REPORT ON THE PERFORMANCE OF THE PARENT, UBI BANCA Scpa

IN THE FIRST NINE MONTHS 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	30.9.2014 A	31.12.2013 B	Changes A-B	% changes A/B	30.9.2013 C	Changes A-C	% changes A/C
	ASSETS							
10.	Cash and cash equivalents	126,217	151,927	-25,710	-16.9%	127,012	-795	-0.6%
20.	Financial assets held for trading	1,119,978	3,191,080	-2,071,102	-64.9%	3,449,192	-2,329,214	-67.5%
30.	Financial assets designated at fair value	193,637	208,143	-14,506	-7.0%	207,370	-13,733	-6.6%
40.	Available-for-sale financial assets	17,580,462	14,753,276	2,827,186	19.2%	13,968,794	3,611,668	25.9%
50.	Held-to-maturity investments	3,076,556	3,086,815	-10,259	-0.3%	3,149,620	-73,064	-2.3%
60.	Loans and advances to banks	13,841,245	13,487,366	353,879	2.6%	12,491,061	1,350,184	10.8%
70.	Loans and advances to customers	22,666,345	25,168,913	-2,502,568	-9.9%	26,013,350	-3,347,005	-12.9%
80.	Hedging derivatives	609,406	215,310	394,096	183.0%	231,834	377,572	162.9%
90.	Fair value change in hedged financial assets (+/-)	5,714	5,418	296	5.5%	5,692	22	0.4%
100.	Equity investments	10,576,618	10,608,614	-31,996	-0.3%	10,976,197	-399,579	-3.6%
110.	Property, plant and equipment	638,243	650,742	-12,499	-1.9%	628,686	9,557	1.5%
120.	Intangible assets	410	410	-	-	410	-	-
130.	Tax assets	1,549,868	1,727,626	-177,758	-10.3%	1,531,234	18,634	1.2%
140.	Non-current assets and disposal groups held for sale	82,063	2,329	79,734	n.s.	2,329	79,734	n.s.
150.	Other assets	525,106	656,676	-131,570	-20.0%	420,688	104,418	24.8%
	Total assets	**72,591,868**	**73,914,645**	**-1,322,777**	**-1.8%**	**73,203,469**	**-611,601**	**-0.8%**
	LIABILITIES AND EQUITY							
10.	Due to banks	22,953,493	24,285,811	-1,332,318	-5.5%	26,916,219	-3,962,726	-14.7%
20.	Due to customers	2,180,592	7,223,913	-5,043,321	-69.8%	7,280,405	-5,099,813	-70.0%
30.	Debt securities issued	35,242,182	30,211,092	5,031,090	16.7%	26,743,945	8,498,237	31.8%
40.	Financial liabilities held for trading	675,565	1,531,436	-855,871	-55.9%	1,457,552	-781,987	-53.7%
60.	Hedging derivatives	752,063	377,702	374,361	99.1%	835,256	-83,193	-10.0%
80.	Tax liabilities	366,121	323,144	42,977	13.3%	231,797	134,324	57.9%
100.	Other liabilities	580,445	631,077	-50,632	-8.0%	516,425	64,020	12.4%
110.	Post-employment benefits	44,617	40,166	4,451	11.1%	39,127	5,490	14.0%
120.	Provisions for risks and charges:	45,550	58,488	-12,938	-22.1%	59,854	-14,304	-23.9%
	a) pension and similar obligations	1,105	1,061	44	4.1%	1,083	22	2.0%
	b) other provisions	44,445	57,427	-12,982	-22.6%	58,771	-14,326	-24.4%
130.+160. +170.+ 180.+190.	Share capital, share premiums, reserves, valuation reserves and treasury shares	9,538,886	9,160,476	378,410	4.1%	8,983,798	555,088	6.2%
200.	Profit for the period/year	212,354	71,340	n.s.	n.s.	139,091	73,263	52.7%
	Total liabilities and equity	**72,591,868**	**73,914,645**	**-1,322,777**	**-1.8%**	**73,203,469**	**-611,601**	**-0.8%**

UBI Banca

Reclassified quarterly balance sheets

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

Reclassified income statement

	Figures in thousands of euro	9M 2014 A	9M 2013 B	Changes A-B	% changes A/B	3rd Quarter 2014 C	3rd Quarter 2013 D	Changes C-D	% changes C/D	FY 2013 E
10.-20.	Net interest income	71,382	68,457	2,925	4.3%	30,058	29,802	256	0.9%	119,390
70.	Dividends and similar income	275,693	230,637	45,056	19.5%	375	1,115	(740)	(66.4%)	247,205
40.-50.	Net fee and commission income	13,528	5,524	8,004	144.9%	9,636	(880)	10,516	n.s.	5,239
80.+90. +100.+110.	Net income from trading, hedging and disposal/repurchase activities and from assets/liabilities designated at fair value	135,710	111,922	23,788	21.3%	8,520	50,158	(41,638)	(83.0%)	232,945
190.	Other net operating income/expense	82,234	81,170	1,064	1.3%	28,626	25,592	3,034	11.9%	108,317
	Operating income	**578,547**	**497,710**	**80,837**	**16.2%**	**77,215**	**105,787**	**(28,572)**	**(27.0%)**	**713,096**
150.a	Staff costs	(116,632)	(112,546)	4,086	3.6%	(40,211)	(37,812)	2,399	6.3%	(153,334)
150.b	Other administrative expenses	(116,313)	(128,796)	(12,483)	(9.7%)	(36,920)	(41,325)	(4,405)	(10.7%)	(164,991)
170.+180.	Depreciation, amortisation and net impairment losses on property, plant and equipment and intangible assets	(16,304)	(17,285)	(981)	(5.7%)	(5,314)	(5,683)	(369)	(6.5%)	(22,977)
	Operating expenses	**(249,249)**	**(258,627)**	**(9,378)**	**(3.6%)**	**(82,445)**	**(84,820)**	**(2,375)**	**(2.8%)**	**(341,302)**
	Net operating income	**329,298**	**239,083**	**90,215**	**37.7%**	**(5,230)**	**20,967**	**(26,197)**	**n.s.**	**371,794**
130.a	Net impairment losses on loans	(84,039)	(88,794)	(4,755)	(5.4%)	(31,172)	(33,552)	(2,380)	(7.1%)	(188,115)
130.b+c+d	Net impairment losses on other financial assets and liabilities	(1,751)	(37,264)	(35,513)	(95.3%)	(374)	(3,197)	(2,823)	(88.3%)	(40,367)
160.	Net provisions for risks and charges	990	(831)	1,821	n.s.	124	160	(36)	(22.5%)	(1,354)
210.+240.	Profits (losses) from the disposal of equity investments	(477)	(18)	459	n.s.	103	(18)	121	n.s.	(6,170)
250.	**Pre-tax profit (loss) from continuing operations**	**244,021**	**112,176**	**131,845**	**117.5%**	**(36,549)**	**(15,640)**	**20,909**	**133.7%**	**135,788**
260.	Taxes on income for the period/year from continuing operations	(31,667)	27,816	(59,483)	n.s.	4,253	10,711	(6,458)	(60.3%)	246,813
	Profit (loss) for the period/year before expenses for leaving incentives and impairment losses/reversals on Group equity investments	**212,354**	**139,992**	**72,362**	**51.7%**	**(32,296)**	**(4,929)**	**27,367**	**555.2%**	**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 (loss) for the period/year**	**212,354**	**139,091**	**73,263**	**52.7%**	**(32,296)**	**(4,929)**	**27,367**	**555.2%**	**71,340**

Quarterly reclassified income statements

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

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

Figures in thousands of euro	**9M 2014** *net of non-recurring items*	**9M 2013** *net of non-recurring items*	Changes	% changes
Net interest income	71,382	68,457	2,925	4.3%
Dividends and similar income	275,693	230,637	45,056	19.5%
Net fee and commission income	13,528	5,524	8,004	144.9%
Net income from trading, hedging and disposal/repurchase activities and from assets/liabilities designated at fair value	135,710	69,427	66,283	95.5%
Other net operating income/expense	82,234	81,170	1,064	1.3%
Operating income	**578,547**	**455,215**	**123,332**	**27.1%**
Staff costs	(116,632)	(112,546)	4,086	3.6%
Other administrative expenses	(116,313)	(125,186)	(8,873)	(7.1%)
Depreciation, amortisation and net impairment losses on property, plant and equipment and intangible assets	(16,304)	(17,285)	(981)	(5.7%)
Operating expenses	**(249,249)**	**(255,017)**	**(5,768)**	**(2.3%)**
Net operating income	**329,298**	**200,198**	**129,100**	**64.5%**
Net impairment losses on loans	(84,039)	(88,794)	(4,755)	(5.4%)
Net impairment losses on other financial assets and liabilities	(1,449)	(15,308)	(13,859)	(90.5%)
Net provisions for risks and charges	990	(831)	1,821	n.s.
Profits (losses) from the disposal of equity investments	414	(18)	432	n.s.
Pre-tax profit from continuing operations	**245,214**	**95,247**	**149,967**	**157.5%**
Taxes on income for the period/year from continuing operations	(13,839)	18,706	(32,545)	n.s.
Post-tax profit (loss) from discontinued operations	-	-	-	-
Profit for the period	**231,375**	**113,953**	**117,422**	**103.0%**

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

Figures in thousands of euro	9M 2014	Non-recurring items			9M 2014	9M 2013	Non-recurring items						9M 2013
		Impairment losses and recoveries in value on shares, bonds and units in UCITS (AFS)	Adjustment to the price of the sale of the subsidiary BDG	Impact of the change in the IRAP tax rate on prior year deferred tax provisions	*net of non-recurring items*		Impairment losses on Group equity investments	Impairment losses on equity instruments and on units in UCITS (AFS)	Disposal of Intesa Sanpaolo and A2A shares (AFS)	Service fee for the migration of the former Centrobanca onto the target system	Cerved Group (formerly Centrale Bilanci) earn-out	Profit on the repurchase of financial liabilities (subordinated EMTN)	*net of non-recurring items*
Net interest income	71,382				71,382	68,457							68,457
Dividends and similar income	275,693				275,693	230,637							230,637
Net fee and commission income	13,528				13,528	5,524							5,524
Net income from trading, hedging and disposal/repurchase activities and from assets/liabilities designated at fair value	135,710				135,710	111,922			(37,136)		(537)	(4,822)	69,427
Other net operating income/expense	82,234				82,234	81,170							81,170
Operating income	**578,547**	**-**	**-**	**-**	**578,547**	**497,710**	**-**	**-**	**(37,136)**	**-**	**(537)**	**(4,822)**	**455,215**
Staff costs	(116,632)				(116,632)	(112,546)							(112,546)
Other administrative expenses	(116,313)				(116,313)	(128,796)				3,610			(125,186)
Depreciation, amortisation and net impairment losses on property, plant and equipment and intangible assets	(16,304)				(16,304)	(17,285)							(17,285)
Operating expenses	**(249,249)**	**-**	**-**	**-**	**(249,249)**	**(258,627)**	**-**	**-**	**-**	**3,610**	**-**	**-**	**(255,017)**
Net operating income	**329,298**	**-**	**-**	**-**	**329,298**	**239,083**	**-**	**-**	**(37,136)**	**3,610**	**(537)**	**(4,822)**	**200,198**
Net impairment losses on loans	(84,039)				(84,039)	(88,794)							(88,794)
Net impairment losses on other financial assets and liabilities	(1,751)	302			(1,449)	(37,264)		21,956					(15,308)
Net provisions for risks and charges	990				990	(831)							(831)
Profits (losses) from the disposal of equity investments	(477)		891		414	(18)							(18)
Pre-tax profit from continuing operations	**244,021**	**302**	**891**	**-**	**245,214**	**112,176**	**-**	**21,956**	**(37,136)**	**3,610**	**(537)**	**(4,822)**	**95,247**
Taxes on income for the period from continuing operations	(31,667)	(38)		17,866	(13,839)	27,816		(5,682)	(3,885)	(1,174)	37	1,594	18,706
Post-tax profit (loss) from discontinued operations	-				-	-							-
Profit for the period before expenses for leaving incentives and impairment losses/reversals on Group equity investments	**212,354**	**264**	**891**	**17,866**	**231,375**	**139,992**	**-**	**16,274**	**(41,021)**	**2,436**	**(500)**	**(3,228)**	**113,953**
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	**212,354**	**264**	**891**	**17,866**	**231,375**	**139,091**	**901**	**16,274**	**(41,021)**	**2,436**	**(500)**	**(3,228)**	**113,953**

Reconciliation schedule for the period ended 30th September 2014

Items	RECLASSIFIED INCOME STATEMENT (Figures in thousands of euro)	9M 2014 Separate mandatory financial statement	Reclassifications: Tax recoveries	Reclassifications: Depreciation for leasehold improvements	9M 2014 Reclassified financial statement
10.-20.	Net interest income	71,382			71,382
70.	Dividends and similar income	275,693			275,693
40.-50.	Net fee and commission income	13,528			13,528
80.+90.+ 100.+110.	Net income from trading, hedging and disposal/repurchase activities and from assets/liabilities designated at fair value	135,710			135,710
190.	Other net operating income/expense	87,710	(5,571)	95	82,234
	Operating income	**584,023**	**(5,571)**	**95**	**578,547**
150.a	Staff costs	(116,632)			(116,632)
150.b	Other administrative expenses	(121,884)	5,571		(116,313)
170.+180.	Depreciation, amortisation and net impairment losses on property, plant and equipment and intangible assets	(16,209)		(95)	(16,304)
	Operating expenses	**(254,725)**	**5,571**	**(95)**	**(249,249)**
	Net operating income	**329,298**	**-**	**-**	**329,298**
130.a	Net impairment losses on loans	(84,039)			(84,039)
130. b+c+d	Net impairment losses on other financial assets and liabilities	(1,751)			(1,751)
160.	Net provisions for risks and charges	990			990
210.+240.	Losses from the disposal of equity investments	(477)			(477)
250.	**Pre-tax profit from continuing operations**	**244,021**	**-**	**-**	**244,021**
260.	Taxes on income for the period from continuing operations	(31,667)			(31,667)
280.	Post-tax profit (loss) from discontinued operations	-			-
290.	**Profit for the period**	**212,354**	**-**	**-**	**212,354**

Reconciliation schedule for the period ended 30th September 2013

Items	RECLASSIFIED INCOME STATEMENT (Figures in thousands of euro)	9M 2013 Separate mandatory financial statement	Reclassifications: Tax recoveries	Reclassifications: Depreciation for leasehold improvements	Reclassifications: Impairment losses on Group equity investments	9M 2013 Reclassified financial statement
10.-20.	Net interest income	68,457				68,457
70.	Dividends and similar income	230,637				230,637
40.-50.	Net fee and commission income	5,524				5,524
80.+90.+ 100.+110.	Net income from trading, hedging and disposal/repurchase activities and from assets/liabilities designated at fair value	111,922				111,922
190.	Other net operating income/expense	86,751	(5,676)	95		81,170
	Operating income	**503,291**	**(5,676)**	**95**	**-**	**497,710**
150.a	Staff costs	(112,546)				(112,546)
150.b	Other administrative expenses	(134,472)	5,676			(128,796)
170.+180.	Depreciation, amortisation and net impairment losses on property, plant and equipment and intangible assets	(17,190)		(95)		(17,285)
	Operating expenses	**(264,208)**	**5,676**	**(95)**	**-**	**(258,627)**
	Net operating income	**239,083**	**-**	**-**	**-**	**239,083**
130.a	Net impairment losses on loans	(88,794)				(88,794)
130. b+c+d	Net impairment losses on other financial assets and liabilities	(37,264)				(37,264)
160.	Net provisions for risks and charges	(831)				(831)
210.+240.	Profits (losses) from the disposal of equity investments	(919)			901	- 18
250.	**Pre-tax profit from continuing operations**	**111,275**	**-**	**-**	**901**	**112,176**
260.	Taxes on income for the period from continuing operations	27,816				27,816
280.	Post-tax profit (loss) from discontinued operations	-				-
	Profit for the period before impairment losses on equity investments of the Group	**139,091**	**-**	**-**	**901**	**139,992**
210.	Impairment losses on Group equity investments net of taxes	-			(901)	(901)
290.	**Profit for the period**	**139,091**	**-**	**-**	**-**	**139,091**

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 of 2013, partially include item 150 in the mandatory financial statements;
- net impairment losses on Group equity investments (net of taxes), present in the first and fourth quarters of 2013, include almost all of item 210 in the mandatory financial statements.

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

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

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:

January - September 2014:
- impairment losses and recoveries in value on shares, bonds and units in UCITS (AFS)
- adjustment to the price of the sale of the subsidiary Banque de Dépôts et de Gestion Sa (Switzerland);
- impact of the change in the IRAP (regional production tax) tax rate on prior year deferred tax provisions;

January - September 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;
- profit on the repurchase of financial liabilities (subordinated EMTN).

Performance in the period

The income statement figures commented on are based on the reclassified financial statements (the income statement, the quarterly income statements and the income statement net of the principal non-recurring items – in brief and detailed versions) contained in the preceding section of this report and the tables furnishing details presented below are also based on those statements. The notes that follow those reclassified financial statements may be consulted as may the reconciliation schedules for a description of the reclassification. Furthermore, the commentary examines changes that occurred not only in the first nine months of 2014 compared with the same period in 2013, but also in the third quarter of 2014 compared with the preceding second quarter (these comments are highlighted with a slightly different background colour).

The income statement

The first nine months of the year ended with a **profit** of €212.4 million, an appreciable improvement compared with €139.1 million in the same period of 2013[1].
This increase in profit was caused above all by contributions from dividends and financial activities and, to a lesser extent, by components of general banking business, fee and commission and net interest income, affected more by the difficult operating environment. Furthermore, the growth in revenues was accompanied by a further reduction in operating expenses and negligible impairment losses on financial assets and liabilities.

On the other hand, the quarterly result was a loss of €32.3 million (compared with a profit of €17.6 million in the second quarter and a loss of €4.9 million in the third quarter of 2013), which incorporated some seasonal factors (a very low contribution from dividends over the summer months), but also a lower contribution from financial activities (after the exceptional results recorded in previous periods). The structure of profit, moreover, confirms the stringent control exercised over operating expenses together with the relative year-on-year stability of loan losses.

Operating income[2] of €578.5 million increased by €80.8 million as a result of the following:

- up €45 million, dividends received rose to €275.7 million, resulting almost entirely from Group equity investments (as shown in the table).
  The total received included €209.5 million distributed by the network banks (up €77.1 million compared with 2013) attributable mostly to BPB, BPCI and Carime, while €36.1 million relating to BRE resulted from a distribution from the articles of

Dividends and similar income

Figures in thousands of euro	9M 2014	9M 2013
Banca Popolare di Bergamo Spa	129,109	107,433
Banca Regionale Europea Spa	36,111	-
Banca Popolare Commercio e Industria Spa	25,800	11,551
UBI Pramerica SGR Spa	20,053	25,683
Banca Carime	11,180	-
Banca Popolare di Ancona Spa	4,146	-
UBI Banca Private Investment Spa	3,837	2,270
Banco di Brescia Spa	3,151	13,372
Lombarda Vita Spa	14,083	45,361
UBI Factor Spa	-	2,275
Other equity investments (item 100)	20,831	13,943
Dividends received from item 100 equity investments	**268,301**	**221,888**
Dividends received from item 40 AFS	**5,983**	**8,029**
Dividends received from item 20 for trading and item 30 fair value options	**1,409**	**720**
Total	**275,693**	**230,637**

1 Both periods recorded non-recurring items. They consisted of expense of €19 million in 2014 (primarily the result of changes in the rate for IRAP, a local production tax) and income of €25.1 million in 2013 (due mainly to the disposal of Intesa Sanpaolo shares and the profit realised on the repurchase of subordinated EMTNs, although partly offset by impairment losses on equity investments, securities and funds and also the service fee for the Centrobanca IT migration). Net of these items the result for the first nine months was €231.4 million compared with approximately €114 million in 2013.

2 *UBI Banca performs the function of a holding company. On the one hand it manages the cash flows of all Group banks and companies for which it operates to guarantee the necessary funding and to enable them to invest excess liquidity accumulated, and on the other hand it acts as the single manager of the Group's portfolio of financial assets. In consideration of its role as coordinator and policymaker, reflected also in the organisational configuration of the Group, UBI Banca holds investments in all the main consolidated companies and the profits that they distribute have always constituted its primary source of income. Following the business combination transactions carried out in 2012 and 2013, its role as a holding company role has certainly not been weakened, but is accompanied by new commercial activity consisting of specialist lending, performed by the former Centrobanca, and that of a credit card issuer as well as the manager of the residual non-captive mortgages and personal loans of the former B@nca 24-7. This is also reflected in the composition of the income statement.*

association reserve, in view of the high capitalisation of the bank.
The securities portfolio earned total dividends of €7.4 million, of which €3.1 million from the company SIA Spa (a leading infrastructure and technology services company in the payments and payment card sectors). In 2013 dividends of €8.7 million had been received, driven by €3.9 million from the Intesa Sanpaolo shares;

Net trading income

Figures in thousands of euro	Gains (A)	Income from trading (B)	Losses (C)	Losses from trading (D)	Net income 9M 2014 [(A+B)-(C+D)]	9M 2013
1. Financial assets held for trading	**675**	**29,962**	**(736)**	**(537)**	**29,364**	**42,412**
1.1 Debt instruments	35	28,218	(514)	(2)	27,737	35,279
1.2 Equity instruments	614	53	(195)	(1)	471	1,663
1.3 Units in UCITS	26	6	(27)	(5)	-	33
1.4 Financing	-	-	-	-	-	-
1.5 Other	-	1,685	-	(529)	1,156	5,437
2. Financial liabilities held for trading	**-**	**13,176**	**-**	**(3,519)**	**9,657**	**11,760**
2.1 Debt instruments	-	13,176	-	(3,519)	9,657	11,760
2.2 Payables	-	-	-	-	-	-
2.3 Other	-	-	-	-	-	-
3. Other financial liabilities: exchange rate differences	**X**	**X**	**X**	**X**	**274**	**(5,528)**
4. Derivative instruments	**280,473**	**261,286**	**(301,376)**	**(246,226)**	**(4,219)**	**(28,270)**
4.1 Financial derivatives	280,473	261,286	(301,376)	(245,683)	(3,676)	(24,436)
- on debt instruments and interest rates	*279,554*	*258,355*	*(300,656)*	*(242,077)*	*(4,824)*	*(25,071)*
- on equity instruments and share indices	*250*	*103*	*(20)*	*(811)*	*(478)*	*(758)*
- on currencies and gold	*X*	*X*	*X*	*X*	*1,624*	*1,272*
- other	*669*	*2,828*	*(700)*	*(2,795)*	*2*	*121*
4.2 Credit derivatives	-	-	-	(543)	(543)	(3,834)
Total	**281,148**	**304,424**	**(302,112)**	**(250,282)**	**35,076**	**20,374**

Net hedging loss

Figures in thousands of euro	9M 2014	9M 2013
Net hedging loss	**(3,946)**	**(2,029)**

Profit from disposal or repurchase

Figures in thousands of euro	Profits	Losses	Net profit 9M 2014	9M 2013
Financial assets				
1. Loans and advances to banks	-	-	-	-
2. Loans and advances to customers	719	(1,092)	(373)	(717)
3. Available-for-sale financial assets	109,044	(447)	108,597	87,170
3.1 Debt instruments	*89,322*	*(376)*	*88,946*	*47,936*
3.2 Equity instruments	*-*	*(71)*	*(71)*	*39,234*
3.3 Units in UCITS	*19,722*	*-*	*19,722*	*-*
3.4 Financing	*-*	*-*	*-*	*-*
4. Held-to-maturity investments	-	-	-	-
Total assets	**109,763**	**(1,539)**	**108,224**	**86,453**
Financial liabilities				
1. Due to banks	-	-	-	-
2. Due to customers	-	-	-	-
3. Debt securities issued	40	(4,876)	(4,836)	3,889
Total liabilities	**40**	**(4,876)**	**(4,836)**	**3,889**
Total	**109,803**	**(6,415)**	**103,388**	**90,342**

Net profit on financial assets and liabilities designated at fair value

Figures in thousands of euro	9M 2014	9M 2013
Net profit on financial assets and liabilities designated at fair value	**1,192**	**3,235**

Net income from trading, hedging and disposal/repurchase activities and from assets/liabilities designated at fair value	**135,710**	**111,922**

- a *net result for financial activities* up €23.8 million to reach €135.7 million driven by the following:
  - trading (€35.1 million, up €14.7 million compared with 2013) attributable almost entirely to debt instruments, including €27.7 million of net gains earned on the market and €9.7 million due to the closure of uncovered short positions. Foreign exchange

business generated €3 million, while the close down of credit derivatives resulted in a loss of €0.5 million and the contribution from derivatives on debt securities and interest rates was also negative at €4.8 million (profits, gains and accruals)[3];

- hedging (down €3.9 million) – consisting of the change in the fair value of hedging derivatives and the relative items hedged – related mainly to the impacts of fair value changes in derivatives on AFS securities, only partly offset by derivatives on bond issues (down €2 million in 2013);
- the disposal of AFS instruments and the repurchase of financial liabilities (€103.4 million, up €13 million compared with the comparative nine months). This included gains of €88.9 million from the sale of Italian government securities for approximately €4 billion and of €19.7 million from the disposal of UCITS (ETFs, i.e. European equity funds that passively replicate benchmark indexes) and losses of €0.4 million from the disposal of deteriorated positions (restructured and impaired of the former Centrobanca and the former B@nca 24-7 and other ordinary mainly non-performing positions) and of €4.8 million from the repurchase of securities in issue as part of normal direct business with customers.
  In 2013 €90.3 million was earned as follows: €47.9 million from debt instruments; €39.2 million from equity instruments (€36.5 million from Intesa Sanpaolo shares, €0.6 million from A2A and €0.5 million from the addition to price on the sale in 2008, of the Cerved Group – all normalised figures – in addition to €1.6 million from the complete disposal of the interest held in Unione Fiduciaria); €3.9 million from the repurchase of bonds issued, which included €4.8 million, non-recurring, from the buyback carried out in September of callable lower tier two debt maturing in 2018; and finally a loss of €0.7 million from the disposal of a packet of unsecured loans of the former B@nca 24-7;
- fair value movements in investments in Tages Funds, a residual position in hedge funds and private equity investments (€1.2 million compared with €3.2 million in the comparative period);

- growth of €1.1 million in *other operating income and costs* to €82.2 million. This was the aggregate result above all of the amount and trend for income against more modest growth in the underlying costs.
  Generally there was no significant change in the items: lower expense recoveries, higher rental income from property management and a reduction in prior year income (due to the presence in 2013 of an extraordinary refund of €1.5 million consisting of withholding taxes on the dividends of a foreign subsidiary), offset moreover by growth in expenses (including €2.4 million in the first half of 2014 due to recognition of reimbursements to Prestitalia customers).
  "Income for services to Group member companies" – the largest component – rose to €49.8 million (+€4.4 million), a reflection of the centralisation at the Parent of activities relating to the Chief Financial Officer and the Chief Risk Officer (by UBI Leasing, UBI Factor and Prestitalia), which occurred during the year, growth in volumes of business in the finance area and greater provision of some services (these included administration, commercial and money laundering and the finance of terrorism risk services). These increases were only partially offset by the impacts of the Centrobanca merger (effective from 6th May 2013);

Other net operating income

Figures in thousands of euro	9M 2014	9M 2013
Other operating income	**86,111**	**83,367**
Recovery of expenses and other income on current accounts	2	-
Recovery of other expenses	7,614	8,424
Recoveries of taxes	5,571	5,676
Rents and other income for property management	25,243	24,198
Income for services to Group member companies	49,784	45,339
Other income and prior year income	3,468	5,406
Reclassification of "tax recoveries"	*(5,571)*	*(5,676)*
Other operating expenses	**(3,877)**	**(2,197)**
Depreciation of leasehold improvements	(95)	(95)
Costs relating to finance lease contracts	-	(6)
Other expenses and prior year expense	(3,877)	(2,191)
Depreciation on improved leaseholds for rented assets	*95*	*95*
Total	**82,234**	**81,170**

- net interest income up €2.9 million, improving to €71.4 million[4], which incorporates amongst other things the effects of a temporary rise in the yield curve in 2014[5].

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 effect on the assets and liabilities of the network banks and the product companies with a more or less neutral result on the consolidated financial statements.

4 *Net interest income also includes the financial expense that UBI Banca incurs against investments in Group subsidiaries, while the related financial income is driven by the item dividends.*

5 The average one month Euribor rate did in fact rise in the two periods from 0.122% in 2013 to 0,176% in the current year.

Interest and similar income: composition

Figures in thousands of euro	Debt instruments	Financing	Other transactions	9M 2014	9M 2013
1. Financial assets held for trading	22,085	-	-	22,085	39,909
2. Available-for-sale financial assets	302,168	-	-	302,168	313,985
3. Held-to-maturity investments	79,741	-	-	79,741	81,607
4. Loans and advances to banks	43,938	20,035	-	63,973	36,141
5. Loans and advances to customers	8,362	353,234	-	361,596	445,151
6. Financial assets designated at fair value	-	-	-	-	-
7. Hedging derivatives	X	X	31,660	31,660	-
8. Other assets	X	X	20	20	20
Total	**456,294**	**373,269**	**31,680**	**861,243**	**916,813**

Interest and similar expense: composition

Figures in thousands of euro	Borrowings	Securities	Other liabilities	9M 2014	9M 2013
1. Due to central banks	(18,350)	-	-	(18,350)	(56,167)
2. Due to banks	(67,244)	X	-	(67,244)	(158,880)
3. Due to customers	(17,491)	X	-	(17,491)	(48,147)
4. Debt securities issued	X	(670,542)	-	(670,542)	(546,682)
5. Financial liabilities held for trading	(15,959)	-	-	(15,959)	(34,797)
6. Financial liabilities designated at fair value	-	-	-	-	-
7. Other liabilities and provisions	X	X	(275)	(275)	(295)
8. Hedging derivatives	X	X	-	-	(3,388)
Total	**(119,044)**	**(670,542)**	**(275)**	**(789,861)**	**(848,356)**

	9M 2014	9M 2013
Net interest income	**71,382**	**68,457**

In detail[6]:

- the securities portfolio generated interest income of €313.5 million (€301 million in 2013), due to growth in investments in debt instruments over twelve months of approximately €1.2 billion. Italian government securities continued to make a substantial contribution to net interest income (€302.2 million from the AFS portfolio and €79.7 million from the HTM portfolio), although these investments incorporate the costs of hedges on fixed interest rate bonds (the differentials paid on the derivatives amounted to -€74.5 million, down compared with -€99.7 million before);
- business on the interbank market, focused mainly on intragroup activities, generated a loss of €21.6 million, a marked improvement on -€178.9 million previously. This is due to both a fall in funding from banks (-€4 billion over twelve months), while loans grew (+€1.4 billion), and also to a drop in interest expense paid on the LTRO financing (down from €56.2 million to €18.4 million, following progressive reductions in the rate for principal refinancing operations down from 0.75% at the beginning of 2013 to the current 0.05% prevailing since 10th September 2014);
- business with customers recorded expense of €220.2 million (-€53.3 million in 2013), in relation to both trends for volumes of business (a reduction of €3.3 billion in loans to customers over twelve months and lower interest income from retail and corporate loans of €83.6 million) and the cost of securities outstanding which UBI Banca now issues for all the Group's ordinary and institutional customers. Interest paid to subscribers rose from €546.7 million to €670.5 million, in parallel with growth in the amount outstanding (up €8.5 billion over twelve months, correlated above all with bonds subscribed by network bank customers and with covered bonds).
  Given these trends, the not inconsiderable reduction in the cost of on demand funding (down €30.7 million following monetary loosening and optimisation action taken) did not affect the overall result originated from business with customers.

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).*
The commentary given here reports the contribution to net interest income by area of activity, although it must be considered that the Parent's operations continue to involve movements across different business areas (e.g. funding from customers or from the network banks used for loans to the product companies).

The net balance includes the differentials received on hedges of own issue bonds (€106.2 million, compared with €96.4 million in the comparative period).

- growth of €8 million in net fee and commission income to €13.5 million, despite the fall in both the income and expense components.
  Fee and commission income recorded the following: an increase in trading and financial instruments and reductions in the placement of securities and in investment advisory services, but above all a decrease in the item "other services" (-€8.7 million), which comprises commissions on lending activities (down €6.9 million due precisely to a reduction in volumes of business) and on credit cards (down €2.2 million).
  Expense items, on the other hand, included lower commissions paid for the provision of financial instruments through indirect networks (credit cards and other products) placed by the network banks, but above all a reduction in the cost for the guarantee received from the Italian government.
  This guarantee was in fact reduced to zero following the early redemption (on 7th August) of the last €3 billion of the outstanding bonds (UBI Banca had issued a total nominal amount of €6 billion in the first months of 2012 designed to increase assets eligible for refinancing with the ECB and it had made an initial repayment on these liabilities of €3 billion nominal on 7th March 2014). Since the cost is calculated as an annual percentage of the nominal value of the outstanding bonds, the two periods show a significant reduction in the expense from €34.8 million in 2013 to the current €18.4 million.

Fee and commission income: composition

Figures in thousands of euro	9M 2014	9M 2013
a) guarantees granted	5,434	5,229
c) management, trading and advisory services:	12,960	13,669
1. trading in financial instruments	7,457	5,733
2. foreign exchange trading	716	701
3. portfolio management	-	-
4. custody and administration of securities	452	240
5. depository banking	-	-
6. placement of securities	122	1,812
7. receipt and transmission of orders	3	5
8. advisory activities	3,368	4,422
8.1 on investments	3,368	4,422
9. distribution of third party services	842	756
9.1. portfolio management	-	-
9.2. insurance products	302	213
9.3 other products	540	543
d) collection and payment services	1,082	1,315
e) servicer activities for securitisation transactions	-	6
i) current account administration	17	17
j) other services	41,825	50,551
Total	**61,318**	**70,787**

Fee and commission expense: composition

Figures in thousands of euro	9M 2014	9M 2013
a) guarantees received	(18,709)	(35,040)
c) management and trading services:	(17,501)	(18,149)
1. trading in financial instruments	(1,930)	(2,097)
2. foreign exchange trading	(4)	(7)
3. portfolio management	-	-
4. custody and administration of securities	(1,052)	(840)
5. placement of financial instruments	-	-
6. financial instruments, products and services distributed through indirect networks	(14,515)	(15,205)
d) collection and payment services	(4,759)	(3,577)
e) other services	(6,821)	(8,497)
Total	**(47,790)**	**(65,263)**
Net fee and commission income	**13,528**	**5,524**

From a quarterly viewpoint operating income totalled €77.2 million compared with €105.8 million in the same period of 2013 and with €154.1 million in the second quarter of 2014.
Although the change in the latter was negative (down €76.8 million) due primarily to the absence of dividend income and the reduction in the contribution from financial activities, a positive contribution was made by core business which did limit the fall in revenues if only partially. In detail:

- *dividends* fell to €0.4 million from €38.8 million in the second quarter of the year. The absence of profits distributed is normal in the summer months when the annual general meetings of almost all the domestic companies have already been held and therefore no coupons are paid, except to a minimal extent. It should also be considered that significant amounts were received in the comparative period mainly from the insurance companies (€14.1 million from Lombarda Vita, €7.3 million from UBI Assicurazioni, €6 million from Aviva Vita and €5 million from Aviva Assicurazioni Vita), but also from other equity investments (including €3.1 million from SIA);
- *financial activities* generated €8.5 million, down from €69.5 million before. The result was driven by the sale of government securities held in portfolio (which generated a profit of €10.6 million) and by a recovery for the portfolio designated at fair value (especially the Tages Funds and some private equity investments, but also by the positive foreign exchange differences on UCITS units denominated in foreign currencies to give a total of €1.5 million).

Losses were incurred on the other hand by both trading (€-1.3 million) and hedging (-€0.5 million). The amount for the second quarter was driven by the disposal of government securities (€44.1 million), the disposal of European equity ETF's (€19.7 million) and trading in financial instruments consisting mainly of debt securities (€9.8 million). On the other hand, hedging and fair value movements in financial assets designated at fair value incurred an overall loss of €2.7 million. *It must be considered, nevertheless, that the results in the finance area are totally dependent on markets and were affected in particular by the extraordinary profits earned progressively since the spring of 2013;*

Quarterly performance by financial activities

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

- *other net operating income and expense* rose to €28.6 million from €25.9 million previously, reflecting the absence of reimbursements to Prestitalia customers amounting to €2.4 million, recognised within prior year expense in the second quarter. No significant changes occurred in the remaining items with respect to the comparative figures;

Quarterly net interest income

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

- net interest income improved to €30.1 million (up €13.7 million), attributable largely to a further loosening of monetary policy (the average quarterly one-month Euribor stood at 0.070% compared with 0.229% in the second quarter of 2014). The improvement in the margin is primarily due to the result for interbank business, which moved into profit (as a result partly of lower funding from banks, down €1.3 billion over the three months), but is also connected similarly with the impacts of the lower cost for securities issued (down €12.7 million even though the total outstanding increased by €0.6 billion). This latter change more than offset the fall in interest income on retail and corporate loans (down €8.2 million);
- *net fee and commission income* grew to €9.6 million from €3.5 million before, benefiting primarily from the repayment of government backed bonds already mentioned, which occurred on 7th August 2014 for the last €3 billion. The cost, recognised within guarantees received, therefore fell from €5.6 million in the second quarter to the current €2.7 million. The improvement also incorporated the positive impacts of the expansion of other services, approximately €2 million of which were in relation to loans.

On the costs front, **operating expenses** totalled €249.2 million over nine months, down by €9.4 million compared with 2013, the aggregate result of the following performances:

- *staff costs* amounted to €116.6 million, up €4.1 million, the aggregate result of different phenomena. On the one hand, the release of provisions in 2013 is continuing to have its effect on the accounts, while on the other hand ordinary components (wage growth, the effects of work performance and variable components connected with incentive schemes) are also having their effect, partly offset by a residual decrease in workforce numbers (down 12 on average over twelve months). The table also shows an increase of €14.8 million in recoveries of expenses for employees "on secondment" at other companies. These are the effects of the partial "transfer of contracts" relating to staff on secondment between the Parent and UBI.S, as provided for by the trade union agreement of 29th November 2012, which in reality are fully offset by an expense item recognised within expenses for employee staff;

- *other administrative expenses* fell to €116.3 million (-€12.5 million), as a result of the trend for current expenses (indirect taxation was unchanged).
As shown in the table, the main reductions in expenses involved the following: rents payable (down €1.4 million, mainly intragroup and to the network banks, following the release of premises in via Moscova in Milan owned by BPCI); strategic and organisational advisory services (down €3.6 million, partly due to the absence of costs connected with the validation of advanced internal models); the tenancy of premises (down €1.3 million, related to decreased payouts for heating and electricity due to the mild winter); advertising (down €0.7 million, in relation to the sponsorship of the 2013, Assiom Forex event); credit recovery expenses (down €2.2 million in relation to the credit recovery companies used for former B@nca 24-7 business); and postal expenses (down €0.5 million due to further changeovers from hardcopy to electronic communication and the renegotiation of a contract with a new supplier). These actions to contain costs which also continued in relation to the remaining items, were partially offset by higher association membership fees (up €1 million mainly to the Consob – Italian securities market authority – due to a rate increase and the centralisation at the Parent of the issuance of bonds destined to network bank customers) and costs for outsourced services (up €1.1 million, from the adoption of a new payment card system, despite lower costs incurred for the 2014 Shareholders' Meeting).
Furthermore, 2013 included a non-recurring item of €3.6 million consisting of the service fee for the migration of Centrobanca onto the target IT system (recognised within the service fees paid to UBI.S);

Staff costs: composition

Figures in thousands of euro	9M 2014	9M 2013
1) Employees	**(152,169)**	**(134,497)**
a) Wages and salaries	(106,724)	(93,787)
b) Social security charges	(28,846)	(25,433)
c) Post-employment benefits	(5,764)	(5,300)
d) Pension expense	-	-
e) Provision for post-employment benefits	(493)	(467)
f) Pensions and similar obligations	(20)	(30)
- defined benefit	(20)	(30)
g) Payments to external supplementary pension plans:	(4,890)	(4,654)
- defined contribution	(4,890)	(4,654)
i) Other employee benefits	(5,432)	(4,826)
2) Other staff in service	**(215)**	**(173)**
- Expenses for agency staff on staff leasing contracts	-	-
- Other expenses	(215)	(173)
3) Directors	**(4,903)**	**(5,214)**
4) Expenses for retired staff	**-**	**-**
5) Recoveries of expenses for staff on secondment to other companies	**64,637**	**49,834**
6) Reimbursements of expenses for staff on secondment at the Bank	**(23,982)**	**(22,496)**
Total	**(116,632)**	**(112,546)**

Other administrative expenses: composition

Figures in thousands of euro	9M 2014	9M 2013
A. Other administrative expenses	**(111,058)**	**(123,496)**
Rent payable	(5,486)	(6,854)
Professional and advisory services	(14,218)	(17,832)
Rentals on hardware, software and other assets	(2,817)	(3,023)
Maintenance of hardware, software and other assets	(380)	(578)
Tenancy of premises	(5,069)	(6,370)
Property and equipment maintenance	(1,893)	(2,414)
Counting, transport and management of valuables	0	(2)
Membership fees	(2,688)	(1,726)
Information services and land registry searches	(557)	(466)
Books and periodicals	(266)	(383)
Postal	(1,297)	(1,830)
Insurance premiums	(3,031)	(4,782)
Advertising	(2,237)	(2,913)
Entertainment expenses	(510)	(723)
Telephone and data transmission expenses	(8,404)	(8,879)
Services in outsourcing	(5,832)	(4,715)
Travel expenses	(2,413)	(2,813)
Fees for services provided by Group companies (UBI.S)	(45,899)	(46,412)
Credit recovery expenses	(5,848)	(8,028)
Forms, stationery and consumables	(320)	(808)
Transport and removals	(226)	(414)
Security	(1,110)	(951)
Other expenses	(557)	(580)
B. Indirect taxes	**(5,255)**	**(5,300)**
Indirect taxes and duties	(473)	(562)
Stamp duty	(4,909)	(4,777)
IMU/ICI (municipal property taxes)	(4,479)	(4,303)
Other taxes	(965)	(1,334)
Reclassification of "tax recoveries"	*5,571*	*5,676*
Total	**(116,313)**	**(128,796)**

- *amortisation, depreciation and net impairment losses on property, plant and equipment and intangible assets* fell by €1 million compared with the first nine months of 2013 to stand at €16.3 million.

In quarterly terms, operating expenses of €82.4 million compare with €84.8 million in the second quarter (€84.8 million also in the third quarter of 2013).
This quarterly reduction of €2.4 million mainly reflects the trend for *other administrative expenses* (down €3.8 million), affected by the different timing of invoices over the summer

months compared with the second quarter, but also by some items of expense incurred or commenced last spring (e.g. the advertising campaign entitled "Flexible Mortgages" and the launch of projects: the "New Digital Bank" "Single European Supervision" and "Cost Optimisation"). On the other hand staff costs increased by €1.5 million (due to ordinary growth in wages), while *depreciation, amortisation and net impairment losses on property, plant and equipment and intangible assets* were more or less unchanged (down €0.1 million).

As a result of the performance reported above, **net operating income** grew significantly to €329.3 million (+37.7% compared with 2013).
On a quarterly basis, ordinary operations in the third quarter gave rise to a net operating loss of €5.2 million, compared with €69.2 million in the previous period (€21 million in the third quarter of 2013).

The following was also recognised in the first nine months of 2014:

- €84 million (down by €4.8 million compared with 2013) of *net impairment losses on loans* relating to the former B@nca 24-7 and former Centrobanca portfolios. As shown in the table, the amount was composed of €97.6 million of specific net impairment losses (which benefited from reversals – not including present value discounts – amounting to €30.8 million, that included €5.6 million relating to the second quarter of 2014 from the closure of positions relating to United States companies in the Lehman Group) and of €13.6 million of net reversals on the performing portfolio (partly due to a fall in volumes of lending business);

Net impairment losses on loans: composition

Figures in thousands of euro	Impairment losses/reversals of impairment losses, net – Specific	Impairment losses/reversals of impairment losses, net – Portfolio	9M 2014	Impairment losses/reversals of impairment losses, net – Specific	Impairment losses/reversals of impairment losses, net – Portfolio	3rd Quarter 2014
Loans and advances to banks	-	-	-	-	-	-
Loans and advances to customers	(97,649)	13,610	(84,039)	(31,650)	478	(31,172)
Total	**(97,649)**	**13,610**	**(84,039)**	**(31,650)**	**478**	**(31,172)**

Figures in thousands of euro	Impairment losses/reversals of impairment losses, net – Specific	Impairment losses/reversals of impairment losses, net – Portfolio	9M 2013	Impairment losses/reversals of impairment losses, net – Specific	Impairment losses/reversals of impairment losses, net – Portfolio	3rd Quarter 2013
Loans and advances to banks	-	217	217	-	-	-
Loans and advances to customers	(99,226)	10,215	(89,011)	(30,130)	(3,422)	(33,552)
Total	**(99,226)**	**10,432**	**(88,794)**	**(30,130)**	**(3,422)**	**(33,552)**

- €1.8 million of *net impairment losses on other financial assets/liabilities* (compared with €37.3 million before[7]) consisting of €1.5 million of impairment losses on unsecured guarantees and of €0.3 million (non-recurring) of impairment losses on securities and funds held in the AFS portfolio (€1 million relating to impairment losses, mainly on units in UCITS, and an increase of €0.7 million due to the recovery in value of two bonds);
- €1 million as the aggregate result of provisions for revocation (clawback) actions and litigation, due to legal action taken by different types of counterparty, more than offset by the release of a *provision for risks and charges* made in prior years

Net provisions for risks and charges

Figures in thousands of euro	9M 2014	9M 2013
Net provisions for revocation clawback risks	(600)	-
Net provisions for litigation	(888)	(124)
Other net provisions for risks and charges	2,478	(707)
Total	**990**	**(831)**

7 The amount consisted of €22 million of non-recurring impairment losses on instruments held in the AFS portfolio as follows: €9.4 million relating to a financial security previously held in the Centrobanca portfolio, €3.9 million relating to the Centrobanca Sviluppo Impresa fund, €2.5 million to a bond issued by bank, €4.9 million to units in UCITS and the remainder to equity instruments.
The item also included an impairment loss of €15.3 million recognised on an unsecured guarantee granted (item 130 d "impairment losses on other financial transactions"), of which €17.3 million due to the enforcement of a guarantee that had been issued by the Parent to the subsidiary UBI Banca International on the Pescanova position.

amounting to €2.4 million, due to the conclusion of the relative litigation.

In 2013 the item included -€1.5 million of provisions connected with the liquidation of an equity investment, +€0.8 million for the release of a provision of a tax nature, set aside in relation to old litigation with a banking counterparty, which now no longer exists and -€0.1 million of ordinary litigation provisions.

- €0.5 million of *net losses on equity investments*, as a result of the settlement of the balance on the price made necessary by the subsequent disposal of the Swiss subsidiary BDG (€0.9 million normalised), partially offset by the profit realised on the winding up of the Delaware companies that had been formed for the issuance of preference shares (+€0.3 million) and the disposal of investments (+€0.1 million, primarily of a property nature).

Profit on continuing operations before tax more than doubled to €244 million from €112.2 million in 2013.
On a quarterly basis a loss before tax of €36.6 million was incurred in the third quarter compared with a profit before tax of approximately €42 million in the preceding three months and a loss of €15.6 million in the same quarter of 2013.

In line with the trend for the tax base, the first nine months recorded *taxes on income for the period from continuing operations* of €31.7 million, attributable to the positive performance of pre-tax profit, although it was net of dividends which benefit from a partial non-taxation regime for both corporate income tax (IRES) and regional production tax (IRAP) purposes.
The amount nevertheless included a non-recurring expense of €17.9 million due to an adjustment to IRAP deferred tax assets already recognised in the financial statements for the year ended 31st December 2013[8], due to a reduction in the IRAP tax rate from 4.65% to 4.20% (the 0.92% surtax was unchanged) introduced by Decree Law No. 66/2014 with effect from the financial year 2014.
This expense (€17.9 million), charged to the income statement from the second quarter of 2014, may not be payable by the end of year if a provision is confirmed contained in the draft proposal for the 2015 *Legge di stabilità* ("stability law" – annual finance law) to cancel the reduction in the IRAP rate pursuant to Decree Law No. 66/2014 and return to the ordinary rates immediately in 2014 (a base rate of 4.65% for banks plus surtaxes).

In 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.

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

The balance sheet

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

The **direct funding** from customers of UBI Banca amounted to €37.4 billion as at 30th September 2014, slightly down in the quarter by €0.7 billion, but unchanged compared with December 2013 and up year-on-year by €3.4 billion. Within the item, opposing trends continued for short-term funding, which was down sharply, and the medium to long-term component, which increased constantly as a result of amounts for bond issues by ordinary customers.

The table shows a fall in amounts DUE TO CUSTOMERS, down to €2.2 billion from €3.4 billion at the end of June and from over €7 billion existing in September and December 2013. This trend was due to less recourse to repurchase agreements with the *Cassa di Compensazione e Garanzia* (CCG – a central counterparty clearing house) (a balance of €0.7 billion at the end of the period) made possible by greater liquidity available to the Group due to weak demand for credit.
The item financing – other, came to €0.5 billion. After the decrease recorded in the first quarter following the withdrawal of the subordinated deposits[9] to back the three issues of preference shares (redeemed early between February and March 2014). It increased during the period by €0.1 billion, attributable to an institutional counterparty.
Finally, current account funding remained unchanged until the middle of the year and only recorded growth in the third quarter to €0.9 billion (up from €0.7 billion before), attributable mainly to greater liquidity available to support UBI Pramerica mutual funds, while the remainder was due to increased deposits by institutional customers.

On the other hand, DEBT SECURITIES ISSUED, totalling €35.2 billion, recorded progressive growth over twelve months (up €8.5 billion year-on-year, €5 billion over nine months and €0.6 billion in the quarter). As mentioned above the increase was driven by the component relating to ordinary customers, while in the absence of new placements after those carried out in the last part of 2013, at the beginning of 2014 institutional funding fell from June due to significant maturities of EMTNs which occurred.
It is underlined in this respect that the Group's strong liquidity position and structural balance in a context of weak demand for loans persuaded the bank not to make new issuances for institutional investors, given the higher cost of these funding instruments, notwithstanding the interest shown by the market and the requests made. It was not until November that the Group returned to international debt markets with a benchmark ten-year covered bond issue for €1 billion.

In detail, UBI Banca's *institutional funding* at the end of September was composed as follows:

- €3.6 billion of EMTN securities issued as part of a programme for a maximum issuance of €15 billion.
  Two issuances were made over twelve months for €1,750 billion nominal (€750 million in October 2013 and €1 billion in February 2014), against maturities, redemptions and repurchases for a total of €3,199 billion nominal – of which €1,597 billion nominal in the nine-month period and €0,691 billion nominal in the third quarter – which led to a contraction in the total compared with all the comparative periods;
- covered bonds amounting to €8.9 billion, increased compared with both September and December 2013 as a result of total placements of €2.5 billion nominal (€1.25 billion in October 2013 with the issue subsequently reopened for €0.25 billion in December and €1 billion in January 2014), against marginal decreases (€50.5 million over twelve months), relating to annual amortisation instalments on two of the "amortising" securities[10].

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9 These deposits were made by BPB Funding Llc for €300 million nominal, by BPCI Funding Llc for €115.001 million nominal and by Banca Lombarda Preferred Capital Co. Llc for €155 million nominal.
10 In the absence of issuances, the marginal change shown in the table for the period July-September 2014 is attributable solely to technical accounting valuation effects.

Direct funding from customers

Figures in thousands of euro	30.9.2014 A	%	31.12.2013 B	%	Changes A/B amount	Changes A/B %	30.9.2013 C	%	Changes A/C amount	Changes A/C %
Current accounts and deposits	917,181	2.5%	671,987	1.8%	245,194	36.5%	704,438	2.1%	212,743	30.2%
Term deposits	-	-	-	-	-	-	-	-	-	-
Financing	1,249,015	3.3%	6,535,873	17.5%	-5,286,858	-80.9%	6,549,518	19.2%	-5,300,503	-80.9%
- repurchase agreements	*725,475*	*1.9%*	*5,499,671*	*14.7%*	*-4,774,196*	*-86.8%*	*5,520,968*	*16.2%*	*-4,795,493*	*-86.9%*
of which: repos with the CCG	*725,475*	*1.9%*	*5,499,671*	*14.7%*	*-4,774,196*	*-86.8%*	*5,520,968*	*16.2%*	*-4,795,493*	*-86.9%*
- other	*523,540*	*1.4%*	*1,036,202*	*2.8%*	*-512,662*	*-49.5%*	*1,028,550*	*3.0%*	*-505,010*	*-49.1%*
Other payables	14,396	0.0%	16,053	0.0%	-1,657	-10.3%	26,449	0.1%	-12,053	-45.6%
Total amounts due to customers	**2,180,592**	**5.8%**	**7,223,913**	**19.3%**	**-5,043,321**	**-69.8%**	**7,280,405**	**21.4%**	**-5,099,813**	**-70.0%**
Bonds	35,207,353	94.1%	30,161,233	80.6%	5,046,120	16.7%	26,690,175	78.4%	8,517,178	31.9%
- bonds subscribed by institutional customers	*12,496,808*	*33.4%*	*11,865,463*	*31.7%*	*631,345*	*5.3%*	*11,314,940*	*33.3%*	*1,181,868*	*10.4%*
of which: EMTNs (*)	*3,613,555*	*9.7%*	*4,157,406*	*11.1%*	*-543,851*	*-13.1%*	*5,062,255*	*14.9%*	*-1,448,700*	*-28.6%*
Covered bonds	*8,883,253*	*23.7%*	*7,708,057*	*20.6%*	*1,175,196*	*15.2%*	*6,252,685*	*18.4%*	*2,630,568*	*42.1%*
- bonds subscribed by ordinary customers	*21,045,236*	*56.2%*	*16,420,296*	*43.9%*	*4,624,940*	*28.2%*	*14,710,599*	*43.1%*	*6,334,637*	*43.1%*
of which: non-captive customers (former Centrobanca)	*3,306,653*	*8.8%*	*3,683,725*	*9.8%*	*-377,072*	*-10.2%*	*3,769,978*	*11.1%*	*-463,325*	*-12.3%*
- bonds subscribed by Group banks (intragroup)	*1,665,309*	*4.5%*	*1,875,474*	*5.0%*	*-210,165*	*-11.2%*	*664,636*	*2.0%*	*1,000,673*	*150.6%*
Other certificates	34,829	0.1%	49,859	0.1%	-15,030	-30.1%	53,770	0.2%	-18,941	-35.2%
Total debt securities issued	**35,242,182**	**94.2%**	**30,211,092**	**80.7%**	**5,031,090**	**16.7%**	**26,743,945**	**78.6%**	**8,498,237**	**31.8%**
Total funding from customers	**37,422,774**	**100.0%**	**37,435,005**	**100.0%**	**-12,231**	**0.0%**	**34,024,350**	**100.0%**	**3,398,424**	**10.0%**
of which:										
subordinated liabilities	*4,046,607*	*10.8%*	*4,955,561*	*13.2%*	*-908,954*	*-18.3%*	*5,304,801*	*15.6%*	*-1,258,194*	*-23.7%*
of which: subordinated deposits	*-*	*-*	*572,479*	*1.5%*	*-572,479*	*-100.0%*	*572,434*	*1.7%*	*-572,434*	*-100.0%*
subordinated securities	*4,046,607*	*10.8%*	*4,383,082*	*11.7%*	*-336,475*	*-7.7%*	*4,732,367*	*13.9%*	*-685,760*	*-14.5%*
of which: EMTNs (*)	*-*	*-*	*-*	*-*	*-*	*-*	*111,277*	*0.3%*	*-111,277*	*-100.0%*

(*) The corresponding nominal amounts were €3,528 million as at 30th September 2014, €4,125 million as at 31st December 2013 and €4,977 million (€111 million subordinated) as at 30th September 2013. The amounts shown in the table do not include private placements of an "intragroup" nature, which were therefore eliminated in the consolidation (€8 million as at 30th September 2013).

Direct funding from customers

Figures in thousands of euro	30.9.2014 A	%	30.6.2014 D	%	Changes A/D amount	Changes A/D %
Current accounts and deposits	917,181	2.5%	697,047	1.9%	220,134	31.6%
Term deposits	-	-	-	-	-	-
Financing	1,249,015	3.3%	2,675,836	7.0%	-1,426,821	-53.3%
- repurchase agreements	*725,475*	*1.9%*	*2,255,084*	*5.9%*	*-1,529,609*	*-67.8%*
of which: repos with the CCG	*725,475*	*1.9%*	*2,255,084*	*5.9%*	*-1,529,609*	*-67.8%*
- other	*523,540*	*1.4%*	*420,752*	*1.1%*	*102,788*	*24.4%*
Other payables	14,396	0.0%	50,533	0.1%	-36,137	-71.5%
Total amounts due to customers	**2,180,592**	**5.8%**	**3,423,416**	**9.0%**	**-1,242,824**	**-36.3%**
Bonds	35,207,353	94.1%	34,623,012	90.9%	584,341	1.7%
- bonds subscribed by institutional customers	*12,496,808*	*33.4%*	*13,093,605*	*34.4%*	*-596,797*	*-4.6%*
of which: EMTNs (*)	*3,613,555*	*9.7%*	*4,273,586*	*11.2%*	*-660,031*	*-15.4%*
Covered bonds	*8,883,253*	*23.7%*	*8,820,019*	*23.2%*	*63,234*	*0.7%*
- bonds subscribed by ordinary customers	*21,045,236*	*56.2%*	*19,750,629*	*51.9%*	*1,294,607*	*6.6%*
of which: non-captive customers (former Centrobanca)	*3,306,653*	*8.8%*	*3,426,319*	*9.0%*	*-119,666*	*-3.5%*
- bonds subscribed by Group banks (intragroup)	*1,665,309*	*4.5%*	*1,778,778*	*4.6%*	*-113,469*	*-6.4%*
Other certificates	34,829	0.1%	39,133	0.1%	-4,304	-11.0%
Total debt securities issued	**35,242,182**	**94.2%**	**34,662,145**	**91.0%**	**580,037**	**1.7%**
Total funding from customers	**37,422,774**	**100.0%**	**38,085,561**	**100.0%**	**-662,787**	**-1.7%**
of which:						
subordinated liabilities	*4,046,607*	*10.8%*	*4,029,242*	*10.6%*	*17,365*	*0.4%*
of which: subordinated securities	*4,046,607*	*10.8%*	*4,029,242*	*10.6%*	*17,365*	*0.4%*

(*) The corresponding nominal amounts were €3,528 million as at 30th September 2014 and €4,219 million as at 30th June 2014.

UBI Banca had ten covered bonds in issue as at 30th September under the first "multioriginator" programme backed by residential mortgages with a €15 billion ceiling for a

nominal amount of €8.14 billion (net of amortisation instalments totalling €109.9 million)[11], against a segregated portfolio which stood at €14.3 billion[12].
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[13].

Funding from bonds issued to ordinary customers – consisting mostly of bonds sold to network bank customers, the issuance of which has been centralised at the Parent since 2013 – rose to approximately €21 billion (up €6.3 billion year-on-year, up €4.6 billion over nine months and up €1.3 billion in the third quarter). Issuances over nine months involved 97 bonds for €6.8 billion nominal (offset by maturities of €2.1 billion nominal and repurchases of €0.1 billion). Issuances in the third quarter numbered 27 for €1.6 billion nominal against maturities and repurchases of approximately €0.4 billion.

Finally, *intragroup bond funding* (€1.7 billion), consisting of debt subscribed by some of the banks or companies in the Group in order to invest their liquidity, increased by €1 billion compared with September 2013 due to new issuances in the fourth quarter of 2013 (€1.2 billion nominal). The total has fallen slightly, however, since January 2014 (down €0.2 billion), the aggregate result of maturities of €0.3 billion nominal against issues of €0.1 billion nominal.

* * *

As at 30th September 2014 Parent **loans** amounted to approximately €22.7 billion, down on all the comparative periods (down €0.7 billion since June, €2.5 billion over nine months and €3.3 billion year-on-year), although they fell less in the last quarter. The reduction over the summer months was mainly attributable to exposures of a technical nature to the *Cassa di Compensazione e Garanzia* (CCG – a central counterparty clearing house) (down €0.4 billion) and to the former B@nca 24-7 portfolio (down €0.2 billion), which recorded a natural contraction in consideration of the residual nature of the business.
The fall in lending to Group companies slowed appreciably between June and September (down €0.1 billion), one of the determining causes for the negative trend for the total over both nine and twelve months (down €1.3 billion and €1.5 billion respectively), partly in relation to the impacts of the difficult economic environment on volumes of business.

More specifically we report lower financing by the Parent to UBI Leasing and UBI Factor, which received loans amounting to €6.7 billion and €1.8 billion respectively, accounting for 37.5% of total loans[14] (€6.8 billion and €1.9 billion in June; €7.1 billion and €2.2 billion in December; €7.2 billion and €2 billion in September 2013).
On the other hand, loans to Prestitalia – a subsidiary operating in the salary and pension-backed loan sector – remained almost unchanged in the third quarter at approximately €2.4 billion consisting of €1.4 billion of "mortgage loans and other medium to long-term financing" and €1 billion of short-term transactions[15], after a reduction in the second quarter (down €0.3 billion), which involved the item "other transactions". The trend over twelve months (down €0.6 billion), on the other hand, incorporated a partial change in the fourth quarter of 2013 in the composition out of short-term financing (down €0.5 billion) and into "mortgage loans and other medium to long-term financing" (down €0.2 billion).

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11 Two self-retained issuances for a total €1.7 billion nominal also existed under that same programme as at 30th September, an issue for €1 billion in December 2013 and one for €0.7 billion in March 2014. A new issuance for €700 million was carried out in October. Because these were repurchased by UBI Banca, these liabilities have not been recognised, in accordance with IFRS.

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

13 Two issuances in 2012 for a total of €1.94 billion nominal (net of the amortisation instalments falling due in the meantime) and a €0.2 billion issuance in March 2014. Because these were repurchased by UBI Banca, these liabilities have not been recognised, in accordance with IFRS.

14 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).

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

Composition of loans and advances to customers

Figures in thousands of euro	30.9.2014 A	%	*of which deteriorated*	31.12.2013 B	%	*of which deteriorated*	Changes A/B amount	Changes A/B %	30.9.2013 C	%	*of which deteriorated*	Changes A/C amount	Changes A/C %
Current account overdrafts	1,106,025	4.9%	*2,282*	1,297,643	5.2%	*2,306*	-191,618	-14.8%	953,992	3.7%	*2,310*	152,033	15.9%
Reverse repurchase agreements	834,728	3.7%	-	1,053,956	4.2%	-	-219,228	-20.8%	1,180,044	4.5%	-	-345,316	-29.3%
Mortgage loans and other medium to long-term financing	10,765,864	47.5%	*1,075,817*	11,334,202	45.0%	*1,161,847*	-568,338	-5.0%	11,434,101	44.0%	*1,189,274*	-668,237	-5.8%
Credit cards, personal loans and salary-backed loans	919,802	4.1%	*101,367*	1,209,478	4.8%	*117,507*	-289,676	-24.0%	1,277,445	4.9%	*124,147*	-357,643	-28.0%
Factoring	6,054	0.0%	-	6,054	0.0%	-	-	-	5,107	0.0%	-	947	18.5%
Other transactions	8,922,524	39.3%	*102,489*	9,926,369	39.4%	*111,946*	-1,003,845	-10.1%	10,837,753	41.7%	*61,474*	-1,915,229	-17.7%
Debt instruments	111,348	0.5%	-	341,211	1.4%	-	-229,863	-67.4%	324,908	1.2%	*1,060*	-213,560	-65.7%
of which: structured securities	*110,092*	*0.5%*	-	*339,944*	*1.4%*	-	*-229,852*	*-67.6%*	*322,583*	*1.2%*	-	*-212,491*	*-65.9%*
other debt instruments	*1,256*	*0.0%*	-	*1,267*	*0.0%*	-	*-11*	*-0.9%*	*2,325*	*0.0%*	*1,060*	*-1,069*	*-46.0%*
Total loans and advances to customers	**22,666,345**	**100.0%**	***1,281,955***	**25,168,913**	**100.0%**	***1,393,606***	-2,502,568	-9.9%	**26,013,350**	**100.0%**	***1,378,265***	-3,347,005	-12.9%

Composition of loans and advances to customers

Figures in thousands of euro	30.9.2014 A	%	*of which deteriorated*	30.6.2014 D	%	*of which deteriorated*	Changes A/D amount	Changes A/D %
Current account overdrafts	1,106,025	4.9%	*2,282*	948,620	4.1%	*2,321*	157,405	16.6%
Reverse repurchase agreements	834,728	3.7%	-	1,280,769	5.5%	-	-446,041	-34.8%
Mortgage loans and other medium to long-term financing	10,765,864	47.5%	*1,075,817*	10,935,646	46.8%	*1,086,870*	-169,782	-1.6%
Credit cards, personal loans and salary-backed loans	919,802	4.1%	*101,367*	1,009,462	4.3%	*105,752*	-89,660	-8.9%
Factoring	6,054	0.0%	-	6,121	0.0%	-	-67	-1.1%
Other transactions	8,922,524	39.3%	*102,489*	9,060,177	38.8%	*105,966*	-137,653	-1.5%
Debt instruments	111,348	0.5%	-	111,353	0.5%	-	-5	0.0%
of which: structured securities	*110,092*	*0.5%*	-	*110,100*	*0.5%*	-	*-8*	*0.0%*
other debt instruments	*1,256*	*0.0%*	-	*1,253*	*0.0%*	-	*3*	*0.2%*
Total loans and advances to customers	**22,666,345**	**100.0%**	***1,281,955***	**23,352,148**	**100.0%**	***1,300,909***	-685,803	-2.9%

The year-on-year reduction in total Parent loans was affected to an equally significant extent by changes in the former B@nca 24-7 and former Centrobanca portfolios.

In detail, the total relating to the former B@nca 24-7 at the end of September amounted to €5.5 billion (down €0.2 billion over three months, €0.5 billion over nine months and €0.7 billion over twelve months), of which;

- €4.5 billion attributable to the item "mortgage loans and other medium to long-term financing";
- €0.9 billion relating to various forms of consumer credit;
- €72.4 million included within other transactions.

The former Centrobanca loan portfolio – merged in May 2013 – also fell to approximately €5 billion (down €0.1 billion compared with June, €0.3 billion since the beginning of the year and €0.6 billion since September 2013), of which:

- €4.5 billion attributable to the item "mortgage loans and other medium to long-term financing";
- €0.5 billion relating to "other transactions";
- €6.1 million for factoring transactions.

Total UBI Banca financing 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:

- the ordinary business already mentioned with the CCG at the end of September totalled €0.1 billion, down €0.4 billion both in the third quarter and over nine months, while the year-on-year fall was approximately €0.6 billion. In terms of the type of lending the fall in business between July and September involved primarily reverse repurchase agreements with Italian government securities as the underlying, entered into in order to invest liquidity. The change over nine months and twelve months reflects the progressive reduction in the margin deposits required to back repurchase agreements on Italian government securities in parallel with less recourse to reverse repurchase agreements for financing;

- margin deposits on derivatives business, only partially attributable to swaps to hedge the covered bond programme and internal securitisations, amounted to €0.8 billion at the end of September, a progressive increase compared with all the comparative periods (up €42.6 million over three months, €110.2 million since the beginning of the year and €129 million over twelve months) and consisting entirely of current accounts.

Also, as already reported, debt securities were affected over both nine and twelve months by the early redemption of preference shares carried out between February and March of the current year. This item included an amount recognised (€229.8 million in December; €212.5 million in September 2013) relating to repurchases carried out previously.

Loans and advances to customers as at 30th September 2014

Figures in thousands of euro	Gross exposure		Impairment losses	Carrying amount		Coverage (*)
Deteriorated loans	***(8.32%)***	**1,947,622**	**665,667**	***(5.66%)***	**1,281,955**	**34.18%**
- Non-performing loans	*(3.09%)*	724,297	418,395	*(1.35%)*	305,902	57.77%
- Impaired loans	*(4.01%)*	939,822	177,729	*(3.36%)*	762,093	18.91%
- Restructured loans	*(1.09%)*	255,092	68,285	*(0.82%)*	186,807	26.77%
- Past due loans	*(0.13%)*	28,411	1,258	*(0.13%)*	27,153	4.43%
Performing loans	***(91.68%)***	**21,463,258**	**78,868**	***(94.34%)***	**21,384,390**	**0.37%**
Total loans and advances to customers		**23,410,880**	**744,535**		**22,666,345**	**3.18%**

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

Loans and advances to customers as at 30th June 2014

Figures in thousands of euro	Gross exposure		Impairment losses	Carrying amount		Coverage (*)
Deteriorated loans	***(8.06%)***	**1,939,312**	**638,403**	***(5.57%)***	**1,300,909**	**32.92%**
- Non-performing loans	*(2.82%)*	679,369	390,644	*(1.24%)*	288,725	57.50%
- Impaired loans	*(4.05%)*	975,751	197,007	*(3.33%)*	778,744	20.19%
- Restructured loans	*(0.93%)*	224,115	47,587	*(0.76%)*	176,528	21.23%
- Past due loans	*(0.26%)*	60,077	3,165	*(0.24%)*	56,912	5.27%
Performing loans	***(91.94%)***	**22,132,015**	**80,776**	***(94.43%)***	**22,051,239**	**0.36%**
Total loans and advances to customers		**24,071,327**	**719,179**		**23,352,148**	**2.99%**

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

Loans and advances to customers as at 31st 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 30th September 2013

Figures in thousands of euro	Gross exposure		Impairment losses	Carrying amount		Coverage (*)
Deteriorated loans	***(7.37%)***	**1,968,789**	**590,524**	***(5.30%)***	**1,378,265**	**29.99%**
- Non-performing loans	*(2.83%)*	756,319	418,550	*(1.30%)*	337,769	55.34%
- Impaired loans	*(3.30%)*	880,094	125,415	*(2.90%)*	754,679	14.25%
- Restructured loans	*(0.67%)*	180,365	41,913	*(0.53%)*	138,452	23.24%
- Past due loans	*(0.57%)*	152,011	4,646	*(0.57%)*	147,365	3.06%
Performing loans	***(92.63%)***	**24,731,017**	**95,932**	***(94.70%)***	**24,635,085**	**0.39%**
Total loans and advances to customers		**26,699,806**	**686,456**		**26,013,350**	**2.57%**

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.

Deteriorated assets gross of write-downs amounted to €1.9 billion at the end of the quarter almost unchanged compared with June, but down compared with December (-€116 million), partly the result of disposals of deteriorated loans carried out by the Parent in the first nine months of 2014 (for a total of €71 million, of which €55.8 million non-performing, €2.8 million impaired and €12.4 million restructured loans).

Loans to customers: changes in gross deteriorated exposures in the first nine months 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	**147,959**	**212,996**	**64,707**	**115,482**	**541,144**
transfers from performing exposures	1,649	41,013	-	110,960	153,622
transfers from other classes of deteriorated exposures	122,304	140,777	58,031	235	321,347
business combination transactions	-	-	-	-	-
other increases	24,006	31,206	6,676	4,287	66,175
Decreases	**-165,507**	**-296,688**	**-37,418**	**-157,094**	**-656,707**
transfers into performing exposures	-293	-82,001	-	-35,193	-117,487
write-offs	-109,678	-1,400	-3,144	-	-114,222
payments received	-52,052	-32,912	-11,753	-3,086	-99,803
disposals	-2,757	-	-	-	-2,757
losses on the disposal	-386	-200	-505	-	-1,091
transfers to other classes of deteriorated exposure	-341	-180,175	-22,016	-118,815	-321,347
business combination transactions	-	-	-	-	-
other decreases	-	-	-	-	-
Final gross exposure as at 30th September 2014	**724,297**	**939,822**	**255,092**	**28,411**	**1,947,622**

Loans to customers: changes in gross deteriorated exposures in the first half of 2014

Figures in thousands of euro	Non-performing loans	Impaired loans	Restructured exposures	Past-due exposures	Total
Initial gross exposure as at 1st January 2014	**741,845**	**1,023,514**	**227,803**	**70,023**	**2,063,185**
Increases	**64,530**	**107,256**	**22,531**	**88,617**	**282,934**
transfers from performing exposures	1,201	16,233	-	87,760	105,194
transfers from other classes of deteriorated exposures	57,786	73,811	20,471	227	152,295
business combination transactions	-	-	-	-	-
other increases	5,543	17,212	2,060	630	25,445
Decreases	**-127,006**	**-155,019**	**-26,219**	**-98,563**	**-406,807**
transfers into performing exposures	-271	-53,075	-	-33,858	-87,204
write-offs	-102,774	-869	-3,089	-	-106,732
payments received	-21,028	-22,747	-11,241	-2,175	-57,191
disposals	-2,471	-	-	-	-2,471
losses on the disposal	-209	-200	-505	-	-914
transfers to other classes of deteriorated exposure	-253	-78,128	-11,384	-62,530	-152,295
business combination transactions	-	-	-	-	-
other decreases	-	-	-	-	-
Final gross exposure as at 30th June 2014	**679,369**	**975,751**	**224,115**	**60,077**	**1,939,312**

Loans to customers: changes in deteriorated gross exposures in 2013

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

As shown in the table reporting migrations of gross deteriorated exposures for the first nine months of the year, total new classifications from performing loans (€153.6 million) decreased significantly compared with 2013, just as total transfers between the various categories of deteriorated loans were very much lower.
Non-performing loans continue to be driven almost entirely by transfers from other categories of deteriorated exposures (mainly impaired loans), while an increase in transfers to other categories, (mainly impaired loans) was recorded between July and September for exposures past due and/or in arrears compared with the two preceding quarters, although they did remain at much lower levels than those recorded in 2013.

Net of impairment losses, deteriorated loans amounted to approximately €1.3 billion, of which 84% relating to "mortgage loans and other medium to long-term financing".

In consideration of the tendency of the portfolio to reduce as a whole, the percentage of deteriorated exposures as a total of total loans rose to 8.32% in gross terms (8.06% in June, 7.96% in December and 7.37% in September 2013) and to 5.66% in net terms (5.57% in June, 5.54% in December and 5.30% in September 2013).

Coverage improved progressively to 34.18% (32.92% in June, 32.45% in December and 29.99% in September 2013).
Impairment losses recognised on restructured loans increased in the third quarter as a consequence of the reclassification out of impaired loans of two positions in the former Centrobanca portfolio with a high degree of provisioning at the same time as greater write-downs accompanied migrations of positions from impaired to non-performing status.

* * *

Interbank market

Figures in thousands of euro	30.9.2014 A	30.6.2014 B	Changes A/B amount	Changes A/B %	31.12.2013 C	Changes A/C amount	Changes A/C %	30.9.2013 D
Loans and advances to banks	**13,841,245**	**15,450,016**	-1,608,771	-10.4%	**13,487,366**	353,879	2.6%	**12,491,061**
of which:								
- loans to central banks	*557,090*	*600,376*	*-43,286*	*-7.2%*	*776,842*	*-219,752*	*-28.3%*	*560,036*
- intragroup	*12,271,168*	*13,097,318*	*-826,150*	*-6.3%*	*10,880,101*	*1,391,067*	*12.8%*	*9,740,765*
of which: intragroup securities	*5,660,990*	*4,562,111*	*1,098,879*	*24.1%*	*3,094,120*	*2,566,870*	*83.0%*	*1,948,538*
Due to banks	**22,953,493**	**24,223,696**	-1,270,203	-5.2%	**24,285,811**	-1,332,318	-5.5%	**26,916,219**
of which:								
- due to central banks	*12,184,683*	*12,180,750*	*3,933*	*0.0%*	*12,166,333*	*18,350*	*0.2%*	*12,155,083*
- intragroup	*8,764,458*	*9,495,713*	*-731,255*	*-7.7%*	*10,295,663*	*-1,531,205*	*-14.9%*	*12,786,631*
of which: subordinated deposits	-	-	-	-	-	-	-	*201,035*
Net interbank position	**-9,112,248**	**-8,773,680**	**338,568**	**3.9%**	**-10,798,445**	**-1,686,197**	**-15.6%**	**-14,425,158**
of which: intragroup	*3,506,710*	*3,601,605*	*-94,895*	*-2.6%*	*584,438*	*2,922,272*	*500.0%*	*-3,045,866*
non-Group banks	*-12,618,958*	*-12,375,285*	*243,673*	*2.0%*	*-11,382,883*	*1,236,075*	*10.9%*	*-11,379,292*
Net interbank position excluding central banks and intragroup business	***-991,365***	***-794,911***	***196,454***	***24.7%***	***6,608***	***-997,973***	***n.s.***	***215,755***

The existence of LTRO financing from the European Central Bank amounting to €12 billion continued to affect the UBI Banca **interbank balance,** which was one of net debt of €9.1 billion as at 30th September 2014 (debt of €8.8 billion in June and of €10.8 billion in December 2013). The position at the end of the quarter originated from an intragroup net funding balance of €3.5 billion and from net debt of €12.6 billion due to transactions on the market.
As shown in the table, the net position as at 30th June 2014 was almost unchanged (up €0.3 billion), a reflection of the trend for the intragroup balance (down €0.1 billion) and of the net debt with external counterparties (up €0.2 billion). At the end of the third quarter, net debt (excluding central banks and internal Group transactions) therefore stood at approximately €1 billion compared with €0.8 billion three months before.
As already reported, following the policy pursued to centralise bond issues for the ordinary customers of the network banks at UBI Banca from the second half of 2013, the Parent's assets include new and

growing subscriptions of instruments issued by subsidiary banks (mainly BBS, BPB, BRE and BPA) recognised within loans to banks (under the item intragroup instruments). At the same time funding from the network banks has fallen as a consequence of the change in the strategy for the management of bond funding and liquidity.

An analysis of changes in the item over three months shows a fall in both loans (-€1.6 billion) and amounts due to banks (-€1.3 billion). In detail:

- *loans and advances to banks*, which totalled €13.8 billion as at 30th September 2014 were composed of liquidity held with central banks in the compulsory reserve account (€0.6 billion, unchanged in the period) and of loans to other banks amounting to €13.3 billion (of which €12.3 billion intragroup).
  The reduction in exposures (-€1.6 billion over three months) was composed as follows: -€1.6 billion from current accounts (mainly originating from transactions with internal counterparties with only -€0.2 billion attributable to external banks); -€0.1 billion from term deposits (primarily intragroup); -€1 billion from other financing and more specifically from reverse purchase agreements (which includes the position with external counterparties – €574 million before, due to uncovered short positions on securities – which was completely eliminated); and finally +€1.1 billion of debt securities (for the network bank issues already mentioned, subscribed by the Parent and used to finance their business following the centralisation of bond issues for the ordinary customers of the network banks at UBI Banca). *This last item, the only one to record an increase within the total, is the largest of the types of lending, standing at €5.7 billion, entirely intragroup. It is progressively replacing the reverse repurchase agreements used mainly to transfer securities from securitisations used internally, in parallel with the amortisation of these;*
- at the end of September *funding from banks* amounted to €23 billion. It was composed of an exposure of €12.2 billion to central banks (inclusive of interest accruing), unchanged compared with the end of the first half, and of €10.8 billion of debt to banks (of which €8.8 billion intragroup). Funding with banking counterparties fell by €1.3 billion over three months, the result of the following: +€0.3 billion for current accounts (the only item to increase, driven by Group banks); -€1.4 billion for term deposits (due in particular to a reduction in the position with UBI Banca International[16]); -€0.1 billion for the item financing (mainly repurchase agreements with subsidiaries, while the item "financing – other" incorporated amortisation instalments of EIB grants designed to support medium and long-term lending to SMEs, down to €832 million from €854 million last June); and finally other payables decreased in relation to the relationship for the settlement of credit cards with the Istituto Centrale Banche Popolari, down at the end of September to approximately €178 million.
  Within the item, term deposits of €6.1 billion constitute the main form funding – almost entirely intragroup – driven increasingly (with increasing movements) by banking subsidiaries other than the network banks following the adoption of a new funding policy.

Finally, as concerns disclosures on liquidity reserves, consisting of assets eligible for refinancing with the European Central Bank, details are given in the interim management report on the consolidated financial statements, contained in another part of this publication.

* * *

Financial assets held by UBI Banca as at 30th September 2014 amounted to €22 billion (€21.3 billion if calculated net of financial liabilities), up approximately €0.5 billion in the quarter and €0.7 billion over nine months.
As shown in the tables, opposing trends were recorded for the two main categories over twelve months. While the available-for-sale portfolio grew progressively following investments in Italian government securities made to bolster net interest income, assets held for trading were subject to profit-taking in the second quarter of 2014 and therefore reduced considerably.

16 This Luxembourg bank transfers all surpluses, even temporary, of liquidity to the Parent and then draws on them on the basis of investment and commercial requirements expressed by its customers.

Financial assets/liabilities

Figures in thousands of euro	30.9.2014					31.12.2013					Changes (A) / (B)			
	L 1	L 2	L 3	Carrying amount (A)	%	L1	L 2	L 3	Carrying amount (B)	%	amount	%	Carrying amount (C)	%
Financial assets held for trading	403,119	715,473	1,386	1,119,978	5.1%	2,584,378	605,001	1,701	3,191,080	15.0%	-2,071,102	-64.9%	3,449,192	16.6%
of which: financial derivatives contracts	*467*	*715,469*	*-*	*715,936*	*3.3%*	*158*	*604,993*	*-*	*605,151*	*2.8%*	*110,785*	*18.3%*	*652,820*	*3.1%*
Financial assets designated at fair value	121,159	927	71,551	193,637	0.9%	117,129	927	90,087	208,143	1.0%	-14,506	-7.0%	207,370	1.0%
Available-for-sale financial assets	16,513,933	935,438	131,091	17,580,462	80.0%	13,726,705	895,804	130,767	14,753,276	69.5%	2,827,186	19.2%	13,968,794	67.2%
Held-to-maturity investments	-	-	-	3,076,556	14.0%	-	-	-	3,086,815	14.5%	-10,259	-0.3%	3,149,620	15.2%
Financial assets (a)	**17,038,211**	**1,651,838**	**204,028**	**21,970,633**	**100.0%**	**16,428,212**	**1,501,732**	**222,555**	**21,239,314**	**100.0%**	**731,319**	**3.4%**	**20,774,976**	**100.0%**
of which:														
- debt instruments	*16,899,833*	*893,034*	*291*	*20,869,714*	*95.0%*	*16,050,828*	*845,785*	*4,668*	*19,988,096*	*94.1%*	*881,618*	*4.4%*	*19,655,044*	*94.6%*
of which: Italian government securities	*16,433,600*	*465,270*	*-*	*19,975,426*	*90.9%*	*15,543,833*	*428,129*	*-*	*19,058,777*	*89.7%*	*916,649*	*4.8%*	*18,522,467*	*89.2%*
- equity instruments	*9,789*	*927*	*196,363*	*207,079*	*0.9%*	*5,290*	*927*	*210,178*	*216,395*	*1.0%*	*-9,316*	*-4.3%*	*247,182*	*1.2%*
- Units in UCITS.	*128,122*	*42,408*	*7,374*	*177,904*	*0.8%*	*371,936*	*50,027*	*7,709*	*429,672*	*2.0%*	*-251,768*	*-58.6%*	*217,917*	*1.0%*
Financial liabilities held for trading (b)	**25**	**675,540**	**-**	**675,565**	**100.0%**	**979,014**	**551,777**	**645**	**1,531,436**	**100.0%**	**-855,871**	**-55.9%**	**1,457,552**	**100.0%**
of which: financial derivatives contracts	*25*	*675,540*	*-*	*675,565*	*100.0%*	*52*	*551,777*	*-*	*551,829*	*36.0%*	*123,736*	*22.4%*	*587,547*	*40.3%*
Net financial assets (a-b)	**17,038,186**	**976,298**	**204,028**	**21,295,068**		**15,449,198**	**949,955**	**221,910**	**19,707,878**		**1,587,190**	**8.1%**	**19,317,424**	

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

Financial assets/liabilities

Figures in thousands of euro	30.9.2014					30.6.2014					Changes (A) / (D)	
	L 1	L 2	L 3	Carrying amount (A)	%	L 1	L 2	L 3	Carrying amount (D)	%	amount	%
Financial assets held for trading	403,119	715,473	1,386	1,119,978	5.1%	1,659,484	619,929	1,336	2,280,749	10.6%	-1,160,771	-50.9%
of which: financial derivatives contracts	*467*	*715,469*	*-*	*715,936*	*3.3%*	*270*	*619,922*	*-*	*620,192*	*2.9%*	*95,744*	*15.4%*
Financial assets designated at fair value	121,159	927	71,551	193,637	0.9%	120,469	927	71,012	192,408	0.9%	1,229	0.6%
Available-for-sale financial assets	16,513,933	935,438	131,091	17,580,462	80.0%	14,940,581	928,676	126,784	15,996,041	74.3%	1,584,421	9.9%
Held-to-maturity investments	-	-	-	3,076,556	14.0%	-	-	-	3,049,841	14.2%	26,715	0.9%
Financial assets (a)	**17,038,211**	**1,651,838**	**204,028**	**21,970,633**	**100.0%**	**16,720,534**	**1,549,532**	**199,132**	**21,519,039**	**100.0%**	**451,594**	**2.1%**
of which:												
- debt instruments	*16,899,833*	*893,034*	*291*	*20,869,714*	*95.0%*	*16,582,415*	*876,420*	*290*	*20,508,966*	*95.3%*	*360,748*	*1.8%*
of which: Italian government securities	*16,433,600*	*465,270*	*-*	*19,975,426*	*90.9%*	*16,093,834*	*454,015*	*-*	*19,597,690*	*91.1%*	*377,736*	*1.9%*
- equity instruments	*9,789*	*927*	*196,363*	*207,079*	*0.9%*	*9,403*	*927*	*191,988*	*202,318*	*0.9%*	*4,761*	*2.4%*
- Units in UCITS.	*128,122*	*42,408*	*7,374*	*177,904*	*0.8%*	*128,446*	*52,263*	*6,854*	*187,563*	*0.9%*	*-9,659*	*-5.1%*
Financial liabilities held for trading (b)	**25**	**675,540**	**-**	**675,565**	**100.0%**	**316**	**599,701**	**-**	**600,017**	**100.0%**	**75,548**	**12.6%**
of which: financial derivatives contracts	*25*	*675,540*	*-*	*675,565*	*100.0%*	*316*	*599,701*	*-*	*600,017*	*100.0%*	75,548	12.6%
Net financial assets (a-b)	**17,038,186**	**976,298**	**204,028**	**21,295,068**		**16,720,218**	**949,831**	**199,132**	**20,919,022**		**376,046**	**1.8%**

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

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 2014 and in the third quarter in particular are as follows:

- *available-for-sale financial assets* amounted to €17.6 billion, compared with all the comparative periods (up €1.6 billion in the third quarter, €2.8 billion in the comparison with December and €3.6 billion year-on-year) due to both new investments in *Italian government securities* and to an overall appreciation in the fair value of the portfolio.
  With regard to sales and purchases, purchases of BTPs for €1.5 billion nominal maturing in 2019 were made in the third quarter together with CTZs for €50 million and sales of BTPs for €250 million nominal maturing in 2016 were made to realise a gross gain of €10.6 million. These investments are in addition to net purchases of BTPs for €0.9 billion nominal made in the first six months of the year.
  As already reported, two switching operations were also carried out for a total nominal amount of €3.2 billion to generate a gross gain totalling €63 million.

  Other debt instruments (€894 million) fell slightly during the period (€17 million) due to redemptions and repurchases of Italian bonds issued by listed companies.

  Other financial instruments recognised within this class remained more or less unchanged in the third quarter with regard to both equity instruments (€132.5 million) and UCITS units (€53 million). The latter fell by approximately €250 million in the second quarter of the year, following the sale (with a gross gain of €19.7 million) of three ETF's classified within fair value level one;

- *held-to-maturity investments*, amounting to €3.1 billion, continued to consist solely of BTPs purchased in the first quarter of 2012, with maturity in the middle of November. In consideration of the abundant liquidity held by the Group, the cash received from the maturity of the instrument will be reinvested in the AFS portfolio;
- *financial assets held for trading* decreased by half to €1.1 billion compared with €2.3 billion in June (€3.1 billion in December). Sales of Italian government securities held in portfolio continued again in the third quarter with advantage taken of the narrowing spread for profit-taking. Net disposals of €1 billion nominal made in the first half were in fact followed in the period July-September by further net disposals of €1.25 billion nominal (sales of €1.65 billion nominal and purchases of €0.4 billion nominal);
- *financial assets designated at fair value* amounted to €193.6 million, unchanged compared with June (€192.4 million), but slightly down compared with the total at the end of 2013 (€208.1 million). In September 2014, this asset class was composed as follows:
  - equity instruments, held as part of merchant banking and private equity business, amounting to €69.6 million. This portfolio, classified almost entirely within fair value level three, was affected in the first six months of the year by the partial disposal of the stake held in Humanitas Spa (3.75% of the share capital) and by the disposal of the whole interest held in Manisa Srl (28.66% of the share capital) with the related subscription of "Development shares" issued by Isagro Spa classified on the other hand in level one;
  - €124.1 million of units in UCITS which included the listed Tages funds in level one amounting to €117.4 million (€116.9 million at the end of June) and hedge funds in fair value level three amounting to €6.7 million (hedge funds are also recognised in the HFT class amounting to €0.7 million).
- *financial liabilities held for trading* of €676 million consisted exclusively of financial derivatives, following the disappearance of liabilities classified within fair value level one following the elimination in the second quarter of uncovered short positions on French, German and Italian government securities (€979 million in December 2013).

The separate interim financial statements as at and for the period ended 30th September 2014

Balance sheet

Figures in thousands of euro		30.9.2014	31.12.2013	30.9.2013
ASSETS				
10.	Cash and cash equivalents	126,217	151,927	127,012
20.	Financial assets held for trading	1,119,978	3,191,080	3,449,192
30.	Financial assets designated at fair value	193,637	208,143	207,370
40.	Available-for-sale financial assets	17,580,462	14,753,276	13,968,794
50.	Held-to-maturity investments	3,076,556	3,086,815	3,149,620
60.	Loans and advances to banks	13,841,245	13,487,366	12,491,061
70.	Loans and advances to customers	22,666,345	25,168,913	26,013,350
80.	Hedging derivatives	609,406	215,310	231,834
90.	Fair value change in hedged financial assets (+/-)	5,714	5,418	5,692
100.	Equity investments	10,576,618	10,608,614	10,976,197
110.	Property, plant and equipment	638,243	650,742	628,686
120.	Intangible assets	410	410	410
130.	Tax assets	1,549,868	1,727,626	1,531,234
	a) current	220,101	322,536	292,528
	b) deferred	1,329,767	1,405,090	1,238,706
	- of which pursuant to Law No. 214/2011	*1,216,111*	*1,238,386*	*988,326*
140.	Non-current assets and disposal groups held for sale	82,063	2,329	2,329
150.	Other assets	525,106	656,676	420,688
TOTAL ASSETS		**72,591,868**	**73,914,645**	**73,203,469**

Figures in thousands of euro		30.9.2014	31.12.2013	30.9.2013
LIABILITIES AND EQUITY				
10.	Due to banks	22,953,493	24,285,811	26,916,219
20.	Due to customers	2,180,592	7,223,913	7,280,405
30.	Debt securities issued	35,242,182	30,211,092	26,743,945
40.	Financial liabilities held for trading	675,565	1,531,436	1,457,552
60.	Hedging derivatives	752,063	377,702	835,256
80.	Tax liabilities	366,121	323,144	231,797
	a) current	165,311	232,645	158,579
	b) deferred	200,810	90,499	73,218
100.	Other liabilities	580,445	631,077	516,425
110.	Post-employment benefits	44,617	40,166	39,127
120.	Provisions for risks and charges:	45,550	58,488	59,854
	a) pension and similar obligations	1,105	1,061	1,083
	b) other provisions	44,445	57,427	58,771
130.	Valuation reserves	219,484	-142,564	-318,418
160.	Reserves	2,353,505	2,337,924	2,337,100
170.	Share premiums	4,716,866	4,716,866	4,716,866
180.	Share capital	2,254,371	2,254,371	2,254,371
190.	Treasury shares (-)	-5,340	-6,121	-6,121
200.	Profit for the period/year (+/-)	212,354	71,340	139,091
TOTAL LIABILITIES AND EQUITY		**72,591,868**	**73,914,645**	**73,203,469**

Income statement

Figures in thousands of euro		9M 2014	9M 2013	FY 2013
10.	Interest and similar income	861,243	916,813	1,229,614
20.	Interest and similar expense	(789,861)	(848,356)	(1,110,224)
30.	**Net interest income**	**71,382**	**68,457**	**119,390**
40.	Fee and commission income	61,318	70,787	94,789
50.	Fee and commission expense	(47,790)	(65,263)	(89,550)
60.	**Net fee and commission income**	**13,528**	**5,524**	**5,239**
70.	Dividends and similar income	275,693	230,637	247,205
80.	Net trading income	35,076	20,374	44,949
90.	Net hedging loss	(3,946)	(2,029)	(4,182)
100.	Income from disposal or repurchase of:	103,388	90,342	189,015
	a) loans and receivables	(373)	(717)	(2,338)
	b) available-for-sale financial assets	108,597	87,170	188,192
	d) financial liabilities	(4,836)	3,889	3,161
110.	Net income on financial assets and liabilities designated at fair value	1,192	3,235	3,163
120.	**Gross income**	**496,313**	**416,540**	**604,779**
130.	Net impairment losses on:	(85,790)	(126,058)	(228,482)
	a) loans and receivables	(84,039)	(88,794)	(188,115)
	b) available-for-sale financial assets	(302)	(21,956)	(21,768)
	d) other financial transactions	(1,449)	(15,308)	(18,599)
140.	**Net financial income**	**410,523**	**290,482**	**376,297**
150.	Administrative expenses	(238,516)	(247,018)	(326,588)
	a) staff costs	(116,632)	(112,546)	(153,453)
	b) other administrative expenses	(121,884)	(134,472)	(173,135)
160.	Net provisions for risks and charges	990	(831)	(1,354)
170.	Depreciation and net impairment losses on property, plant and equipment	(16,209)	(17,190)	(22,850)
180.	Amortisation and net impairment losses on intangible assets	-	-	-
190.	Other net operating income/expense	87,710	86,751	116,334
200.	**Operating expenses**	**(166,025)**	**(178,288)**	**(234,458)**
210.	Losses of equity investments	(571)	(920)	(316,397)
240.	Profits on disposal of investments	94	1	7
250.	**Pre-tax profit (loss) from continuing operations**	**244,021**	**111,275**	**(174,551)**
260.	Taxes on income for the period/year from continuing operations	(31,667)	27,816	245,891
270.	**Post-tax profit from continuing operations**	**212,354**	**139,091**	**71,340**
280.	Post-tax profit (loss) from discontinued operations	-	-	-
290.	**Profit for the period/year**	**212,354**	**139,091**	**71,340**

Statement of comprehensive income

Figures in thousands of euro		9M 2014	9M 2013	FY 2013
10.	**PROFIT FOR THE PERIOD/YEAR**	**212,354**	**139,091**	**71,340**
	Other comprehensive income, net of taxes, without transfer to the income statement			
40.	Defined benefit plans	-1,718	294	-565
	Other comprehensive income, net of taxes, with transfer to the income statement			
100.	Available-for-sale financial assets	363,766	211,390	388,089
130.	**Total other comprehensive income net of taxes**	**362,048**	**211,684**	**387,524**
140.	**COMPREHENSIVE INCOME (item 10 + 130)**	**574,402**	**350,775**	**458,864**

Statement of changes in shareholders’ equity for the period ended 30th September 2014

Figures in thousands of euro	Balances as at 31.12.2013	Restate-ment of opening balances	Balances as at 1.1.2014	Allocation of prior year profit		Changes January - September 2014								Equity as at 30.9.2014
							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**	**16,395**	**-**	**-814**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**2,353,505**
a) retained earnings	1,661,654	-	1,661,654	16,395	-	-	-	-	-	-	-	-	-	1,678,049
b) other	676,270	-	676,270	-	-	-814	-	-	-	-	-	-	-	675,456
Valuation reserves	**-142,564**	**-**	**-142,564**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**362,048**	**219,484**
Equity instruments	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Treasury shares	**-6,121**	**-**	**-6,121**	**-**	**-**	**781**	**-**		**-**	**-**	**-**	**-**	**-**	**-5,340**
Profit for the period	**71,340**	**-**	**71,340**	**-16,395**	**-54,945**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**212,354**	**212,354**
Equity	**9,231,816**	**-**	**9,231,816**	**-**	**-54,945**	**-33**	**-**	**-**	**-**	**-**	**-**	**-**	**574,402**	**9,751,240**

Statement of changes in shareholders' equity for the period ended 30th September 2013

Figures in thousands of euro	Balances as at 31.12.2012	Restatement of opening balances	Balances as at 1.1.2013	Allocation of prior year profit		Changes January - September 2013								Equity as at 30.9.2013
							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**	**-**	**-**	**-**	**3**	**-**	**-**	**-**	**-**	**-**	**-**	**2,254,371**
a) ordinary shares	2,254,368	-	2,254,368	-	-	-	3	-	-	-	-	-	-	2,254,371
b) other shares	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Share premiums	**4,716,861**	-	**4,716,861**	-	-	-	5	-	-	-	-	-	-	**4,716,866**
Reserves	**1,919,945**	**-**	**1,919,945**	**177,842**	**-**	**239,313**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**2,337,100**
a) retained earnings	1,483,812	-	1,483,812	177,842	-	-	-	-	-	-	-	-	-	1,661,654
b) other	436,133	-	436,133	-	-	239,313	-	-	-	-	-	-	-	675,446
Valuation reserves	**-502,574**	**-**	**-502,574**	**-**	**-**	**-27,528**	**-**	**-**	**-**	**-**	**-**	**-**	**211,684**	**-318,418**
Equity instruments	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Treasury shares	**-4,375**	**-**	**-4,375**	**-**	**-**	**-**	**-**	**-1,746**	**-**	**-**	**-**	**-**	**-**	**-6,121**
Profit for the period	**223,496**	**-**	**223,496**	**-177,842**	**-45,654**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**139,091**	**139,091**
Equity	**8,607,721**	**-**	**8,607,721**	**-**	**-45,654**	**211,785**	**8**	**-1,746**	**-**	**-**	**-**	**-**	**350,775**	**9,122,889**

Cash flow statement (indirect method)

Figures in thousands of euro	9M 2014	9M 2013
A. OPERATING ACTIVITIES		
1. Ordinary activities	**954,515**	**140,578**
- profit for the period (+/-)	212,354	139,091
- gains/losses on financial assets held for trading and on financial assets/liabilities at fair value (+/-)	18,025	-18,174
- gains/losses on hedging activities (-/+)	3,946	2,029
- net impairment losses on loans (+/-)	85,790	126,057
- depreciation, amortisation and net impairment losses on property, plant and equipment and intangible assets (+/-)	16,209	17,190
- net provisions for risks and charges and other expense/income (+/-)	-990	991
- outstanding taxes and duties	31,667	-27,816
- other adjustments (+/-)	587,514	-98,790
2. Net cash flows from/used by financial assets	**1,267,213**	**10,008,212**
- financial assets held for trading	1,132,825	1,886,197
- financial assets designated at fair value	15,697	-4,062
- available-for-sale financial assets	-1,828,891	-1,670,164
- loans and advances to banks	-348,565	5,529,928
- loans and advances to customers	2,434,016	2,769,559
- other assets	-137,869	1,496,754
3. Net cash flows from/used by financial liabilities	**-2,358,809**	**-9,971,421**
- due to banks	-1,343,803	-3,529,717
- due to customers	-5,041,526	-627,446
- debt securities issued	4,549,499	-2,896,792
- financial liabilities held for trading	-831,166	-1,580,514
- other liabilities	308,187	-1,336,952
Net cash flows from/used in operating activities	**-137,081**	**177,369**
B. INVESTING ACTIVITIES		
1. Cash flows from	**269,443**	**221,893**
- disposals of equity investments	28	-
- dividends received on equity investments	268,301	221,888
- disposals of held-to-maturity investments	-	-
- disposals of property, plant and equipment	1,114	5
- disposals of intangible assets	-	-
2. Cash flows used in	**-103,128**	**-428,316**
- purchases of equity investments	-100,804	-427,141
- purchases of held-to-maturity investments	-	-
- purchases of property, plant and equipment	-2,324	-1,175
- purchases of intangible assets	-	-
- purchases of lines of business	-	-
Net cash flows from/used in investing activities	**166,315**	**-206,423**
C. FINANCING ACTIVITIES		
- issues/purchases of treasury shares	-	-1,737
- distribution of dividends and other uses	-54,944	-45,654
Net cash flows from/used in financing activities	**-54,944**	**-47,391**
NET CASH GENERATED/USED DURING THE PERIOD	**-25,710**	**-76,445**

Reconciliation

Figures in thousands of euro	9M 2014	9M 2013
Cash and cash equivalents at beginning of period	151,927	203,442
Business combination transactions	-	15
Total liquidity generated/used	-25,710	-76,445
Cash and cash equivalents at the end of the period/year	**126,217**	**127,012**

Contacts

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