UBI Banca
UNIONE DI BANCHE ITALIANE

PRESS RELEASE

Consolidated profit in the <u>first half of 2014</u> of €106.2 million, a more than twofold increase compared with €52.9 million in the first half of 2013. Consolidated profit net of non-recurring items of €130.8 million compared with €52.2 million in the first half of 2013:

- **Operating income of €1,735,9 million (+5.1%)**
  - **Net interest income of €908.5 million (+7.5%)**
  - **Net fee and commission income of €609.7 million (+1.2%)**
  - **Finance result of €136.6 million (€109.4 million in 1H 2013)**
- **<u>Constantly lower operating expenses</u> down to €1,044.4 million (-2.6%). <u>Net of non-recurring positive and negative items, operating expenses fell by 19.3% in 1H 2014 compared with 1H 2007</u>**
- **Net operating income of €691.5 million (+19.2%)**
- **Annualised loan loss rate of 99 basis points (84 basis points in 1H 2013)**
- **Pre-tax profit from continuing operations of €257.3 million (+52.6%)**

Consolidated profit in the <u>second quarter of 2014</u> of €48.1 million, due to one-off tax charges, compared with €58.1 million in the 1Q 2014 (€26.5 million in 2Q 2013). <u>Consolidated profit net of non-recurring items +21.6% at €71.8 million compared with €59 million in the first quarter of 2014</u> (€33.2 million in 2Q 2013)

<u>The capital strength of the Group increases further:</u>
Common equity tier one ratio "phased in" as at 30th June 2014: 12.73% (12.2% in March 2014)
Total capital ratio "phased in" of 18.03% (17.7% in March 2014)
Common equity tier one ratio "fully loaded" estimate of 11.7% (11.2% in March 2014)
If account is taken of the compulsory periodic update of risk parameters and of other expected factors incorporated from the end of 2014[1], the common equity tier one ratio "fully loaded" estimate is 10.9% (compared with 10.5% in March 2014).

<u>World class Leverage ratio:</u>
Basel 3 "phased in" leverage ratio of over 5.8%
Basel 3 "fully loaded" leverage ratio estimate of over 5.4% (5.16% in December 2013)

NSFR and LCR > 1 even net of the LTRO. Over €31 billion of assets eligible for refinancing.
As a result of its solid liquidity position, the Group estimates that in December 2014 it will bid for €3 billion of TLTRO, against €6 billion of maturing LTRO.

<u>Loans to customers</u> -1.5% compared with December 2013. Loans stabilised compared with the end of March 2014 (<u>unchanged</u> at €87.1 billion).
<u>Total net deteriorated loans -0.6% compared with December 2013</u>
Total gross loans stable at €12.8 billion (€12.7 billion in December 2013)

[1] Aviva and UBI Assicurazioni operations that are expected to close by the end of the year; periodic update of historical data series relating to lending and market parameters for the calculation of risk weighted assets; <u>no</u> inclusion of any optimisation and self-financing operations.

New flows of performing loans to deteriorated status down significantly by 38.1% compared with 1H 2013 and by 39.7% compared with 2H 2013.

As part of activities to streamline and enhance Group companies, a decision has been taken to launch a project to integrate IW Bank and UBI Banca Private Investment.

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Bergamo, 8th August 2014 – The Management Board of Unione di Banche Italiane Scpa (UBI Banca) has approved the consolidated results for the first half of 2014, which ended with a **profit of €106.2 million, a more than twofold increase** compared with €52.9 million in the same period of 2013. **Net of non-recurring items, profit for the period** was **€130.8 million compared with €52.2 million in the first half of 2013.**

On the one hand, the first half of 2014 recorded good performance by operating income, up by approximately €84 million compared with January-June 2013. In detail, growth was recorded in net interest income (+€63.1 million), net fee and commission income (+€7.4 million) and the finance result (+€27.3 million).
On the other hand, the success of the careful management of operating expenses was repeated, which, after five consecutive years of cuts to expense items, allowed further savings to be made on structural operational costs in the first half of the year compared with the same period in 2013 (-€27.5 million).
Net of non-recurring items, both positive and negative, operating expenses in the first half of 2014 recorded a decrease of 19.3% compared with the first half of 2007.
The first half of 2014 saw an important reduction in new migrations of performing loans to deteriorated status: -38.1% compared with the first half of 2013 and -39.7% compared with the second half of 2013. Net deteriorated loans fell by 0.6% compared with December 2013.
Finally, from a profit and loss viewpoint, the first half was penalised by non-recurring tax charges incurred in the second quarter of the year (more specifically, a change in the substitute tax on the valuation of stakes in the Bank of Italy and the impact of an adjustment to the IRAP (regional production tax) rate on existing DTAs, to give a total of approx. €24 million).

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Group operating results in the first half of 2014 compared to the first half of 2013

In the first six months of the year, Group operations generated **growth in net operating income of 19.2%** to €691.5 million from €580.3 million in the same period of 2013.

As a result of good performance by core activities, **operating income** increased by 5.1% to €1,735.9 million compared with €1,652.2 million in the first half of 2013.

Net interest income made a significant contribution to that result, amounting to €908.5 million, up by 7.5% (+€63.1 million) year-on-year, largely due to good results for business with customers, which rose to €718.5 million from €679.9 million in 2013 following a further improvement in the interest rate spread, which widened by approximately 20 basis points (up on average during the half year to 1.81% from 1.61% in 2013), primarily as a result of a sharp decrease in the cost of funding and despite the year-on-year fall in average lending.

Net fee and commission income also performed well, rising to €609.7 million compared with €602.2 million in the same period of 2013. Investment services-related business recorded a good

result (+7.3% to €322.5 million) while the contribution from general banking services (-6.7% to €302.9 million) continued to be affected by low volumes of business in relation to the weak economic environment.
The item also benefited, in terms of lower commission expenses, from the positive impact of the early redemption of €3 billion of bonds backed by State guarantee, which took place at the beginning of March and was made possible by the Group's solid liquidity position and by the availability of over €31 billion of other assets eligible for refinancing.
As concerns the evolution of fees and commissions, authorisation was received on 7th August for the early redemption of the remaining €3 billion of bonds backed by State guarantee still outstanding, which will bring future benefits.

The **finance result** came to €136.6 million (+€27.3 million compared with the first half of 2013).
This result was composed as follows: €50.6 million from trading activities (€52.5 million in the first half of 2013); €93.7 million (€59.9 million in the first half of 2013) from the sale and repurchase of financial assets/liabilities and primarily from the sale of €3.8 billion of Italian government securities; -€0.3 million from changes in the fair value of financial assets (+€1.6 million in the first half of 2013); while hedging activities generated a loss of €7.4 million (-€4.6 million in the first half of 2013).

The first half of 2014 recorded another reduction in **operating expenses, down by a further 2.6% compared to the same period in 2013.**

In detail:
- **staff costs** of €647.9 million were more or less unchanged compared with 2013 (€646.2 million), having absorbed ordinary wage increases inclusive of the latest scheduled increases under the provisions of the current national labour contract, applied from 1st June 2013 and from 1st June 2014;
- **other administrative expenses** of €311.2 million were down by 7.2% year-on-year, the result of a long-term effort to curb costs which involved most components of current spending;
- finally, **depreciation, amortisation and net impairment losses on property, plant and equipment and intangible assets** totalled €85.2 million, also down by 5.7% compared with 2013, as a result of lower depreciation and amortisation in the core perimeter of the Group and of the exit of BDG from the consolidation.

In the period January-June 2014 **net impairment losses on loans** rose to €429.1 million, compared with €383.9 million in the first half of 2013, to give an annualised loan loss rate of 0.99% of total net loans, compared with 0.84%. before.

As a result of the performance described above, **profit on continuing operations before tax** amounted to €257.3 million, **an improvement of 52.6%** compared with the first half of 2013.

Taxes on income for the period from continuing operations amounted to €135.4 million compared with €103.1 million in the first half of 2013, primarily the result of the inclusion in 2014 of non-recurring components. These consisted of a change in the substitute tax on the valuation of stakes in the Bank of Italy and the impact of an adjustment to the IRAP (regional production tax) rate on existing DTAs, to give a total of approx. €24 million. In normalised terms, the tax rate for the first half of 2014 was 43% compared with 62.6% in 2013.

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Group operating results in the second quarter of the year

In the second quarter of 2014, the Group recorded **growth in net operating income of 8.2% to €359.4 million compared with the 1Q 2014 (and of 12.7% compared with the 2Q 2013).**
This result was achieved, on the one hand due to growth in **operating income**, which stood at €882.5 million (+3.4% compared with 1Q 2014 and +3.5% compared with 2Q 2013) following good performance by **net interest income**, which totalled €454 million (unchanged compared with 1Q 2014 and +6% compared with 2Q 2013), the result of the improvement in the customer spread (1.82% compared with 1.79% in the 1Q 2014 and 1.61% in 2Q 2013) despite decreasing average volumes of lending. **Net fee and commission income** generated €309.6 million (+3.2% compared with 1Q 2014 and +4.1% compared with 2Q 2013), while the **finance result** contributed €74 million (€62.6 million in 1Q 2014 and €67.4 million in 2Q 2013).

On the other hand net operating income benefited from stringent control over **costs**, which totalled €523.1 million in 2Q 2014 (largely unchanged compared with 1Q 2014 and -2% compared with 2Q 2013).

Net impairment losses on loans amounted to €230.5 million in the second quarter of the year, in line with impairment recognised in the second quarter of 2013, but affected by the usual seasonal factors compared with €198.6 million in the first quarter of 2014.

As a result of the performance described above, **profit on continuing operations before tax** amounted to €132.8 million, **an improvement of 6.7%** compared with the first quarter of the year and of 74.5% compared with the second quarter of 2013.

Taxes on income for the period from continuing operations amounted to €76.7 million (€58.7 million in 1Q 2014 and €46.5 million in 2Q 2013), as a result of the inclusion in the second quarter of the year of non-recurring components, consisting in particular of a change in the substitute tax on the valuation of stakes in the Bank of Italy and the impact of an adjustment to the IRAP (regional production tax) rate on existing DTAs, to give a total of approx. €24 million.

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The balance sheet

Loans to customers as at 30th June 2014 amounted to **€87.1 billion, stable (+€25 million) compared with the end of March 2014 (-1.5% compared with December 2013).**
Short-term loans grew in the second quarter of the year (+€0.4 billion), while medium to long term lending saw the complete replacement of maturing loans in the network banks (**new grants represented 104% of maturities in the second quarter of 2014**, 95% in the first quarter of the year and 85% in the second quarter of 2013). However, the replacement of maturing loans in the product companies (around 40%) remained low, being more closely correlated with investment by businesses, not yet made possible by the performance of the economy.

As concerns credit quality, **the tendency of total deteriorated gross loans** (non-performing loans, impaired loans, restructured and past due/in arrears loans) **to stabilise was confirmed in June 2014** (+0.9% to €12,788 million compared with €12,674 million in December 2013, while substantial growth had been recorded in previous semesters: +7% for June 2013-December 2013 and +8% for December 2012- June 2013).

In terms of gross flows, the fall in new migrations of performing loans into deteriorated loans continued (€1,260 million in 1H 2014, down by 39.7% compared with 2,089 in 2H 2013 and down by 38.1% compared with €2,035 million in 1H 2013).

Again at the end of June 2014, **coverage for total deteriorated loans recorded an increase to 27.61% (27.26% in March 2014 and 26.52% in December 2013)**. If loan write-offs are included, coverage for total deteriorated loans rises to 37.6% (37.19% in March 2014 and 36.21% in December 2013).

In terms of <u>net</u> amounts, total deteriorated loans stood at €9,257 million, <u>down by 0.6%</u> compared with €9,312 million recorded in December 2013 (€9,208 million as at 31st March 2014).
In detail, net non-performing loans amounted to €3,771 million (€3,548 million in March 2014 and €3,437 million in December 2013), accounting for 4.33% of total net loans.
<u>Following the disposal of €61 million of gross loans written-down by 91%</u>, coverage for non-performing loans stood at 40.61%, slightly down compared with 41.02% in March. If that disposal had not taken place, coverage for non-performing loans would have grown to 41.1% compared with 41.02% in March 2014.
If loan write-offs are included, coverage for non performing loans rises to 55.09%.
The percentage of positions backed by collateral (64.5% of the gross total), which require less coverage, remains significant and is growing. Coverage for unsecured positions, considered gross of loan write-offs, was again high (71.65%).

Net impaired loans fell to €4,117 million from €4,254 million in March 2014 (€4,314 million in December 2013), accounting for 4.73% of total loans.
Total coverage for impaired loans had increased slightly to 16.23% compared with 16.22% in March 2014 (15.12% in December 2013). The presence of positions backed by collateral, which require less recognition of impairment, remains high, accounting for 63.9% of total gross impaired loans. Coverage for unsecured positions was 25.29%.

Net restructured positions amounted to €716.6 million, down from €760.2 million in March 2014 and from €750.5 million recorded in December 2013 (coverage of 14.49% in June 2014 compared with 14.16% in March 2014 and 13.94% in December 2013).
Net positions past due and/or in arrears amounted to €651.9 million compared with €646.7 million in March 2014 and €810.6 million in December 2013 (coverage of 4.78% compared with 4.95% in March 2014 and 2.83% in December 2013).

Total direct funding as at 30th June 2014, amounted to €90.2 billion compared with €90.8 billion in March 2014 and €92.6 billion in December 2013. Net of repurchase agreements with the CCG (a central counterparty clearing house), direct funding amounted to €87.9 billion in June 2014, €89.4 billion in March 2014 and €87.1 billion in December 2013. Action was undertaken with respect to this item during the first half to optimise the composition of funding which did not involve the Group's core funding (customer deposits of €42.5 billion and retail bonds of €24.4 billion remained stable compared with December 2013) and moreover had positive impacts on the cost of funding and consequently on net interest income.

The **ratio of loans to total direct funding** was 96.6% (95.9% at the end of March 2014 and 95.5% at the end of December 2013).

Group exposure to the ECB remained unchanged as at 30th June 2014 and consisted of a total of €12 billion nominal (€6 billion expire in December 2014 and €6 billion in February 2015), recognised within the item "due to banks" and therefore not included within direct funding. Liquidity indicators calculated according to Basel 3 rules (**NSFR** and **LCR**) are greater than one even in the presence of an ordinary funding structure not based on LTRO support. **Assets eligible for refinancing** as at 6th August 2014 totalled €31.1 billion net of haircuts. As a result of its solid liquidity position, the Group estimates that in December 2014 it will bid for €3 billion of TLTRO finance, against €6 billion of maturing LTRO finance.

At the end of June 2014, the Group's **financial assets** amounted to €22.2 billion, of which €20.3 billion related to Italian government securities (€21.1 billion in March 2014).

Again at the end of June 2014, **indirect funding from ordinary customers** had increased to €73.7 billion compared with €73.4 billion in March 2014 and €71.7 billion in December 2013. Positive performance was recorded both by assets under management in the strict sense, which reached €28.7 billion (+2.6% compared with March 2014), and also by insurance funding, which rose to €12.1 billion (+2% compared with March 2014). Finally, assets under custody amounted to €32.9 billion (€33.6 billion in March 2014).

Consolidated equity of the UBI Banca Group as at 30th June 2014, including profit for the period, amounted to €10,709 million (€10,667 million at the end of March 2014 and €10,339 million at the end of December 2013).

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Human resources of the UBI Banca Group totalled 18,438 as at 30th June 2014 (18,379 in March 2014 and 18,338 in December 2013). Furthermore, after the end of the first half 183 staff left the Group on the 1st of July in accordance with the agreement of 6th March 2014, with which redundancy applications over and above those provided for under the agreement of November 2012, amended in February 2013, were accepted.
At the end of the period, the branch network consisted of 1,673 branches in Italy (1,724 in March 2014) and six abroad (unchanged).

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

Elisabetta Stegher, as the Senior Officer Responsible for preparing 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 financial information contained in this press release is reliably based on the records contained in corporate documents and accounting records.

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Outlook

Under current market conditions net interest income should benefit in terms of interest expense from a progressive decrease in the cost of the marginal, more onerous components and from repricing action already taken, which will become fully effective in the second half, and in terms of interest income from the resilience of medium to long-term loan yields.
The positive contribution from fee and commission income is expected to continue, assisted by favourable seasonal factors that normally occur in the second half of the year.

The reduction in administrative expenses is confirmed compared to 2013, while the performance of staff costs will depend on the final outcome of the renewal of the national labour contract.
The slowdown in the pace of new defaulted loans recorded in the first quarter of the current year continued again in the second quarter and allows expectations of an overall year-on-year improvement compared with 2013 in loan losses to be confirmed.

Integration between IW Bank and UBI Private Investment

As part of activities to streamline and enhance Group companies, the launch of a project was approved, to integrate IW Bank, the Group's on-line bank, a leader in the sector in Italy, and UBI Private Investment, which has a network of highly professional financial advisors and fits in very well with IW Bank's commercial offer.
The integration plan is currently being finalised and applications for authorisation will then be submitted to the competent authorities.

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Attachments
Financial statements

UBI Banca Group:

- Reclassified consolidated balance sheet
- Reclassified consolidated income statement
- Quarterly evolution of reclassified consolidated income statement
- Reclassified consolidated income statement net of the most significant non-recurring items

Notes to the financial statements

To allow a vision that is more consistent with a management accounting style, reclassified financial statements have been prepared. The comments on the performance of the main statement of financial position and income statement items are made on the basis of the reclassified financial statements.

The "notes on the reclassified financial statements" contained in the periodic financial reports of the Group may be consulted for a fuller comprehension of the rules followed in preparing the reclassified financial statements.

UBI Banca Group: reclassified consolidated balance sheet

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

UBI Banca Group: reclassified consolidated income statement

Figures in thousands of euro	1H 2014 A	1H 2013 B	Changes A-B	% changes A/B	2nd Quarter 2014 C	2nd Quarter 2013 D	Changes C-D	% changes C/D	FY 2013 E
Net interest income	908,528	845,442	63,086	7.5%	454,056	428,222	25,834	6.0%	1,750,801
of which: effects of the purchase price allocation	*(14,238)*	*(18,596)*	*(4,358)*	*(23.4%)*	*(7,782)*	*(9,033)*	*(1,251)*	*(13.8%)*	*(33,983)*
Net interest income excluding the effects of the PPA	*922,766*	*864,038*	*58,728*	*6.8%*	*461,838*	*437,255*	*24,583*	*5.6%*	*1,784,784*
Dividends and similar income	8,868	8,218	650	7.9%	8,081	7,763	318	4.1%	10,409
Profits of equity-accounted investees	20,662	30,719	(10,057)	(32.7%)	9,763	22,213	(12,450)	(56.0%)	46,579
Net fee and commission income	609,693	602,245	7,448	1.2%	309,583	297,459	12,124	4.1%	1,187,065
of which performance fees	*908*	*-*	*908*	*n.s.*	*463*	*-*	*463*	*n.s.*	*14,198*
Net income from trading, hedging and disposal/repurchase activities and from assets/liabilities designated at fair value	136,642	109,367	27,275	24.9%	74,031	67,351	6,680	9.9%	324,554
Other net operating income/expense	51,496	56,227	(4,731)	(8.4%)	26,950	29,428	(2,478)	(8.4%)	117,884
Operating income	**1,735,889**	**1,652,218**	**83,671**	**5.1%**	**882,464**	**852,436**	**30,028**	**3.5%**	**3,437,292**
Operating income excluding the effects of the PPA	***1,750,127***	***1,670,814***	***79,313***	***4.7%***	***890,246***	***861,469***	***28,777***	***3.3%***	***3,471,275***
Staff costs	(647,943)	(646,234)	1,709	0.3%	(321,849)	(314,881)	6,968	2.2%	(1,301,717)
Other administrative expenses	(311,214)	(335,250)	(24,036)	(7.2%)	(158,598)	(173,557)	(14,959)	(8.6%)	(659,893)
Depreciation, amortisation and net impairment losses on property, plant and equipment and intangible assets	(85,196)	(90,389)	(5,193)	(5.7%)	(42,663)	(45,114)	(2,451)	(5.4%)	(180,188)
of which: effects of the purchase price allocation	*(9,799)*	*(10,196)*	*(397)*	*(3.9%)*	*(4,888)*	*(5,098)*	*(210)*	*(4.1%)*	*(20,377)*
Depreciation, amortisation and net impairment losses on property, plant and equipment and intangible assets excluding the effects of the PPA	*(75,397)*	*(80,193)*	*(4,796)*	*(6.0%)*	*(37,775)*	*(40,016)*	*(2,241)*	*(5.6%)*	*(159,811)*
Operating expenses	**(1,044,353)**	**(1,071,873)**	**(27,520)**	**(2.6%)**	**(523,110)**	**(533,552)**	**(10,442)**	**(2.0%)**	**(2,141,798)**
Operating expenses excluding the effects of the PPA	***(1,034,554)***	***(1,061,677)***	***(27,123)***	***(2.6%)***	***(518,222)***	***(528,454)***	***(10,232)***	***(1.9%)***	***(2,121,421)***
Net operating income	**691,536**	**580,345**	**111,191**	**19.2%**	**359,354**	**318,884**	**40,470**	**12.7%**	**1,295,494**
Net operating income excluding the effects of the PPA	***715,573***	***609,137***	***106,436***	***17.5%***	***372,024***	***333,015***	***39,009***	***11.7%***	***1,349,854***
Net impairment losses on loans	(429,101)	(383,892)	45,209	11.8%	(230,475)	(226,150)	4,325	1.9%	(942,978)
Net impairment losses on other financial assets and liabilities	(2,001)	(17,273)	15,272	(88.4%)	(3,674)	(8,960)	(5,286)	(59.0%)	(47,511)
Net provisions for risks and charges	(2,702)	(11,604)	(8,902)	(76.7%)	7,361	(9,275)	16,636	n.s.	(12,372)
Profits (losses) from the disposal of equity investments	(430)	1,085	1,515	n.s.	230	1,609	(1,379)	(85.7%)	(7,324)
Pre-tax profit from continuing operations	**257,302**	**168,661**	**88,641**	**52.6%**	**132,796**	**76,108**	**56,688**	**74.5%**	**285,309**
Pre-tax profit from continuing operations excluding the effects of the PPA	***281,339***	***197,453***	***83,886***	***42.5%***	***145,466***	***90,239***	***55,227***	***61.2%***	***339,669***
Taxes on income for the period/year from continuing operations	(135,368)	(103,086)	32,282	31.3%	(76,666)	(46,507)	30,159	64.8%	55,136
of which: effects of the purchase price allocation	*9,683*	*9,514*	*169*	*1.8%*	*5,930*	*4,669*	*1,261*	*27.0%*	*17,959*
Post-tax profit (loss) from discontinued operations	-	-	-	-	-	-	-	-	-
Profit for the period/year attributable to non-controlling interests	(15,742)	(12,642)	3,100	24.5%	(8,073)	(3,126)	4,947	158.3%	(25,895)
of which: effects of the purchase price allocation	*1,288*	*1,796*	*(508)*	*(28.3%)*	*565*	*856*	*(291)*	*(34.0%)*	*3,385*
Profit for the year/period attributable to the shareholders of the Parent before impairment and expenses for leaving incentives excluding the effects of the PPA	*119,258*	*70,415*	*48,843*	*69.4%*	*54,232*	*35,081*	*19,151*	*54.6%*	*347,566*
Profit for the year/period attributable to the shareholders of the Parent before impairment and expenses for leaving incentives	**106,192**	**52,933**	**53,259**	**100.6%**	**48,057**	**26,475**	**21,582**	**81.5%**	**314,550**
Net impairment losses on goodwill and property, plant and equipment net of taxes and non-controlling interests	-	-	-	-	-	-	-	-	(37,736)
Expenses for the leaving incentives programme net of taxes and non-controlling interests	-	-	-	-	-	-	-	-	(25,984)
Profit for the year/period attributable to the shareholders of the Parent	**106,192**	**52,933**	**53,259**	**100.6%**	**48,057**	**26,475**	**21,582**	**81.5%**	**250,830**
Total impact of the purchase price allocation on the income statement	*(13,066)*	*(17,482)*	*(4,416)*	*(25.3%)*	*(6,175)*	*(8,606)*	*(2,431)*	*(28.2%)*	*(33,016)*

UBI Banca Group: reclassified consolidated quarterly income statements

Figures in thousands of euro	2014 2nd Quarter	2014 1st Quarter	2013 4th Quarter	2013 3rd Quarter	2013 2nd Quarter	2013 1st Quarter
Net interest income	454,056	454,472	459,353	446,006	428,222	417,220
of which: effects of the purchase price allocation	*(7,782)*	*(6,456)*	*(7,528)*	*(7,859)*	*(9,033)*	*(9,563)*
Net interest income excluding the effects of the PPA	*461,838*	*460,928*	*466,881*	*453,865*	*437,255*	*426,783*
Dividends and similar income	8,081	787	1,072	1,119	7,763	455
Profits of equity-accounted investees	9,763	10,899	2,913	12,947	22,213	8,506
Net fee and commission income	309,583	300,110	298,957	285,863	297,459	304,786
of which performance fees	*463*	*445*	*14,198*	-	-	-
Net income from trading, hedging and disposal/repurchase activities and from assets/liabilities designated at fair value	74,031	62,611	156,099	59,088	67,351	42,016
Other net operating income/expense	26,950	24,546	32,627	29,030	29,428	26,799
Operating income	**882,464**	**853,425**	**951,021**	**834,053**	**852,436**	**799,782**
Operating income excluding the effects of the PPA	***890,246***	***859,881***	***958,549***	***841,912***	***861,469***	***809,345***
Staff costs	(321,849)	(326,094)	(327,339)	(328,144)	(314,881)	(331,353)
Other administrative expenses	(158,598)	(152,616)	(165,944)	(158,699)	(173,557)	(161,693)
Depreciation, amortisation and net impairment losses on property, plant and equipment and intangible assets	(42,663)	(42,533)	(45,139)	(44,660)	(45,114)	(45,275)
of which: effects of the purchase price allocation	*(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	*(37,775)*	*(37,622)*	*(40,046)*	*(39,572)*	*(40,016)*	*(40,177)*
Operating expenses	**(523,110)**	**(521,243)**	**(538,422)**	**(531,503)**	**(533,552)**	**(538,321)**
Operating expenses excluding the effects of the PPA	***(518,222)***	***(516,332)***	***(533,329)***	***(526,415)***	***(528,454)***	***(533,223)***
Net operating income	**359,354**	**332,182**	**412,599**	**302,550**	**318,884**	**261,461**
Net operating income excluding the effects of the PPA	***372,024***	***343,549***	***425,220***	***315,497***	***333,015***	***276,122***
Net impairment losses on loans	(230,475)	(198,626)	(366,337)	(192,749)	(226,150)	(157,742)
Net impairment losses on other financial assets and liabilities	(3,674)	1,673	(25,233)	(5,005)	(8,960)	(8,313)
Net provisions for risks and charges	7,361	(10,063)	1,961	(2,729)	(9,275)	(2,329)
Profits (losses) from the disposal of equity investments	230	(660)	(7,507)	(902)	1,609	(524)
Pre-tax profit from continuing operations	**132,796**	**124,506**	**15,483**	**101,165**	**76,108**	**92,553**
Pre-tax profit from continuing operations excluding the effects of the PPA	***145,466***	***135,873***	***28,104***	***114,112***	***90,239***	***107,214***
Taxes on income for the period/year from continuing operations	(76,666)	(58,702)	204,702	(46,480)	(46,507)	(56,579)
of which: effects of the purchase price allocation	*5,930*	*3,753*	*4,169*	*4,276*	*4,669*	*4,845*
Post-tax profit (loss) from discontinued operations	-	-	-	-	-	-
Profit for the period attributable to non-controlling interests	(8,073)	(7,669)	(7,579)	(5,674)	(3,126)	(9,516)
of which: effects of the purchase price allocation	*565*	*723*	*778*	*811*	*856*	*940*
Profit for the period attributable to the shareholders of the Parent before impairment and expenses for leaving incentives excluding the effects of the PPA	*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	**48,057**	**58,135**	**212,606**	**49,011**	**26,475**	**26,458**
Net impairment losses on goodwill and property, plant and equipment net of taxes and non-controlling interests	-	-	(37,736)	-	-	-
Expenses for the leaving incentives programme net of taxes and non-controlling interests	-	-	(25,984)	-	-	-
Profit for the period attributable to the shareholders of the Parent	**48,057**	**58,135**	**148,886**	**49,011**	**26,475**	**26,458**
Total impact of the purchase price allocation on the income statement	*(6,175)*	*(6,891)*	*(7,674)*	*(7,860)*	*(8,606)*	*(8,876)*

UBI Banca Group: reclassified consolidated income statement net of the most significant non-recurring items

Figures in thousands of euro	1H 2014	non-recurring items: Adjustment to the disposal price of BDG	non-recurring items: Change in the substitute tax on the valuation of profit participation stakes 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	1H 2014 *net of non-recurring items* A	1H 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 total write-off of the investment	1H 2013 *net of non-recurring items* B	Changes A-B	Changes % A/B
Net interest income (including the effects of the PPA)	908,528					908,528	845,442					845,442	63,086	7.5%
Dividends and similar income	8,868					8,868	8,218					8,218	650	7.9%
Profits of equity-accounted investees	20,662					20,662	30,719					30,719	(10,057)	(32.7%)
Net fee and commission income	609,693					609,693	602,245					602,245	7,448	1.2%
Net income from trading, hedging and disposal/repurchase activities and from assets/liabilities designated at fair value	136,642					136,642	109,367	(11,974)		(1,525)		95,868	40,774	42.5%
Other net operating income/expense	51,496					51,496	56,227					56,227	(4,731)	(8.4%)
Operating income (including the effects of PPA)	**1,735,889**	**-**	**-**	**-**	**-**	**1,735,889**	**1,652,218**	**(11,974)**	**-**	**(1,525)**	**-**	**1,638,719**	**97,170**	**5.9%**
Staff costs	(647,943)					(647,943)	(646,234)					(646,234)	1,709	0.3%
Other administrative expenses	(311,214)					(311,214)	(335,250)					(335,250)	(24,036)	(7.2%)
Depreciation, amortisation and net impairment losses on property, plant and equipment and intangible assets (including the effects of PPA)	(85,196)					(85,196)	(90,389)					(90,389)	(5,193)	(5.7%)
Operating expenses (including the effects of PPA)	**(1,044,353)**	**-**	**-**	**-**	**-**	**(1,044,353)**	**(1,071,873)**	**-**	**-**	**-**	**-**	**(1,071,873)**	**(27,520)**	**(2.6%)**
Net operating income (including the effects of PPA)	**691,536**	**-**	**-**	**-**	**-**	**691,536**	**580,345**	**(11,974)**	**-**	**(1,525)**	**-**	**566,846**	**124,690**	**22.0%**
Net impairment losses on loans	(429,101)					(429,101)	(383,892)					(383,892)	45,209	11.8%
Net impairment losses on other financial assets and liabilities	(2,001)				712	(1,289)	(17,273)		17,860		142	729	2,018	n.s.
Net provisions for risks and charges	(2,702)					(2,702)	(11,604)				1,618	(9,986)	(7,284)	(72.9%)
Profits (losses) from the disposal of equity investments	(430)	890				460	1,085					1,085	625	(57.6%)
Pre-tax profit from continuing operations (including the effects of PPA)	**257,302**	**890**	**-**	**-**	**712**	**258,904**	**168,661**	**(11,974)**	**17,860**	**(1,525)**	**1,760**	**174,782**	**84,122**	**48.1%**
Taxes on income for the period from continuing operations	(135,368)		4,482	19,565		(111,321)	(103,086)	(1,746)	(4,727)	102		(109,457)	1,864	1.7%
Post-tax profit (loss) from discontinued operations	-					-	-					-	-	-
Profit for the period attributable to non-controlling interests	(15,742)		(826)	(8)	(180)	(16,756)	(12,642)				(445)	(13,087)	3,669	28.0%
Profit for the period attributable to the shareholders of the Parent	**106,192**	**890**	**3,656**	**19,557**	**532**	**130,827**	**52,933**	**(13,720)**	**13,133**	**(1,423)**	**1,315**	**52,238**	**78,589**	**150.4%**