

Interim
financial
report
as at 30th
September
2009



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 2009: Euro 1.597.864.755,00 fully paid up

www.ubibanca.it

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Key

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- dash (-): when the item does not exist;
- not significant (n.s.): when the figure is insufficient to reach the minimum level in question or is in any case 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 indicated otherwise.

UBI Banca: company officers

Honorary Chairman

Giuseppe Vigorelli

Supervisory Board

Chairman
Senior Deputy Chairman
Deputy Chairman
Deputy Chairman

Corrado Faissola
Giuseppe Calvi
Alberto Folonari
Mario Mazzoleni
Battista Albertani
Giovanni Bazoli
Luigi Bellini
Mario Cattaneo
Paolo Ferro-Luzzi
Virginio Fidanza
Enio Fontana
Carlo Garavaglia
Pietro Gussalli Beretta
Giuseppe Lucchini
Italo Lucchini
Federico Manzoni
Andrea Moltrasio
Toti S. Musumeci
Sergio Orlandi
Alessandro Pedersoli
Giorgio Perolari
Sergio Pivato
Roberto Sestini

Management Board

Chairman
Deputy Chairman
Chief Executive Officer

Emilio Zanetti
Flavio Pizzini
Victor Massiah
Giampiero Auletta Armenise
Piero Bertolotto
Mario Boselli
Giuseppe Camadini
Mario Cera
Giorgio Frigeri
Alfredo Gusmini
Franco Polotti

General Management

General Manager
Joint General Manager
Deputy General Manager
Deputy General Manager
Deputy General Manager
Deputy General Manager

Riccardo Sora
Graziano Caldiani
Rossella Leidi
Giovanni Lupinacci
Ettore Medda
Pierangelo Rigamonti

Senior officer responsible in accordance with Art. 154 bis of the Consolidated Finance Act

Elisabetta Stegher

Independent auditors

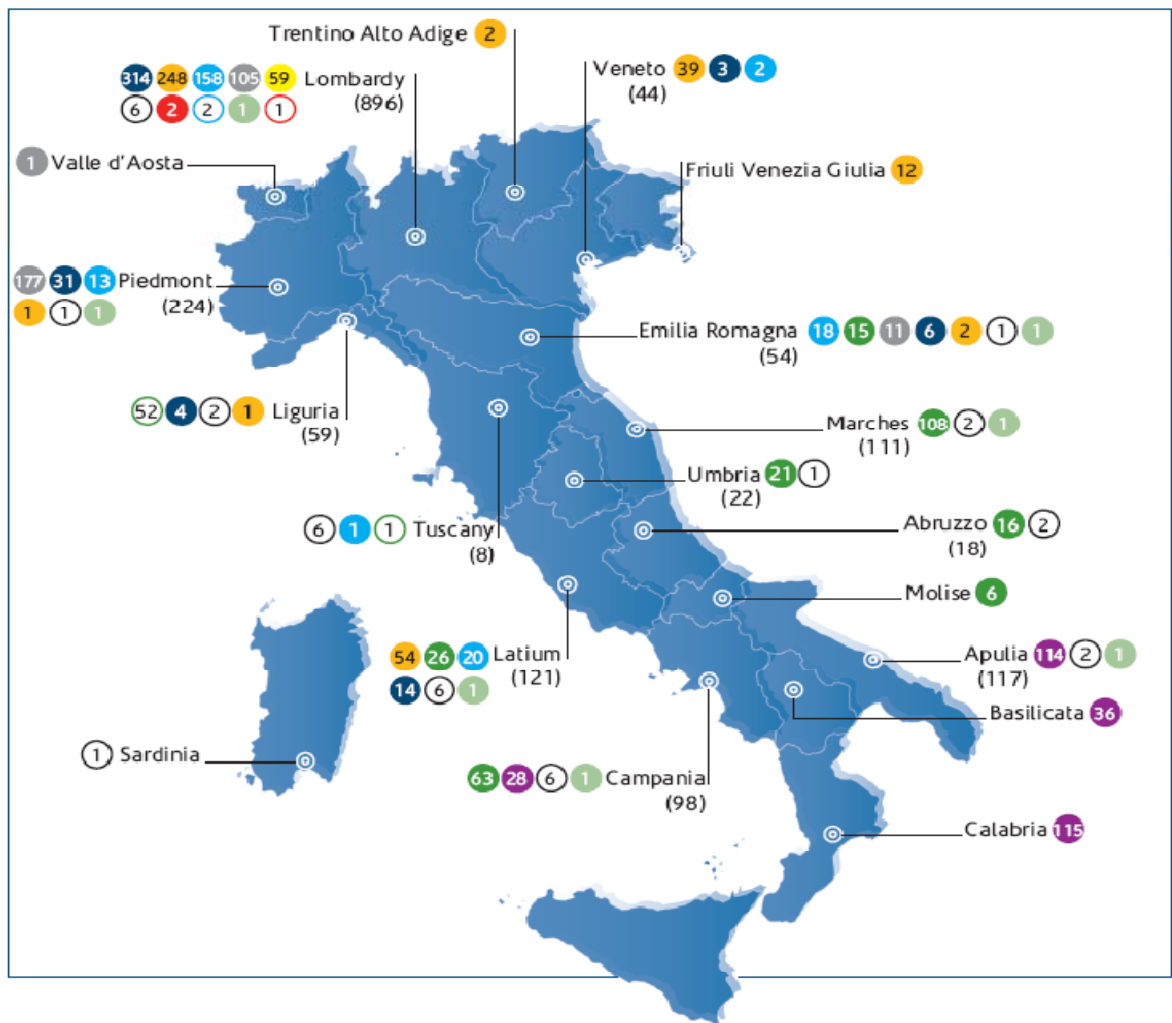
KPMG Spa

UBI Banca Group: principal figures and performance indicators ¹

	30.9.2009	31.12.2008	30.9.2008
STRUCTURAL INDICATORS			
Net lending to customers/total assets	79,5%	79,0%	80,6%
Direct funding from customers/total liabilities	78,6%	80,0%	77,5%
Net loans to customers/direct funding from customers	101,1%	98,7%	104,0%
Equity (including profit for the period)/total liabilities	9,3%	9,1%	9,4%
Assets under management/indirect funding from private customers	53,4%	52,9%	53,7%
PROFIT INDICATORS			
ROE (Profit for the period/equity excluding profit for the period) <i>annualised</i>	2,2%	0,6%	7,6%
ROE net of non-recurring items <i>annualised</i>	2,3%	3,8%	6,5%
ROE net of purchase price allocation (net profit excluding PPA)/(equity - former BL merger difference) <i>annualised</i>	4,3%	2,1%	12,5%
Normalised ROE excluding merger difference (normalised net profit, excluding PPA)/(equity - former BL merger difference) <i>annualised</i>	4,4%	6,8%	10,8%
ROA (Profit for the period/total assets) <i>annualised</i>	0,21%	0,06%	0,68%
The cost/income ratio (operating expenses/operating income) including PPA	62,8%	63,9%	59,7%
The cost/income ratio net of non-recurring items including PPA	63,5%	62,8%	59,9%
The cost/income ratio (operating expenses/operating income) excluding the PPA	60,1%	60,7%	57,0%
The cost/income ratio (operating expenses/operating income) net of non-recurring items excluding the PPA	60,8%	59,8%	57,1%
Net impairment losses on loans/net lending to customers (cost of credit) <i>annualised</i>	0,82%	0,59%	0,35%
Net interest income/operating income	62,5%	68,7%	64,2%
Personnel expenses/operating income	37,9%	38,7%	36,9%
RISK INDICATORS			
Net non-performing loans/net loans to customers	1,23%	0,88%	0,79%
Net impairment losses on non-performing loans/gross non-performing loans (coverage for non-performing loans)	51,49%	54,58%	53,86%
Net non-performing + net impaired loans/net lending to customers	2,97%	2,08%	1,89%
Net impairment losses on non-performing and impaired loans/gross non-performing + gross impaired loans (coverage)	35,14%	38,22%	37,03%
Net non performing loans/equity excluding profit for the period	10,71%	7,67%	7,11%
INCOME STATEMENT, BALANCE SHEET DATA (in thousands of euro), OPERATING AND STRUCTURAL (numbers)			
Net profit	187.297	69.001	620.040
Net profit normalised	195.189	425.327	527.754
Net loans to customers	96.554.963	96.368.452	98.020.148
<i>of which: net non-performing loans</i>	1.189.079	848.671	771.271
<i>net impaired loans</i>	1.683.864	1.160.191	1.081.153
Direct funding from customers	95.546.517	97.591.237	94.293.650
Indirect funding from customers	78.650.864	74.064.263	80.218.538
<i>of which: assets under management</i>	41.996.897	39.206.955	43.037.558
Total funding from customers	174.197.381	171.655.500	174.512.188
Equity (excluding profit for the period)	11.104.760	11.071.206	10.849.749
Total assets	121.500.864	121.955.685	121.595.422
Branches in Italy	1.945	1.946	1.931
Total personnel (numbers at the end of period)	20.798	20.765	21.528
Total personnel (average for the period)	20.804	20.985	20.949
Financial advisors	900	924	949

¹ The indicators have been calculated using the reclassified figures contained in the section "Reclassified consolidated financial statements and reconciliations" of the interim consolidated management report as at 30th September 2009. Information on the share is included in a specific section later in this report.

UBI Banca Group: branch network



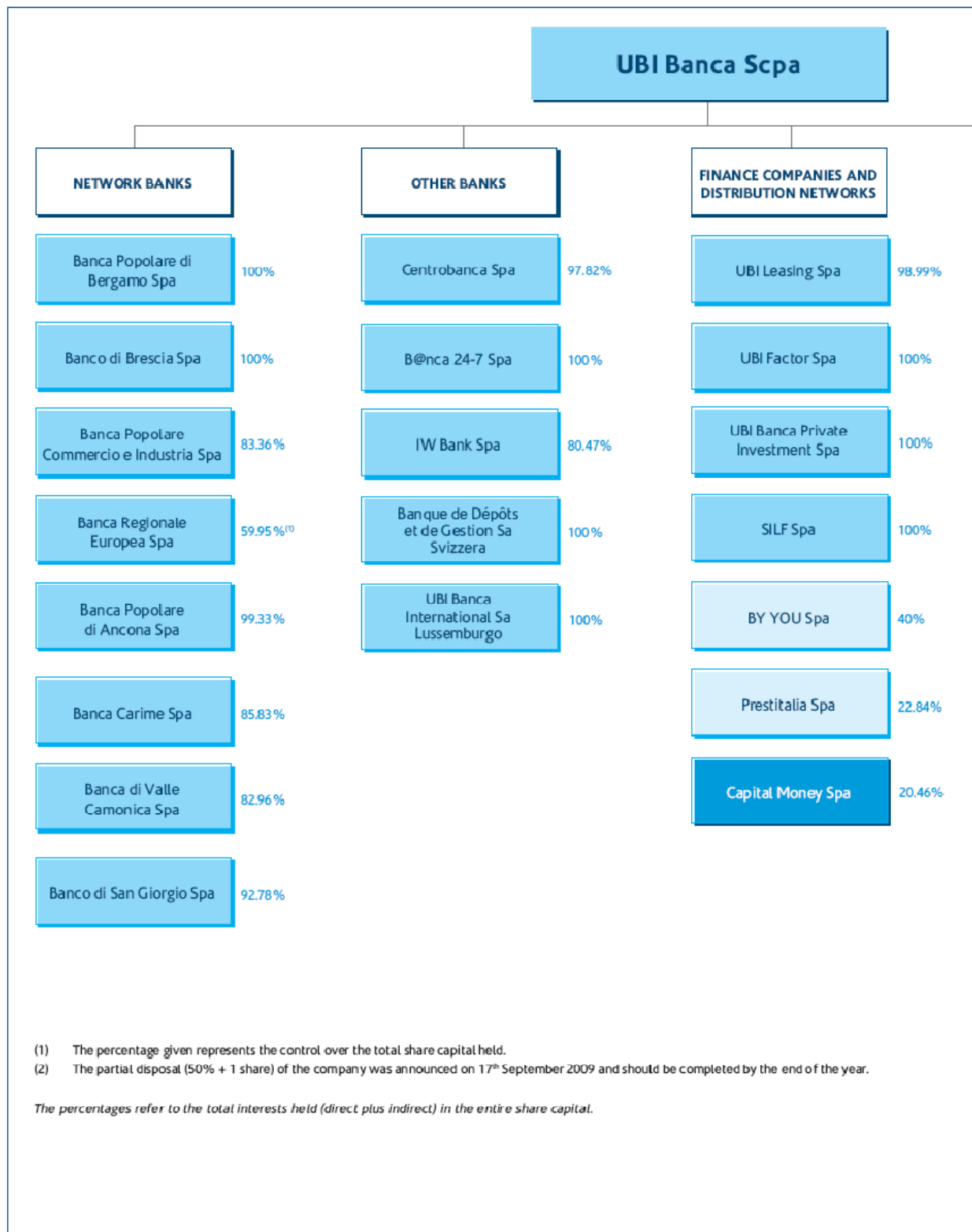
Gruppo UBI Banca

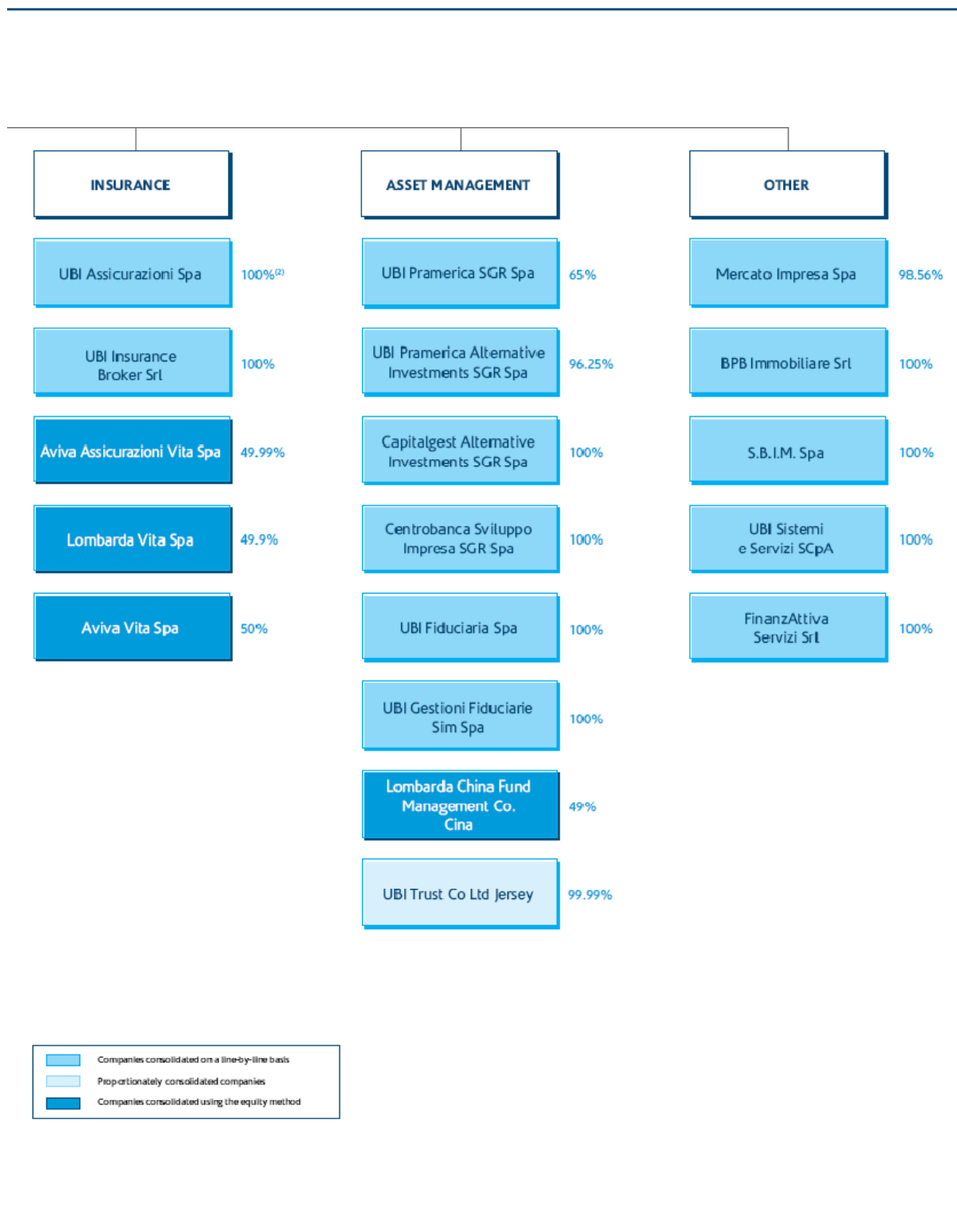
Branches in Italy	1.945	Branches abroad	10
UBI Banca Scpa	2	Banco di Brescia Spa Luxembourg	
Banca Popolare di Bergamo Spa	372	Banca Regionale Europea Spa Nice, Menton (France) (Nizza)	
Banco di Brescia Spa	359	Banque de Dépôts et de Gestion Sa (Svizzera) Lausanne, Lugano, Neuchâtel, Mendrisio, Yverdon.	
Banca Popolare Commercio e Industria Spa	212	UBI Banca International Sa (Lussemburgo) Munich (Germany), Madrid (Spain)	
Banca Regionale Europea Spa	294	International presence	
Banca Popolare di Ancona Spa	255	UBI Factor Spa Krakow (Poland)	
Banca Carime Spa	293	Gestioni Lombarda (Suisse) Sa Lugano	
Banca di Valle Camonica Spa	59	UBI Management Co. Sa Luxembourg	
Banco di San Giorgio Spa	53	Lombarda China Fund Management Co. Shenzhen (China)	
UBI Banca Private Investment Spa	36	UBI Trust Co. Ltd Jersey	
Centrobanca Spa	7	BDG Singapore Pte Ltd Singapore	
B@nca 24-7 Spa	1	Uffici di rappresentanza Hong Kong, San Paolo (Brazil), Mumbai, Shanghai, Moscow.	
IW Bank Spa	2		

Updated as at 30th September 2009

Graphics by Mercurio
branch network as at 30th September 2009

UBI Banca Group: principal investments as at 30th September 2009

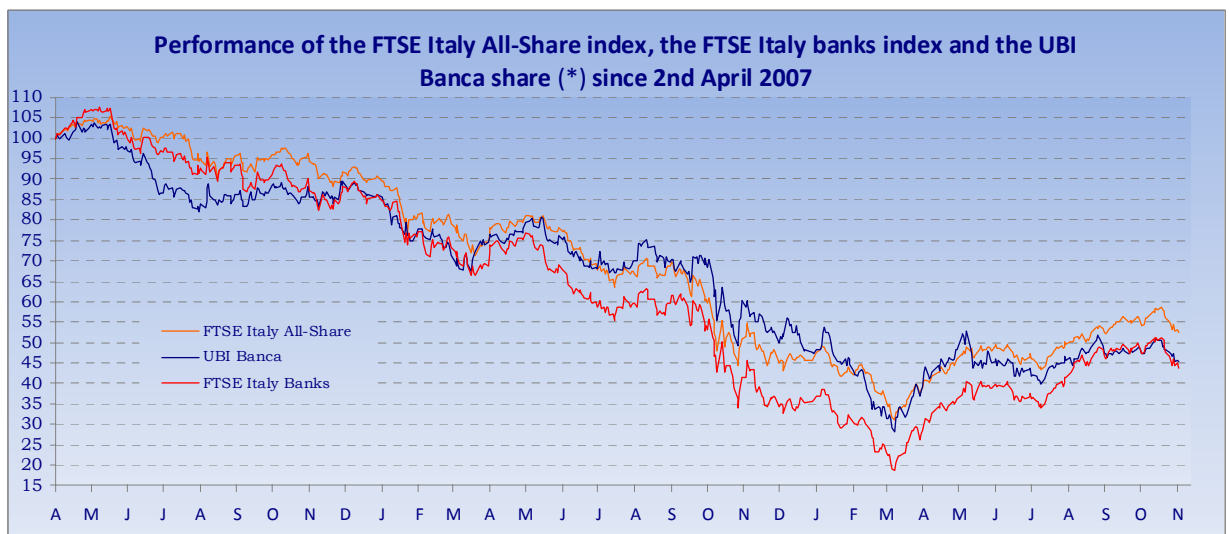
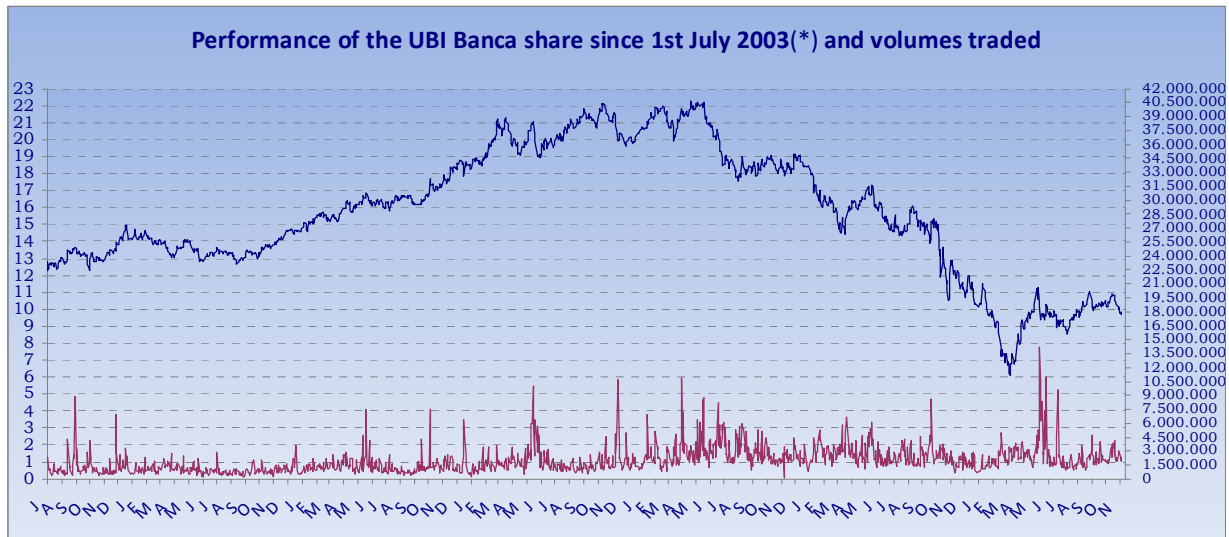




Graphics by Mercurio
the main investments as at 30th September 2009

The UBI Banca share

The UBI Banca share is traded on the *Mercato Telematico Azionario* (screen based stock market) of Borsa Italiana in the blue chip segment and forms part of the FTSE/Mib Index, which, with effect from 1st June 2009, replaced the S&P/Mib Index, maintaining the same calculation methods and the same number of securities (40) ¹.



Following the record lows reached in March, financial markets made a substantial recovery which strengthened further in the third quarter.

As can be seen from Graph No. 2 the UBI Banca share has performed better than the banking sector since the second half of 2009, especially since the fourth quarter, when the financial crisis was becoming more acute. This trend helps explaining the relatively smaller rise in the price of the share during 2009 (see the data given in the performance table).

¹ The Milan stock exchange migrated onto the new FTSE Italy indices on 1st June 2009. The Ftse/Mib index maintained continuity with the previous S&P/Mib index, as did the Ftse Italy Mib Storico (the former Mib storico index) and the Ftse Italy Star index (the former All Stars index). The Mibtel and Midex indices on the other hand were replaced by the Ftse Italy All Share index (with a total basket of 250 securities instead of 275) and by the Ftse Italy Mid Cap index (with a basket of 60 instead of 30 equities) respectively. The Mib sector indices were replaced by new sector indices constructed using the international ICB (Industry Classification Benchmark) method, while two new indices were introduced: the Ftse Italy Small Cap and the Ftse Italy Micro Cap. The adoption of the new indices is a result of the entrance to the Milan stock exchange of the London Stock Exchange Group. The performance of the indices is measured by indicators constructed by the Ftse Group (Financial Times Stock Exchange), recognised throughout the world and used by international investors. They give a structured and full representation of market sectors.

After the falls in the first part of the year,² in a general context that was still critical, the UBI banca share returned to fluctuate between 9 and 11 euro and then stabilised in the third quarter at levels higher than 10 euro.

Performance comparisons for the Unione di Banche Italiane share

Amounts in euro	30.9.2009 A	30.6.2009 B	31.03.2009 C	30.12.2008 D	% change A/D	2.4.2007 E	% change A/E
Unione di Banche Italiane share							
- official price	10,498	9,284	8,002	10,225	2,7%	21,486	-51,1%
- reference price	10,490	9,270	8,157	10,119	3,7%	21,427	-51,0%
Warrant	0,081	0,055 ⁽¹⁾	-	-	-	-	-
Convertible bond	111,220	107,190 ⁽²⁾	-	-	-	-	-
FTSE Italy All-Share	23.940	19.785	16.441	19.845	20,6%	42.731	-44,0%
FTSE Italy Banks	26.902	20.027	15.191	19.630	37,0%	54.495	-50,6%

Source Datastream

The UBI Banca share prices have been recalculated by multiplying the previous quotations by a correction factor of 0,988949.

(1) traded on the MTA (screen based stock market) since 25th June 2009 (quoted on 25th June 2009 at 0,0293 euro).

(2) traded on the MTA (screen based stock market) since 20th July 2009 – quotation for 20th July 2009.

In the first nine months of the year, 470 million UBI banca shares were traded on the screen based stock market for a value of 4,4 billion euro (a total of 649 million UBI Banca shares were traded during 2008 for a value of more than 9,9 billion euro).

As a result of the partial recovery in share prices, the stock market capitalisation (calculated on the official price) as at 30th September 2009 had risen to 6,7 billion euro compared to 6,5 billion euro at the end of year. UBI Banca is again one of the banking shares with the greatest capitalisation, lying in 5th place among Italian banking groups and in first place among “popular” banks. At European level, the UBI Group lies among the first thirty five in the classification drawn up by the Italian Banking Association in its European Banking Report, which considers the 15 countries of the European Monetary Union plus Switzerland.

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.

	January- September 2009	Full Year 2008
Number of shares outstanding at the end of period	639.145.902	639.145.902
Average price of the UBI share - in euro (average of the official prices quoted daily by Borsa Italiana Spa)	9,371	14,742
Minimum price (recorded during trading) - in euro	5,581	10,119
Maximum price (recorded during trading) - in euro	11,555	18,536
Unit dividend - in euro	0,450	0,450
Dividend yield (dividend per share/average price)	4,80%	3,05%
Dividend totals - in euro	287.615.655,90	287.615.655,90
Book Value - in euro (Consolidated equity, excluding profit for the period, per share)	17,37	17,32
Book Value - in euro (Consolidated equity, excluding goodwill and profit for the period, per share)	10,420	10,534
Stock market capitalisation at the end of period (official prices) - in millions of euro	6.710	6.535
Price/book value (Stock market capitalisation at the end of the year/consolidated equity, excluding profit for the year)	0,60	0,590
Price/book value net of goodwill	1,01	0,97
EPS - Earning per share - in euro (consolidated net profit per share in accordance with IAS 33)	0,379	0,108

² A record low was recorded on 9th March 2009, with a reference price of 6,048 euro and an official price of 5,867 euro.

The Rating

The tables given below summarise the ratings assigned to the Group by the international agencies, Standard & Poor's, Moody's and Fitch Ratings. On completion of a review of the ratings of 22 Italian banks commenced on 18th May 2009, on 1st July Moody's announced that it was confirming its Bank Financial Strength Rating of C for UBI Banca (and the related Baseline Credit Assessment of A3) with a Negative Outlook. The long term A1 rating with a Stable Outlook had been confirmed as unchanged on 18th June 2009.

On 14th October 2009 Fitch Ratings confirmed its existing ratings with a Stable Outlook.

STANDARD & POOR'S	
Short-term Counterparty Credit Rating (i)	A-1
Long-term Counterparty Credit Rating (ii)	A
Outlook	Stable
RATINGS ON ISSUES	
Senior unsecured debt	A
Subordinated debt	A-
Tier III subordinated debt	BBB+
Preference shares	BBB
French Certificats de Dépôt Programme	A-1

(i) The ability to repay debt maturing in less than one year.
(A-1: best rating – D: worst rating)

(ii) With reference to debt maturing after one year, it indicates the ability to pay interest and repay principal, together with any sensitivity to the adverse effects of changes in circumstances or economic conditions.
(AAA: best rating – D: worst rating)

MOODY'S	
Long-term debt and deposit rating (I)	A1
Short-term debt and deposit rating (II)	Prime-1
Bank Financial Strength Rating (III)	C
Outlook (deposit ratings)	Stable
Outlook (Bank Financial Strength Rating)	Negative
RATINGS ON ISSUES	
Senior unsecured LT	A1
Senior unsecured ST	P-1
Upper/Lower Tier II subordinated	A2
Tier III subordinated	A2
Preference shares (former BPB-CV and Banca Lombarda)	A3
Euro Commercial Paper Programme	Prime-1
French Certificats de Dépôt Programme	Prime-1

(I) The ability to repay long-term debt (maturing 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: prime quality – Baa3: medium quality).

(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 capacity 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) in the absence of external support (A: best rating – E: worst rating).

FITCH RATINGS	
Short-term Issuer Default Rating (1)	F1
Long-term Issuer Default Rating (2)	A+
Bank Individual Rating (3)	B/C
Support Rating (4)	2
Support Rating Floor (5)	BBB
Outlook for Long-term Issuer Default Rating	Stable
RATINGS ON ISSUES	
Senior unsecured debt	A+
Upper/Lower Tier II subordinated	A
Preference shares (ex BPCI)	A
Tier III subordinated debt	A-
Euro Commercial Paper Programme	F1

(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 bonds. This rating is an indicator of the probability that an issuer will default. (AAA: best rating – D: worst rating)

(3) An assessment of a bank's intrinsic strength (profitability, balance sheet strength, commercial network, ability of management, operational environment and outlook), on the assumption that the bank cannot rely on external support (possible intervention by a lender of last resort, support from shareholders, etc.). (A: best rating – E: worst rating)

(4) A rating of the possibility of concrete and timely external support (from the state or large institutional investors) if the bank finds itself in difficulty. (1: best rating – 5: worst rating)

(5) This rating gives additional information, closely linked to the Support Rating, in that for each level of the Support Rating it identifies the minimum level which the Issuer Default Rating could reach if negative events were to occur.

**INTERIM CONSOLIDATED MANAGEMENT
REPORT
AS AT 30TH SEPTEMBER 2009**

The macroeconomic scenario

After two quarters of substantial falls in **world economic** output, the recession seems to have come a halt in the spring of 2009, while in recent months signs of a recovery are appearing – supported by expansionary economic policies adopted by major economies – which have already led to an acceleration in the pace of growth in emerging economies and in Asia in particular, compared to a modest recovery in developed countries.

The favourable signs coming from the increase in industrial production and in retail sales and the stronger climate of confidence among households and businesses, together with the recovery in world trade have been accompanied by a further improvement in conditions on financial markets. Share prices in particular, which have risen substantially in both developed and emerging countries, have benefited from the recovery of demand for higher risk investments, while yields on corporate bonds have fallen and liquidity on international markets has increased.

Despite these signals that the crisis is weakening, the international scenario continues to be dominated by the risk that as fiscal stimulation is removed and once the cycle of the reconstitution of inventories is complete – down to very low levels in some countries at the end of June – private sector demand may be affected by high and growing unemployment, tight credit and an increased propensity to save by households.

In order to counter these fears, the G20 summit, held in September, reiterated its intention to continue to pursue expansionary monetary and fiscal policies until the economic recovery is firmly established and to reduce stimulus action gradually and in a co-ordinated manner in order to ensure sustainable public finances and stable financial conditions and prices in the medium term³.

The main central banks continued on the one hand to furnish the system with ample liquidity, maintaining reference interest rates at very low levels⁴ and continuing non conventional policies to support liquidity, and on the other hand, in consideration of the improvement in financial conditions, they commenced a gradual reduction in the use of some of the exceptional measures adopted during the crisis⁵.

³ The measures adopted included initiatives to co-ordinate the economic policies of member countries, an increase in resources, the reform of international financial institutions (the IMF in particular) and stronger financial regulation and supervision.

⁴ **Only Israel** (in September), Norway and Australia (in October) raised their reference interest rates by a quarter of a percentage point.

⁵ The Federal Reserve continued its policy of quantitative easing also performed by purchasing Government securities with the objective of helping to contain government yields, while the ECB proposed a long term refinancing auction for unlimited amounts in September and has been purchasing covered bonds issued in the area since July. Moreover, since last August the Fed has significantly decreased funds granted through its term auction facility and its term securities lending facility while in September the ECB, the Bank of England and the Swiss national bank jointly announced the suspension from October of 84-day dollar auctions and the continuation until January 2010 of auctions for 7-day dollar loans.

Actual and forecast figures

Percentages	Gross Domestic Product			Consumer prices			Unemployment			Public Sector Deficit (% of GDP)			Reference interest rates	
	2008	2009 ⁽¹⁾	2010 ⁽¹⁾	2008 average annual rate	set-09 ⁽²⁾	2009 ⁽¹⁾ average annual rate	2008 average annual rate	Sep-09 ⁽²⁾	2009 ⁽¹⁾ average annual rate	2008	2009 ⁽¹⁾	2010 ⁽¹⁾	8th Dec. '09	9th Nov. '09
UNITED STATES	0,4	-2,8	0,8	3,8	-1,3	-0,3	5,8	9,8	9,4	5,9	12,1	14,3	0-0,25	0-0,25
JAPAN	-0,7	-5,9	1,1	1,4	-2,0	-1,5	4,1	5,3	5,4	2,9	6,7	8,7	0,10	0,10
EURO AREA	0,7	-4,0	0,7	3,3	-0,3	0,3	7,6	9,7	9,6	2,0	5,3	6,5	2,50	1,00
ITALY	-1,0	-4,9	0,5	3,5	0,4	0,8	6,8	7,4	7,5	2,7	5,3	5,0	-	-
GERMANY	1,3	-5,1	0,8	2,8	-0,5	0,5	7,3	7,6	7,7	0,0	3,9	5,9	-	-
FRANCE	0,4	-2,0	1,0	3,2	-0,4	0,3	7,8	10,0	9,5	3,4	6,6	7,0	-	-
SPAIN	0,9	-3,8	-0,4	4,1	-1,0	-0,4	11,4	19,3	18,2	4,1	8,6	9,8	-	-
UNITED KINGDOM	0,6	-4,4	0,4	3,6	1,1	2,0	5,7	7,9	7,8	5,0	11,5	13,8	2,00	0,50
INDIA	7,4	6,2	5,5	8,4	11,7	4,2	9,1	n.a.	n.a.	n.a.	n.a.	n.a.	6,50	4,75
CHINA	9,0	8,2	9,4	5,9	-1,2	0,5	4,2	n.a.	n.a.	n.a.	n.a.	n.a.	5,31	5,31

(1) Forecasts

(2) The latest available information was used, where data as at 30th September 2009 had not been published.

As can be seen from the table – despite the signs of recovery which led to an upward revision of forecasts for 2009 with respect to the summer – the international economic situation continues to suffer from a generalised and progressive increase in public sector debt and unemployment, at times at record levels, and also from negative inflation, mainly as a result of the statistical effect of the comparison with the summer of 2008 when foodstuff raw materials and energy prices reached record highs.

At the end of September, the price of Brent oil stood at 69,07 dollars per barrel (+51,5% compared to 45,59 dollars in December) in line with the end of June, but in the weeks that followed it reached almost 80 dollars, affected by the weakening of the American currency.

The depreciation of the dollar on foreign exchange markets against major currencies which had started in March increased during the quarter. After ending the quarter at 1,4635 dollars per euro, in subsequent weeks the United States currency reached 1,5 dollars, a decrease of more than 7% since the beginning of the year. The euro on the other hand had also strengthened at the end of September against the yen (3,7%) and the yuan (4,7%).

After four consecutive quarters of decreases, **United States** GDP recorded quarterly growth of 3,5% (annualised) in the summer, benefiting from the stimulus programmes launched by the government which resulted in a recovery in consumption (+3,4%) and in fixed investments (+11,5%) driven by the residential component (+23,4%), which made its first positive contribution since 2005. The result for the balance of payments on the other hand was negative due to the recovery in imports (+16,4%), which was greater than that for exports (+14,7%).

The opposing trends for the “twin deficits” continued: while on the one hand the federal deficit more than tripled in the nine month period to 1.084,6 billion dollars (348 billion dollars in the same period of 2008), on the other hand the balance of payments more than halved between January and August to 238 billion dollars (-253 billion euro compared to the same period of 2008, including -104,5 billion euro relating to trade with OPEC countries).

The quarterly change in **Japanese** GDP in the second quarter was revised downwards (+0,6% compared to +0,9% estimated previously; -3,3% in the first quarter), but it was nevertheless positive, which had not happened since June 2008. In the summer, the industrial production index, which had been increasing monthly since March, slowed (+1,6% in August), while the Tankan report at the end of September recorded a further improvement in the confidence climate for businesses, although lower than expected in June.

As opposed to industrialised countries, economic expansion in **China** never stopped and it has been growing at a strong pace again since the spring (+8,9% the year-on-year increase in the summer, after +7,9% in the second quarter), driven mainly by fixed investments (+33,4% on an annual basis in the first nine months of the year), but also by consumption (+15,1%). Despite a fall of 20,9% between January and September, net exports still generated a balance of payments surplus of 135,5 billion dollars, which further strengthened currency reserves (2.273 billion dollars at the end of September), including a substantial proportion (approximately 800 billion dollars) invested in United States government securities.

The revised figure for GDP in the **euro area** for the second quarter recorded a fall of 0,2% compared to the previous period (-2,5% in the first quarter). This figure represents the first improvement since the beginning of 2008 and reflects a slowdown in the drop in investments against a positive contribution from net exports, attributable primarily to a reduction in imports and stagnant consumption. Signs of stabilisation/recovery of the economic situation came: from the €-coin indicator, which recorded the first positive result in the last 15 months; from the industrial production index, which increased on a monthly basis in August for the fourth consecutive month (+0,9%), although it confirmed substantially negative changes on an annual basis; and from, the PMI (Purchasing Managers' Index) for the manufacturing sector which increased further in September.

The impacts of the economic crisis are progressively transferring to the labour market, with unemployment up to 9,7% (8,2% in December).

After reaching a record low in July (-0,7%), inflation in the area remained negative (-0,3% in September, +1,6% in December).

The need to guarantee an adequate supply of liquidity to the economy in a particularly critical phase, together with the expectation of low inflationary pressures, persuaded the ECB to confirm its expansionary monetary policy, leaving the rate on principal refinancing transactions at 1% and the interest rate on deposits at 0,25%, both unchanged.

As for Europe, while still falling (-0,5% on a quarterly basis), **Italian** GDP also recorded a significant recovery compared to the previous quarter (-2,7%) as a result of a recovery in the consumption of durable goods, which benefited from tax incentives to support some sectors.

Economic activity seemed to revive in the summer due to the gradual recovery in progress in the international scenario. Industrial production (seasonally adjusted) increased in August by 7% compared to the previous month (+2,4% in July). The year-on-year change, however, continued to remain negative (-18,3% adjusted for number of days worked).

With regard to the labour market, although contained by the simultaneous reduction in the supply of labour, the continuing difficulties in the industrial sector are fuelling progressive growth in the unemployment rate (net of seasonal factors), which after eight consecutive increases reached 7,4% at the end of June. After peaking in February, the monthly trend for requests to Government for income benefits for laid-off workers started to ease off with a reversal of the trend in June and August. Requests started to increase in September, but at a rate lower than that for the last five years. In absolute terms authorised income benefits for laid-off workers in terms of the numbers of hours not worked increased by 437% compared to September 2008.

As occurred for Europe, the inflation rate, as measured by the harmonised consumer price index, also fell to a record low in July (-0,1%) although it returned to positive levels in the months that followed (+0,4% in September).

The balance of trade deficit decreased substantially between January and August (1,4 billion euro from 7,3 billion euro in the same period of 2008), benefiting from a lower deficit in the energy sector (-12,7 billion euro) and a newly found surplus for intermediate products, which more than offset the lower contribution from consumer goods and plant and equipment.

Trends for Italian exports (-23,8%) and imports (-25,4%) confirmed the weakness of international trade in the first part of the year.

The most recent updates produced for public finance by the Ministry of the Economy and Finance⁶ forecast increases in the ratios of the net indebtedness of public administrations to GDP and of public debt to GDP for 2009 to 5,3% (2,7% in 2008) and to 115,1% (105,8%) respectively. On 7th October 2009 the European Commission started an excess deficit procedure against Italy⁷ because it has exceeded the 3% debt threshold – although of an exceptional character because it was triggered by the serious economic recession – in a manner that is neither limited nor temporary in nature.

* * *

The expectations for a rapid and strong economic recovery together with a progressive increase in the propensity to risk strengthened **equity markets**, which recorded a substantial and almost across-the-board increase in prices in the third quarter. The principal indices of stock markets in the first nine months of the year (in local currencies) performed as follows: +34,6% the Nasdaq Composite of New York, +20,6% the Ftse MIB of Milan, +18% the Xetra Dax of Frankfurt, +17,9% the Cac 40 of Paris, +17% the S&P 500 of New York, +15,8% the Ftse 100 of London, +12,6% the Nikkei 225 of Tokyo, +10,7% the DJ Industrial of New York and +4,3% the Topix of Tokyo. The rise in the MSCI index for emerging markets at the end of September was even greater, at over 60%.

In the July-September period the **mutual investment fund** sector continued to show signs of recovery which had commenced in May, ending the period with net positive inflows, which strengthened further in October and partially offset the negative performance measured since the beginning of the year. The Assogestioni (national association of asset management companies) figures for the first nine months of 2009 again showed negative total net inflows of 7,6 billion euro (-14,5 billion euro in the first half), which reflect opposing trends for Italian registered funds (-11,1 billion euro) – penalised again by a less favourable tax treatment – and for those registered abroad (+3,5 billion euro), which came to represent nearly 50% of funds in terms of assets under management.

The contraction mainly affected hedge funds (-5,3 billion euro) and bond funds (-4 billion euro), but also balanced (-1,1 billion euro) and flexible (-0,6 billion euro) funds, while equity funds (+1,8 billion euro) and monetary funds (+1,6 billion euro) improved.

The increase in equity prices, compared to the record lows recorded in March, benefited assets under management, which rose to 422,5 billion euro (+4,9% compared to December), with a change in composition over nine months into equities (up from 17% to 19,7%) and to a lesser extent into flexible funds (up from 13% to 13,3%), against a reduction in the percentages of hedge funds (from 5,3% to 3,8%) and bond funds (from 39% to 37,7%).

* * *

The **Italian banking sector** experienced constantly strong funding from customers during the year, while lending business progressively slowed and the quality of credit deteriorated at the same time, becoming more accentuated in the summer.

⁶ Note to update the Economic and Financial Programming Document for the years 2010-2013.

⁷ The measure currently affects all countries in the euro area except for Finland, Cyprus and Luxembourg.

On the basis of preliminary Bank of Italy figures⁸, *direct funding* (deposits of residents and bonds) at the end of September had increased year-on-year by 10,3% (+12,4% in December) again driven, although not so strongly, by bonds. (+14,4%), with more moderate growth by other forms of funding (+7,5%).

Lending to private sector residents weakened further (+1,3% year-on-year to September from +4,9% at the end of year), affected by the economic recession and the consequent lower demand for loans by businesses and households.

In detail, loans to households and non financial companies increased overall by 1,2% (+4,7% at the end of 2008), with modest growth in the medium-to-long term component (2,7%) compared to a decrease for loans with maturities of up to one year (-2,5%).

As concerns the type of borrower, the same figures show a slight decrease for businesses (-0,2%) compared to a still positive trend for households (+3,6%), supported by loans for home purchases (+4,5%), against basic stagnation for the various forms of consumer credit (-0,2%).

From the viewpoint of the *risk*, non performing loans to the private sector in August before write-downs, increased annually by 25,4% (+33,1% those to businesses and +13,2% those to households) and by 12,5% in the third quarter (+14,5% for businesses and +8,8% for households). The combined effect of those trends and the modest growth in lending determined an increase to 3,61% in the ratio of *gross non performing private sector loans to private sector loans*⁹, compared to 3,19% in June and 2,70% at the end of 2008.

Net non performing loans on the other hand increased by 46,5% in the period December 2008-September 2009 and by 20,1% during the quarter. The ratio of *net non performing loans to total lending* at the end of September was 1,82% (1,50% in June; 1,24% in December), while the ratio of *net non performing loans to capital and reserves* had increased to 10,86% (9,13% in June; 7,84% at the end of 2008).

As a result of the various trends affecting banking business with customers, securities issued by residents in Italy held in the portfolios of Italian banks had increased by 29,2%, year-on-year, attributable mainly to the “other certificates” component (+45,3%), and more specifically to banking bonds (which accounted for 71,8%), and to a residual extent to both medium-to-long term (CCT and BTP, +42,1%) and shorter term (BOT and CTZ, +78,3%). government securities. Consequently the ratio of *securities to private sector loans* rose to 29,2% (22,2% at the end of 2008).

The downward trend for the *average interest rate on bank funding from customers* (which includes the yield on deposits, bonds and repurchase agreements in euro for households and non financial companies), in progress for eleven months, continued down to 1,71% from 3% in December, while the *average weighted interest rate on loans to households and non financial companies* progressively fell, in line with conditions on the interbank market, to 3,93% (6,09% in December), the lowest level ever reached.

⁸ Bank of Italy, Supplement to the Statistics Bulletin “*Moneta e Banche*”, October 2009.

⁹ Both non performing loans and loans to public administrations are excluded from the calculation.

Significant events in the third quarter of 2009

Activities continued in the third quarter of 2009 to complete the business projects identified in the 2007-2010 Business Integration Plan. The original projects are 97% complete.

At the same time, after completing the merger of UBI Centrosystem into UBI Sistemi e Servizi, which became effective from 1st July 2009, initiatives were taken forward to strengthen the Group commercially. A strategic partnership in the non-life *banc assurance* sector was defined – already contained in the Business Plan – and further action was also identified to optimise the branch networks of the network banks.

With regard to the disposal of non core assets, on the one hand an agreement was reached for the sale of the Group's depository banking operations to RBC Dexia Investor Services in relation to the UBI Pramerica's mutual investment funds, together with some of the correspondent banking activities performed on behalf of Luxembourg Sicavs and Irish UCITS. On the other hand, a process was commenced to dispose of some of the assets of BPB Immobiliare as part of a broader and more detailed project to enhance the property assets of that company.

The partnership in the non-life *banc assurance* sector

On 17th September 2009, UBI Banca announced the creation of a joint venture in the non life *banc assurance* sector with Fortis and BNP Paribas Assurance. The operation will be performed with the sale by the UBI Banca Group of 50%+1 share of UBI Assicurazioni to a newly formed company (F&B Insurance Holdings), in which Fortis (50%+1 share) and BNP Paribas Assurance (50%-1 share) hold interests and with the signing of a long term contract for distribution through the branches of the UBI Banca Group.

The up front payment for the transaction amounts to 120 million euro, with an additional component spread over time (by means of an earn-out mechanism linked to the achievement of set volumes of premiums) with a present value of 40 million euro, to give a total valuation for UBI Assicurazioni of approximately 320 million euro.

On conclusion of the transaction, the UBI Banca Group will hold 50%-1 share of UBI Assicurazioni, which is currently 100% controlled.

The new partnership will enable the UBI Banca Group, amongst other things: to expand and diversify its current product range in the non life sector through the distribution of high value added products, further broadening its commercial range into segments outside auto insurance; to benefit from the business expertise of its partners in terms of product innovation; and to implement commercial strategies designed to maximise the potentials offered by bundling and cross-selling credit protection and non-life insurance products to be sold together with banking products.

The transaction should be completed, subject to authorisation by the competent authorities, by the end of 2009, to generate a gain for the UBI Banca Group, net of goodwill and taxes, of approximately 45 million euro and an estimated positive impact of approximately 10 and 13 basis points on the core tier 1 ratio and on the total capital ratio respectively.

The company will continue to be consolidated on a line-by-line basis until the transaction is completed.

Project to optimise the branch networks of the network banks of the Group

On 30th September 2009 a project was approved, based on the Group's federal model of organisation, to optimise the market coverage of the branch network of the network banks. It is designed to optimise the structure of the distribution network by the specialisation of network banks in geographical areas, with a focus on traditional local markets.

More specifically, it is planned to provide exclusive coverage of a geographical area for each network bank, by grouping the branches present in a given area under the same brand name, with an increase in market shares and greater visibility for each individual network bank. Commercial growth and credit management processes will also be simplified at the same time.

The operation will involve the intragroup transfer of approximately 300 branches and 2.200 personnel between Banca Regionale Europea (BRE), Banca Popolare Commercio e Industria (BPCI), Banca Popolare di Bergamo (BPB), Banco di Brescia (BBS) and Banco di San Giorgio (BSG). In detail:

- BRE will be the bank which will cover the Piedmont area with the transfer of the General Management from Milan to Turin;
- BPCI will be the bank which will cover the Lombard provinces of Milan and Pavia as well as the Emilian provinces of Bologna, Parma, Piacenza, Modena, Reggio Emilia and Ferrara;
- BPB will be the bank which will cover the provinces of Bergamo, Varese, Como, Lecco and Monza Brianza;
- BBS will be the bank which will cover the provinces of Brescia, Lodi, Cremona, Mantova and Triveneto;
- BSG will be the bank which will cover the Region of Liguria.

The current focus of market coverage for Banca Popolare di Ancona, Banca Carime and Banca di Valle Camonica will continue unchanged.

When the project is complete, the UBI Group will operate with a single brand name in 74 of the 78 provinces in which it is present.

The branch transfers will take place by the contribution of the business units concerned (14 are planned). Each of the five network banks receiving business assets will increase their share capital in accordance with the asset transfers. Since these are transactions "under common control" the increase in the share capital will not give rise to a share premium because the shares will be issued at the nominal value in relation to the actual value of the assets transferred. On completion of the reorganisation the original percentage ownership interests of the Parent in the network banks will be restored.

When the reorganisation operation is complete, the share structure of the banks will therefore be the same as at present, with the exception of the presence of the two foundations (the Cassa di Risparmio di Cuneo Foundation and the Banca del Monte di Lombardia Foundation), which will be rearranged to take account of the new focus of the network banks on the historical geographical areas of operation of the foundations.

The Banca del Monte di Lombardia Foundation will in fact no longer be a shareholder of Banca Regionale Europea, but will become a shareholder of Banca Popolare Commercio e Industria.

The Cassa di Risparmio di Cuneo Foundation will remain a shareholder of Banca Regionale Europea – focused on the Piedmont area – with an investment which will be increased from the current 20% to 25%, by injecting new funds.

The project will involve one-off expenses preliminarily estimated at approximately 25 million euro, mainly of a tax nature in relation to the gains to be expected from streamlining the equity investments. Administrative expenses will be charged to the income statement on an accruals basis, while tax expenses will be recognised when equity investments are transferred. The capital ratios of all the banks involved will be strengthened, with a positive impact at consolidated level estimated at approximately 10 basis points on the core tier 1 ratio, on the tier 1 ratio and on the total capital ratio.

The operation is subject to authorisation by the competent authorities. The transfer of the branches and the relative legal effectiveness are scheduled for completion in January 2010.

On 29th October 2009, legally and contractually required negotiations were commenced with the relative trade union organisations.

* * *

The **branch network** of the UBI Group as at 30th September consisted of 1.955 branches, (unchanged compared to the end of 2008), having risen to 1.956 at the date of publishing this report. Compared to June (1.949), the increase reflects the closure of one branch and the opening of nine new branches¹.

It should also be noted that – as already reported in detail in the half year interim report, which may be consulted – a series of initiatives were undertaken to optimise the branch network in the first half of the year, which led to the closure or the transformation of some units and the opening or acquisition of new branches at the same time. Some units previously providing treasury services were also transformed into mini-branches.

The Italian distribution network is completed by units dedicated specifically to private banking customers (**private banking units** – PBUs – and the associated “corners”) and to corporate customers (**corporate banking units** – CBUs – and the associated “corners”). At the end of September there were 123 private banking facilities (60 PBUs and 63 “corners”) and 123 corporate banking facilities (71 CBUs and 52 corners)² in operation.

The presence on the market is also supported by a network of 900 **financial advisors** who report to UBI Banca Private Investment. Following the implementation of the new organisational structure of the company, the distribution of the network of financial advisors was changed in July. It is now based on geographical criteria, which has eliminated the previous distinction between the “integrated” network division and the “open market” network division. Consequently, at the end of September 465 financial advisors were operating in the central northern division and the remaining 435 were working in the central southern division.

The Group possessed 2.515 ATMs as at 30th September 2009.

Finally, with regard to the Group’s international presence, Banque de Dépôts et de Gestion opened a sixth Swiss branch in Geneva at the beginning of November, while at the date of publishing this report the number of commercial co-operation agreements with foreign banks (which cover 54 countries) had risen to 35.

¹ In detail:

- **Banca Popolare di Bergamo** opened a mini-branch in July at Costa Masnaga (Lecco), while in September it transformed the “treasury” branch at Cerete (Bergamo) into a mini-branch. Then in October it closed its branch at Ciserano (Bergamo) and opened a new mini-branch in Via Rizzoli, Milan at the company RCS;
- **Banco di Brescia** opened a new branch in September at San Martino Buon Albergo (Verona);
- **Banca Regionale Europea** opened a mini-branch in September at Acqui Terme (Alessandria) in the civic hospital and a branch at Moncalieri (Turin);
- **Banca Popolare di Ancona** transformed a “treasury” branch in July into a mini-branch at Caiazzo (Caserta) while in October it opened a new branch in Naples in Piazza Bovio.

² A Banca Popolare di Bergamo private “corner” started operating at Zogno in July together with two new Banco di San Giorgio PBUs at La Spezia and Sanremo.

The positioning of the Group

The table summarises the positioning of the UBI Group in terms of branches as at 30th June 2009 and as at 31st December 2008.

The main changes compared to the end of the year relate to Liguria – as a result of the business units in the province of La Spezia acquired from Intesa Sanpaolo – and to Calabria and Basilicata, principally affected in June by action taken to optimise market presence, which included the closure of units.

At the end of the first half, the UBI Banca Group had a market share of more than 10% in 17 Italian provinces, in addition to a substantial presence in some major Italian provinces (approximately 10% in Milan and 4% in Rome).

The disposal of depositary banking and correspondent banking activities

On 28th September 2009, RBC Dexia Investor Services³ (RBC Dexia) and UBI Banca signed a contract for the transfer to RBC Dexia of a business unit consisting of the depositary banking business of the UBI Banca Group (more than 19 billion euro of assets administered, relating mainly to mutual fund management activities performed by the subsidiary UBI Pramerica SGR, the third largest mutual fund manager in Italy).

The agreement also comprises the transfer by UBI Banca of some correspondent banking contracts for the supply of paying agent services in Italy to Luxembourg Sicavs and Irish UCITS, subject to client agreement.

As part of the agreements, RBC Dexia will also supply custody and settlement services to UBI Banca for foreign securities activities relating to customer and proprietary business.

As a result of this transaction, RBC Dexia will become the largest supplier of services in the sixth largest fund market in Europe, while, by benefiting from the services of a global specialist able to guarantee a high standard of service in the depositary banking sector, UBI Banca will be able to further optimise its operational risk and continue to invest in and focus on its core business of supplying products and services to its own customers.

The value of the transaction amounts to 93 million euro, on the basis of a ten year contract for the supply of depositary banking services to UBI Pramerica by RBC Dexia.

The disposal will generate a net gain for the UBI Banca Group of more than 80 million euro and a positive impact estimated at approximately 10 basis points on the consolidated core tier 1 ratio and the consolidated total capital ratio.

The operation is subject to authorisations by the competent authorities and should be completed before the end of the first half of 2010. The proportion of the assets and liabilities relating to the business units in question have therefore been recognised in the financial

UBI Banca Group: market shares

Branches	30.6.2009	31.12.2008
North Italy	6,5%	6,4%
Lombardy	13,3%	13,2%
<i>Prov. of Bergamo</i>	20,8%	19,8%
<i>Prov. of Brescia</i>	22,3%	22,2%
<i>Prov. of Como</i>	6,4%	6,5%
<i>Prov. of Lecco</i>	5,5%	5,5%
<i>Prov. of Mantua</i>	6,5%	6,6%
<i>Prov. of Milan</i>	9,4%	9,4%
<i>Prov. of Pavia</i>	16,4%	16,4%
<i>Prov. of Varese</i>	26,4%	26,7%
Piedmont	8,2%	8,2%
<i>Prov. of Alessandria</i>	10,9%	10,9%
<i>Prov. of Cuneo</i>	24,7%	24,7%
<i>Prov. of Novara</i>	5,0%	5,0%
Liguria	5,9%	4,3%
<i>Prov. of Genoa</i>	4,9%	4,6%
<i>Prov. of Imperia</i>	5,6%	5,7%
<i>Prov. of Savona</i>	5,7%	5,2%
<i>Prov. of La Spezia</i>	10,7%	0,7%
Central Italy	3,7%	3,7%
Marches	9,0%	9,2%
<i>Prov. of Ancona</i>	11,1%	11,2%
<i>Prov. of Macerata</i>	9,8%	10,1%
<i>Prov. of Ascoli Piceno</i>	6,6%	6,6%
<i>Prov. of Pesaro-Urbino</i>	8,2%	8,3%
Latium	4,3%	4,3%
<i>Prov. of Viterbo</i>	15,5%	15,5%
<i>Prov. of Rome</i>	4,0%	3,9%
South Italy	8,3%	8,6%
Campania	5,8%	6,1%
Calabria	21,9%	23,1%
<i>Prov. of Catanzaro</i>	14,4%	14,6%
<i>Prov. of Cosenza</i>	25,6%	26,9%
<i>Prov. of Crotona</i>	18,9%	18,9%
<i>Prov. of Reggio Calabria</i>	21,6%	23,2%
<i>Prov. of Vibo Valentia</i>	26,8%	28,6%
Basilicata	14,6%	16,8%
<i>Prov. of Matera</i>	15,7%	18,2%
<i>Prov. of Potenza</i>	14,0%	16,1%
Apulia	8,1%	8,1%
<i>Prov. of Brindisi</i>	12,1%	12,0%
Total Italy	5,7%	5,7%

³ RBC Dexia Investor Services is a joint venture between the Royal Bank of Canada and Dexia which provides a full range of services for investors at global level.

statements as at 30th September 2009 within the line items 150 “Non-current assets and disposal groups held for sale” and 90 “Liabilities associated with disposal groups held for sale” in the balance sheet.

Legally and contractually required negotiations with the relative trade union organisations will commence in coming weeks.

Funding

On 23rd September 2009, UBI Banca performed a **first issuance of covered bonds** as part of a programme for a maximum issuance of 10 billion euro published in July 2008, the only “multi-originator” programme in Italy, which will eventually involve the participation of ten banks in the Group.

This “jumbo”, fixed rate, seven year maturity (23rd September 2016) issuance for one billion euro met with demand amounting to seven billion euro, through a book building process which lasted just half an hour.

Initially announced with a spread indication equal to the seven year mid-swap rate plus 65 basis points, it was priced at the seven year mid-swap rate plus 60 basis points, corresponding to a coupon rate of 3,625%.

The covered bonds – which were assigned an AAA/Aaa rating by Fitch and Moody’s – were sold at 99,466% of the par amount and admitted for listing on the London exchange.

The inaugural issuance – with Barclays as the arranger and Barclays, Deutsche Bank, Natixis and Société Générale as joint lead managers – was met by the participation of more than 120 institutional investors.

The issue is backed by UBI Finance Srl in which a portfolio of residential mortgages was formed, which as at 30th September 2009 totalled approximately 1,7 billion euro, 67,6% of which originated by Banco di Brescia and the remaining 32,4% by Banca Regionale Europea. More specifically, the segregated portfolio consists of 22.278 mortgages with a residual average debt of less than 75.500 euro and an average loan to value ratio of 58%. Geographically 92% of the portfolio is concentrated in northern Italy (85% in Lombardy and Piedmont and over 4% in Veneto) and approximately 6% in Latium.

With this issuance UBI Banca has further diversified its sources of institutional funding which, in addition to its EMTN and covered bond issues, designed to meet medium-to-long term requirements, also includes short term instruments, such as French certificates of deposit and euro commercial paper, introduced since June 2008.

* * *

As already reported in detail in the half year interim report, the issuance of the bond “*UBI 2009/2013 convertibile con facoltà di rimborso in azioni*” was completed in July with the issue on 10th July 2009 of 50.129.088 convertible bonds with a nominal amount of 12,75 euro, a maturity of four years (10th July 2013) and paying a fixed gross annual coupon of 5,75%, for a total nominal amount of 639.145.872 euro.

The period for the exercise of rights ended on 10th July with the subscription of 97,74% of the bonds offered. The option rights not exercised were offered for sale on the stock exchange, in accordance with paragraph 3 of article 2441 of the Italian Civil Code, and they were entirely sold on 20th July in the first five days of the relative auction. Consequently, there was no need for any intervention by the underwriting group.

The convertible bonds have been traded on the Mercato Telematico Azionario (screen based stock market) managed by Borsa Italiana since 20th July 2009 at prices which, while fluctuating, have remained above 110.

The convertible bond sold constitutes an immediate source of medium term funding which may be transformed, after 18 months (from January 2011), into an instrument to strengthen capital if the needs of the Group require it, by exercising the conversion option.

The conversion option contained in the regulations of the bond affords a maximum of flexibility to the issuer, while at the same time protecting investors who are guaranteed redemption, in cash and/or shares, of the nominal amount of the bonds even if the share price of the bond is less than the nominal amount of the bond (in addition to a premium of 10% of the nominal amount if the bond is called early by the issuer).

A general meeting of the bondholders – convened, in accordance with Art. 2415, paragraph 1, No. 1 of the Italian Civil Code, for 20th-21st October 2009, to pass resolutions concerning the appointment, the term of office and the remuneration of a common representative – was not held due to the failure to reach a quorum for the valid constitution of the meeting. Consequently, on the basis of Art. 2417, paragraph 2, of the Italian Civil Code, the Management Board will present an application to the Court of Bergamo to appoint an official common representative.

Finally UBI Banca has put an additional financial instrument in place to strengthen capital in the medium term, consisting of “*Warrant azioni ordinarie UBI Banca 2009/2011*” warrants issued free of charge to shareholders on 18th May, as part of a capital management plan which also involved the withdrawal of tier 1 and lower tier 2 liabilities by means of a public exchange offer completed on 25th June (see the half year interim financial report as at 30th June 2009).

Changes in the consolidation scope and corporate transactions

No changes were made to the scope of consolidation compared to 30th June 2009 except for those reported below:

- **Banca Popolare di Ancona Spa:** UBI Banca continued purchases of small fractions of the shares from the minority shareholders amounting to 0,0153% of the share capital. The interest held as at 30th September 2009 had therefore risen to 99,3301% (99,3148% in June 2009);
- **UBI Sistemi e Servizi SCpA:** on 1st July the merger of UBI CentroSystem took effect, with effect from 1st January 2009 for accounting and tax purposes;
- **Coralis Rent Srl:** following the losses incurred, in an extraordinary meeting of 23rd July 2009 the shareholders resolved to fully replenish them (5,8 million euro) by drawing down all the available reserves (2,6 million euro) and all the share capital (0,4 million euro) and by means of a payment of 3,2 million euro by UBI Banca (inclusive of the reconstitution of the share capital). Following that operation the Parent became the sole shareholder of Coralis Rent, because Mercato Impresa had waived its right to subscribe and did not intend to maintain its interest in the share capital of the company.

In consideration of the deterioration in the economic situation and the new strategies of the Group, on 6th November 2009 Coralis Rent ceased marketing its long term leasing service to focus exclusively on the management of existing contracts. The company will continue to ensure that it meets its commitments to complete existing contracts and those in any case already entered into;

- **Banco di San Giorgio Spa:** as part of a recapitalisation operation for a total of 75 million euro for the purchase of operations from Intesa Sanpaolo consisting of 13 branches located in the province of La Spezia, the offer period for the second increase in the share capital ended on 20th August 2009. The operation was for a maximum of 6.627.885,62 euro, consisting of a rights issue for existing shareholders, but excluding the shareholders to whom the first increase in the share capital was reserved, for a maximum of 1.231.949 shares at an issue price of 5,38 euro, consisting of a nominal amount of 1,50 euro and a share premium of 3,88 euro.

Option rights were taken up on 259.960 shares and 23.449 shares have been applied for under pre-emption rights. In consideration of the commitment made to guarantee the successful outcome of the operation, the remaining shares have been subscribed by UBI Banca (362.418 shares) and by Banca Regionale Europea (586.122 shares).

As a result of these operations, as at 30th September 2009 Banco di San Giorgio was 92,7842% controlled (35,451% by UBI Banca and 57,3332% by BRE), while the share capital had risen to 87.841.249,50 euro. As at 30th June 2009 the share capital of this bank amounted to 85.993.326 euro and it was 93,1235% controlled.

Group human resources

At the end of the quarter, the human resources of the UBI Banca Group totalled 20.798 personnel, a decrease of 730 compared to 21.528 in September 2008.

As can be seen from the table, synergies were achieved mainly by the Parent (-113⁴ employees), the network banks (-222) and UBI.S (-96). At Group level synergies also involved a total of 299 personnel employed through staff leasing contracts, including 258 in network banks, 22 at UBI.S, 16 at the Parent and three in other companies.

Number	Employees actually in service				Employees on the payroll		
	30.9.2009	30.9.2008	Changes	31.12.2008	30.9.2009	30.9.2008	Changes
	A	B	A-B	C	D	E	D-E
Parent	1.393	1.506	-113	1.520	2.275	2.273	2
Network Banks	14.918	15.140	-222	14.946	15.314	15.726	-412
UBI Sistemi e Servizi	1.867	1.963	-96	1.795	667	696	-29
Other Group member companies	2.084	2.084	-	2.073	2.019	2.009	10
TOTAL	20.262	20.693	-431	20.334	20.275	20.704	-429
Personnel on agency leasing contracts	536	835	-299	431	536	835	-299
TOTAL PERSONNEL	20.798	21.528	-730	20.765			
On secondment outside the Group							
- out	14	12	2	12			
- in					1	1	-
TOTAL WORKFORCE	20.812	21.540	-728	20.777	20.812	21.540	-728

Total personnel numbers increased on the other hand by 33 compared to the end of 2008 in relation to greater use of temporary personnel to ensure normal functioning of branch activities over the summer period, which was partly offset by synergies achieved during the period.

Composition of employees on the payroll

	30.9.2009	30.9.2008	Changes	31.12.2008
Total employees	20.275	20.704	-429	20.345
of which: permanent	19.643	19.751	-108	19.676
on temporary contracts	607	953	-346	669
apprentices (*)	25	-	25	-

(*) Contract regulated by Legislative Decree No. 276/2003 (Biagi Law) 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.

The table gives details of changes in the types of employment contract, which as a whole resulted in a reduction in personnel numbers of 429 over twelve months and of 70 compared to December.

As concerns the **redundancy plan**, activated on the basis of the trade union agreement of 14th August 2007 and applicable to UBI Banca, the network banks and UBI.S, 32 redundancies were achieved in the third quarter of 2009 which, added to the 784 personnel who had left up until 30th June 2009, brought the total number of personnel leaving to 30th September 2009 to 816.

The redundancy plan will continue in the remaining months of 2009, involving a further 50 personnel, and it will be completed in 2010.

4 This reduction included 98 transfers to UBI.S due to the transfer of some activities from the Parent to UBI.S.

As concerns the related [recruitment plan](#), further temporary contracts were converted to permanent contracts in the third quarter to bring the total since the start of the plan (August 2007) to 371, compared to 425 planned, subject to reaching dimension objectives set in the Business Plan. The 54 remaining contract conversions will be completed in coming months.

Performance in the third quarter of 2009

The third quarter of the year saw a further reduction in operating costs and also less impairment of the lending portfolio, in a context of a continuing weak economic situation, but of recovery on financial markets. These factors had positive effects on the net result for the period which, on a normalised basis, rose to 64,8 million euro from 23,2 million euro in the second quarter (April-June 2009).

The three months in question can hardly be compared to the third quarter of 2008, which represented just the beginning of the economic crisis induced by the turbulence on financial markets. A quarterly comparison, however, reveals factors of interest. In detail:

- **net interest income** – with lending basically stable and the continuation of the reduction in market interest rates – fell by 7,1% to approximately 573 million euro (-11,8% without the reclassification of maximum overdraft charges into commissions);
- **net commissions** – despite the continued penalisation of traditional banking services by the slowdown in the economy – benefited from the components earned on assets under management (growing since the second quarter) amounting to 297,2 million euro, an increase of 1% (+14% without the reclassification of the old maximum overdraft charges out of net interest income into commissions);
- **financial activities** – as a result of the favourable performance by markets – made a positive contribution of 26,4 million euro, an increase compared to 350 thousand euro in the preceding quarter (if non-recurring items are excluded, which included a gain on the public exchange offer on subordinated debt amounting to 60,6 million euro). The finance contribution to operating income is therefore returning to the levels normally provided by the Finance Area, consistent with the prudent risk management policies adopted by the Group;
- **operating costs** fell to 606,4 million euro (-2,9%) and included, 373,4 million euro of personnel expenses (+1,9%), 174,9 million euro of administrative expenses (-12,9%) and 58,1 million euro of depreciation and amortisation (+1%);
- **net impairment losses on loans** fell to 197,3 million euro (-16,2%), accompanied by a significant slowdown in reclassifications of loans into deteriorated categories. The cost of credit stood at 0,82% (annualised), a decrease compared to 0,97% recorded in the previous quarter.

The following quarterly changes in balance sheet figures were recorded:

- **direct funding from customers** – 95,5 billion euro – fell by approximately 0,6 billion euro, the result of opposing performance on the one hand by amounts due to customers (-2,2 billion euro), which were affected by less repurchase agreement business and also by the IFRS 5 classification of the depositary banking operations and on the other hand by securities issued (+1,6 billion euro) and bonds in particular, which benefited from the issue of a convertible bond and the first issuance of covered bonds;
- **indirect funding from customers** rose to 78,7 billion euro, an increase of 3,2 billion euro, mainly as a result of trends on financial markets. It included 1,4 billion euro relating to assets under custody and 1,8 billion euro to assets under management. Mutual investment funds recorded the liveliest performance within the latter item (+1,2 billion euro);
- **lending to customers** – 96,6 billion euro – fell by 0,3 billion euro (-0,3%, compared to -0,6% estimated by the Bank of Italy for the Italian banking sector). The reduction mainly affected shorter maturity items due to lower demand for loans to fund working capital from businesses, which was only partially offset by the increase in consumer credit, mortgages and other medium-to-long term lending.

Reclassified consolidated financial statements and reconciliations

Reclassified consolidated balance sheet

Figures in thousands of euro		30.9.2009 A	31.12.2008 B	Changes A-B	% change A/B	30.9.2008 C	Changes A-C	% change A/C
ASSETS								
10.	Cash and cash equivalents	613.101	793.657	-180.556	-22,7%	556.927	56.174	10,1%
20.	Financial assets held for trading	1.431.752	2.326.654	-894.902	-38,5%	1.915.381	-483.629	-25,2%
30.	Financial assets at fair value	191.583	460.157	-268.574	-58,4%	1.014.669	-823.086	-81,1%
40.	Available-for-sale financial assets	5.257.186	4.351.838	905.348	20,8%	4.060.565	1.196.621	29,5%
50.	Held-to-maturity investments	1.687.077	1.630.844	56.233	3,4%	1.396.121	290.956	20,8%
60.	Loans to banks	3.101.108	3.053.704	47.404	1,6%	2.748.587	352.521	12,8%
70.	Loans to customers	96.554.963	96.368.452	186.511	0,2%	98.020.148	-1.465.185	-1,5%
80.	Hedging derivatives	652.898	792.398	-139.500	-17,6%	188.926	463.972	245,6%
90.	Fair value change of hedged financial assets (+/-)	403.522	335.417	68.105	20,3%	8.685	394.837	n.s.
100.	Equity investments	360.098	246.099	113.999	46,3%	249.561	110.537	44,3%
110.	Technical reserves of reinsurers	35.249	88.362	-53.113	-60,1%	85.462	-50.213	-58,8%
120.	Property, plant and equipment and investment property	2.094.140	2.170.867	-76.727	-3,5%	2.118.217	-24.077	-1,1%
130.	Intangible assets	5.588.714	5.531.633	57.081	1,0%	5.549.111	39.603	0,7%
	<i>of which: goodwill</i>	4.447.194	4.338.486	108.708	2,5%	4.360.612	86.582	2,0%
140.	Tax assets	1.200.391	1.512.530	-312.139	-20,6%	1.077.604	122.787	11,4%
150.	Non-current assets and disposal groups held for sale	398.011	18.931	379.080	n.s.	19.803	378.208	n.s.
160.	Other assets	1.931.071	2.274.142	-343.071	-15,1%	2.585.655	-654.584	-25,3%
Total assets		121.500.864	121.955.685	-454.821	-0,4%	121.595.422	-94.558	-0,1%
LIABILITIES AND SHAREHOLDERS' EQUITY								
10.	Due to banks	5.306.536	3.980.922	1.325.614	33,3%	7.071.811	-1.765.275	-25,0%
20.	Due to customers	51.383.644	54.150.681	-2.767.037	-5,1%	50.464.444	919.200	1,8%
30.	Securities issued	44.162.873	43.440.556	722.317	1,7%	43.829.206	333.667	0,8%
40.	Financial liabilities held for trading	815.697	799.254	16.443	2,1%	477.339	338.358	70,9%
60.	Hedging derivatives	883.088	635.129	247.959	39,0%	337.193	545.895	161,9%
80.	Tax liabilities	1.132.291	1.514.050	-381.759	-25,2%	1.528.496	-396.205	-25,9%
90.	Liabilities associated with disposal groups held for sale	810.081	4.412	805.669	n.s.	6.609	803.472	n.s.
100.	Other liabilities	3.743.221	4.030.238	-287.017	-7,1%	4.111.175	-367.954	-9,0%
110.	Staff severance provision	440.728	433.094	7.634	1,8%	424.990	15.738	3,7%
120.	Provisions for risks and charges:	282.450	295.429	-12.979	-4,4%	375.015	-92.565	-24,7%
	a) pension and similar obligations	69.820	81.285	-11.465	-14,1%	81.149	-11.329	-14,0%
	b) other provisions	212.630	214.144	-1.514	-0,7%	293.866	-81.236	-27,6%
130.	Technical reserves	195.215	408.076	-212.861	-52,2%	385.463	-190.248	-49,4%
140.+170. +180.+190.	Share capital, share premiums and reserves	11.104.760	11.071.206	33.554	0,3%	10.849.749	255.011	2,4%
210.	Minority interests	1.052.983	1.123.637	-70.654	-6,3%	1.113.892	-60.909	-5,5%
220.	Net profit for the period	187.297	69.001	n.s.	n.s.	620.040	-432.743	-69,8%
Total liabilities and shareholders' equity		121.500.864	121.955.685	-454.821	-0,4%	121.595.422	-94.558	-0,1%

Reclassified consolidated quarterly balance sheets

Figures in thousands of euro	30th September 2009	30th June 2009	31st March 2009	31st December 2008	30th September 2008	30th June 2008	31st March 2008 pro-forma
ASSETS							
10. Cash and cash equivalents	613.101	600.755	601.322	793.657	556.927	529.922	518.117
20. Financial assets held for trading	1.431.752	1.634.912	2.072.595	2.326.654	1.915.381	2.275.860	2.384.417
30. Financial assets at fair value	191.583	252.388	398.076	460.157	1.014.669	1.254.337	1.472.379
40. Available-for-sale financial assets	5.257.186	5.483.644	5.316.954	4.351.838	4.060.565	3.678.806	3.789.154
50. Held-to-maturity investments	1.687.077	1.577.276	1.657.865	1.630.844	1.396.121	1.401.857	1.261.503
60. Loans to banks	3.101.108	3.184.949	2.824.055	3.053.704	2.748.587	3.221.741	3.200.893
70. Loans to customers	96.554.963	96.830.116	96.892.382	96.368.452	98.020.148	96.506.114	93.126.196
80. Hedging derivatives	652.898	641.238	604.739	792.398	188.926	217.615	174.286
90. Fair value change of hedged financial assets (+/-)	403.522	313.129	461.224	335.417	8.685	-70.934	6.715
100. Equity investments	360.098	337.162	297.068	246.099	249.561	230.911	274.543
110. Technical reserves of reinsurers	35.249	72.166	77.691	88.362	85.462	84.441	83.682
120. Property, plant and equipment and investment property	2.094.140	2.098.840	2.144.779	2.170.867	2.118.217	2.131.786	2.137.213
130. Intangible assets	5.588.714	5.603.009	5.613.720	5.531.633	5.549.111	5.568.650	5.596.736
<i>of which: goodwill</i>	4.447.194	4.446.873	4.446.250	4.338.486	4.360.612	4.357.430	4.357.165
140. Tax assets	1.200.391	1.163.829	1.555.575	1.512.530	1.077.604	1.004.769	1.239.694
150. Non-current assets and disposal groups held for sale	398.011	71.265	20.704	18.931	19.803	19.803	13.205
160. Other assets	1.931.071	1.978.893	1.940.263	2.274.142	2.585.655	2.662.354	2.851.620
Total assets	121.500.864	121.843.571	122.479.012	121.955.685	121.595.422	120.718.032	118.130.353
LIABILITIES AND SHAREHOLDERS' EQUITY							
10. Due to banks	5.306.536	6.073.741	5.953.954	3.980.922	7.071.811	6.179.055	8.205.228
20. Due to customers	51.383.644	53.612.989	53.992.027	54.150.681	50.464.444	51.185.280	48.180.652
30. Securities issued	44.162.873	42.522.368	41.707.004	43.440.556	43.829.206	42.416.184	40.389.743
40. Financial liabilities held for trading	815.697	746.246	856.656	799.254	477.339	794.656	722.880
60. Hedging derivatives	883.088	724.402	981.373	635.129	337.193	396.679	297.082
70. Fair value change in hedged financial liabilities (+/-)	-	-	-	-	-	-	10.939
80. Tax liabilities	1.132.291	1.014.788	1.633.358	1.514.050	1.528.496	1.360.800	1.937.137
90. Liabilities associated with disposal groups held for sale	810.081	156	77	4.412	6.609	6.609	-
100. Other liabilities	3.743.221	3.916.535	3.939.651	4.030.238	4.111.175	4.756.203	4.212.915
110. Staff severance provision	440.728	436.763	430.450	433.094	424.990	425.648	449.500
120. Provisions for risks and charges:	282.450	289.167	292.517	295.429	375.015	361.253	317.248
a) pension and similar obligations	69.820	72.758	80.892	81.285	81.149	82.361	83.517
b) other provisions	212.630	216.409	211.625	214.144	293.866	278.892	233.731
130. Technical reserves	195.215	391.352	405.032	408.076	385.463	380.198	381.520
140.+170.+ 180.+190. Share capital, share premiums and reserves	11.104.760	10.942.579	11.152.097	11.071.206	10.849.749	10.841.295	11.642.377
210. Minority interests	1.052.983	1.046.548	1.110.471	1.123.637	1.113.892	1.094.986	1.163.862
220. Net profit for the period	187.297	125.937	24.345	69.001	620.040	519.186	219.270
Total liabilities and shareholders' equity	121.500.864	121.843.571	122.479.012	121.955.685	121.595.422	120.718.032	118.130.353

Reclassified consolidated income statement

	30.9.2009	30.9.2008	Changes	% changes	3rd Quarter 2009	3rd Quarter 2008	31.12.2008
Figures in thousands of euro							
10.-20. Net interest income	1.842.626	2.074.631	(232.005)	(11,2%)	572.951	698.776	2.810.297
<i>of which: effects of the purchase price allocation</i>	(48.285)	(58.470)	(10.185)	(17,4%)	(15.198)	(15.172)	(77.238)
<i>Net interest income excluding the effects of the PPA</i>	1.890.911	2.133.101	(242.190)	(11,4%)	588.149	713.948	2.887.535
70. Dividends and similar income	9.753	69.994	(60.241)	(86,1%)	6.253	1.519	71.204
Profit (loss) of equity investments valued using the equity method	18.992	14.574	4.418	30,3%	8.828	374	18
40.-50. Net commission income	882.802	1.036.290	(153.488)	(14,8%)	297.178	322.090	1.360.105
80.+90.+100.+110. Net income from trading, hedging and disposal/repurchase activities and from assets/liabilities at fair value	93.046	(49.704)	142.750	n.s.	26.363	(60.596)	(242.261)
150.+160. Net income from insurance operations	30.996	16.554	14.442	87,2%	8.967	2.743	9.639
220. Other operating income/(expense)	68.766	66.889	1.877	2,8%	24.249	17.815	80.737
Operating income	2.946.981	3.229.228	(282.247)	(8,7%)	944.789	982.721	4.089.739
Operating income excluding the effects of the PPA	2.995.266	3.287.698	(292.432)	(8,9%)	959.987	997.893	4.166.977
180.a Personnel expenses	(1.118.228)	(1.190.773)	(72.545)	(6,1%)	(373.370)	(380.090)	(1.584.178)
180.b Other administrative expenses	(558.449)	(537.461)	20.988	3,9%	(174.874)	(165.293)	(749.260)
Net impairment losses on property, plant and equipment and investment property and intangible assets	(173.643)	(200.443)	(26.800)	(13,4%)	(58.143)	(66.949)	(277.910)
<i>of which: effects of the purchase price allocation</i>	(49.576)	(54.701)	(5.125)	(9,4%)	(16.526)	(18.237)	(81.364)
<i>Net impairment losses on property, plant and equipment and investment property and intangible assets excluding the effects of the PPA</i>	(124.067)	(145.742)	(21.675)	(14,9%)	(41.617)	(48.712)	(196.546)
Operating costs	(1.850.320)	(1.928.677)	(78.357)	(4,1%)	(606.387)	(612.332)	(2.611.348)
Operating costs excluding the effects of the PPA	(1.800.744)	(1.873.976)	(73.232)	(3,9%)	(589.861)	(594.095)	(2.529.984)
Net operating income	1.096.661	1.300.551	(203.890)	(15,7%)	338.402	370.389	1.478.391
Net operating income excluding the effects of the PPA	1.194.522	1.413.722	(219.200)	(15,5%)	370.126	403.798	1.636.993
130.a Net impairment losses on loans	(592.544)	(255.824)	336.720	131,6%	(197.349)	(102.868)	(566.223)
130.b+c+d Net impairment losses on other assets/liabilities	(35.554)	5.629	(41.183)	n.s.	(580)	2.122	(510.550)
190. Net provisions for risks and charges	(29.492)	(39.020)	(9.528)	(24,4%)	(2.621)	(13.100)	(34.489)
240.+270. Profits (loss) from disposal of equity investments	3.618	80.286	(76.668)	(95,5%)	(213)	1.196	84.985
Profit (loss) on continuing operations before tax	442.689	1.091.622	(648.933)	(59,4%)	137.639	257.739	452.114
Profit (loss) on continuing operations before tax excluding the effects of the PPA	540.550	1.204.793	(664.243)	(55,1%)	169.363	291.148	610.716
290. Taxes on income for the period for continuing operations	(220.918)	(347.108)	(126.190)	(36,4%)	(67.883)	(120.023)	(221.564)
<i>of which: effects of the purchase price allocation</i>	31.439	36.938	(5.499)	(14,9%)	10.189	11.123	51.258
Integration costs	(14.832)	(45.411)	(30.579)	(67,3%)	(3.875)	(16.954)	(67.236)
<i>of which: personnel expenses</i>	(11.529)	(33.258)	(21.729)	(65,3%)	(2.563)	(14.735)	(47.796)
<i>other administrative expenses</i>	(5.700)	(29.478)	(23.778)	(80,7%)	(1.690)	(8.288)	(41.920)
<i>net impairment losses on property, plant and equipment and investment property and intangible assets</i>	(3.864)	(1.991)	1.873	94,1%	(1.289)	(951)	(6.223)
<i>taxes</i>	6.261	19.316	(13.055)	(67,6%)	1.667	7.020	28.703
310. After tax profit (loss) from discontinued operations	5.155	(11.029)	16.184	n.s.	(33)	-	(15.727)
330. Profit (loss) for the period attributable to minority interests	(24.797)	(68.034)	(43.237)	(63,6%)	(4.488)	(19.908)	(78.586)
<i>of which: effects of the purchase price allocation</i>	11.819	12.716	(897)	(7,1%)	4.219	3.646	18.868
<i>Profit (loss) for the period attributable to the shareholders of the Parent excluding the effects of the PPA</i>	241.900	683.557	(441.657)	(64,6%)	78.676	119.494	157.477
Profit (loss) for the period attributable to the shareholders of the Parent	187.297	620.040	(432.743)	(69,8%)	61.360	100.854	69.001
<i>Total impact of the purchase price allocation on the income statement</i>	<i>(54.603)</i>	<i>(63.517)</i>	<i>(8.914)</i>	<i>(14,0%)</i>	<i>(17.316)</i>	<i>(18.640)</i>	<i>(88.476)</i>

Reclassified consolidated quarterly income statements

Figures in thousands of euro		2009		
		3rd Quarter	2nd Quarter	1st Quarter
10.-20.	Net interest income	572.951	616.804	652.871
	<i>of which: effects of the purchase price allocation</i>	(15.198)	(18.027)	(15.060)
	<i>Net interest income excluding the effects of the PPA</i>	588.149	634.831	667.931
70.	Dividends and similar income	6.253	1.656	1.844
	Profit (loss) of equity investments valued using the equity method	8.828	5.956	4.208
40.-50.	Net commission income	297.178	294.300	291.324
80.+90.+100.+110.	Net income from trading, hedging and disposal/repurchase activities and from assets/liabilities at fair value	26.363	48.429	18.254
150.+160.	Net income from insurance operations	8.967	16.088	5.941
220.	Other operating income/(expense)	24.249	23.226	21.291
	Operating income	944.789	1.006.459	995.733
	Operating income excluding the effects of the PPA	959.987	1.024.486	1.010.793
180.a	Personnel expenses	(373.370)	(366.294)	(378.564)
180.b	Other administrative expenses	(174.874)	(200.793)	(182.782)
200.+210.	Net impairment losses on property, plant and equipment and investment property and intangible assets	(58.143)	(57.546)	(57.954)
	<i>of which: effects of the purchase price allocation</i>	(16.526)	(16.525)	(16.525)
	<i>Net impairment losses on property, plant and equipment and investment property and intangible assets excluding the effects of the PPA</i>	(41.617)	(41.021)	(41.429)
	Operating costs	(606.387)	(624.633)	(619.300)
	Operating costs excluding the effects of the PPA	(589.861)	(608.108)	(602.775)
	Net operating income	338.402	381.826	376.433
	Net operating income excluding the effects of the PPA	370.126	416.378	408.018
130.a	Net impairment losses on loans	(197.349)	(235.622)	(159.573)
130.b+c+d	Net impairment losses on other assets and liabilities	(580)	39.372	(74.346)
190.	Net provisions for risks and charges	(2.621)	(17.081)	(9.790)
240.+270.	Profits (loss) from disposal of equity investments	(213)	(357)	4.188
	Profit (loss) on continuing operations before tax	137.639	168.138	136.912
	Profit (loss) on continuing operations before tax excluding the effects of the PPA	169.363	202.690	168.497
290.	Taxes on income for the period for continuing operations	(67.883)	(50.367)	(102.668)
	<i>of which: effects of the purchase price allocation</i>	10.189	11.106	10.144
	Integration costs	(3.875)	(4.555)	(6.402)
	<i>of which: personnel expenses</i>	(2.563)	(3.998)	(4.968)
	<i>other administrative expenses</i>	(1.690)	(1.136)	(2.874)
	<i>net impairment losses on property, plant and equipment and investment property and intangible assets</i>	(1.289)	(1.312)	(1.263)
	<i>taxes</i>	1.667	1.891	2.703
310.	After tax profit (loss) from discontinued operations	(33)	(5)	5.193
330.	Profit (loss) for the period attributable to minority interests	(4.488)	(11.619)	(8.690)
	<i>of which: effects of the purchase price allocation</i>	4.219	4.117	3.483
	<i>Profit (loss) for the period attributable to the shareholders of the Parent excluding the effects of the PPA</i>	78.676	120.921	42.303
	Profit (loss) for the period attributable to the shareholders of the Parent	61.360	101.592	24.345
	<i>Total impact of the purchase price allocation on the income statement</i>	<i>(17.316)</i>	<i>(19.329)</i>	<i>(17.958)</i>

Reclassified consolidated income statement without the reclassification of the maximum overdraft charge

	30.9.2009	30.9.2008	Changes	% changes	3rd Quarter 2009	3rd Quarter 2008	31.12.2008
Figures in thousands of euro							
10.-20. Net interest income	1.924.942	2.203.603	(278.661)	(12,6%)	577.084	740.671	2.982.127
<i>of which: effects of the purchase price allocation</i>	<i>(48.285)</i>	<i>(58.470)</i>	<i>(10.185)</i>	<i>(17,4%)</i>	<i>(15.198)</i>	<i>(15.172)</i>	<i>(77.238)</i>
<i>Net interest income excluding the effects of the PPA</i>	<i>1.973.227</i>	<i>2.262.073</i>	<i>(288.846)</i>	<i>(12,8%)</i>	<i>592.282</i>	<i>755.843</i>	<i>3.059.365</i>
70. Dividends and similar income	9.753	69.994	(60.241)	(86,1%)	6.253	1.519	71.204
Profit (loss) of equity investments valued using the equity method	18.992	14.574	4.418	30,3%	8.828	374	18
40.-50. Net commission income	800.486	907.318	(106.832)	(11,8%)	293.045	280.195	1.188.275
80.+90.+100.+110. Net income from trading, hedging and disposal/repurchase activities and from assets/liabilities at fair value	93.046	(49.704)	142.750	n.s.	26.363	(60.596)	(242.261)
150.+160. Net income from insurance operations	30.996	16.554	14.442	87,2%	8.967	2.743	9.639
220. Other operating income/(expense)	68.766	66.889	1.877	2,8%	24.249	17.815	80.737
Operating income	2.946.981	3.229.228	(282.247)	(8,7%)	944.789	982.721	4.089.739
Operating income excluding the effects of the PPA	2.995.266	3.287.698	(292.432)	(8,9%)	959.987	997.893	4.166.977
180.a Personnel expenses	(1.118.228)	(1.190.773)	(72.545)	(6,1%)	(373.370)	(380.090)	(1.584.178)
180.b Other administrative expenses	(558.449)	(537.461)	20.988	3,9%	(174.874)	(165.293)	(749.260)
200.+210. Net impairment losses on property, plant and equipment and investment property and intangible assets	(173.643)	(200.443)	(26.800)	(13,4%)	(58.143)	(66.949)	(277.910)
<i>of which: effects of the purchase price allocation</i>	<i>(49.576)</i>	<i>(54.701)</i>	<i>(5.125)</i>	<i>(9,4%)</i>	<i>(16.526)</i>	<i>(18.237)</i>	<i>(81.364)</i>
<i>Net impairment losses on property, plant and equipment and investment property and intangible assets excluding the effects of the PPA</i>	<i>(124.067)</i>	<i>(145.742)</i>	<i>(21.675)</i>	<i>(14,9%)</i>	<i>(41.617)</i>	<i>(48.712)</i>	<i>(196.546)</i>
Operating costs	(1.850.320)	(1.928.677)	(78.357)	(4,1%)	(606.387)	(612.332)	(2.611.348)
Operating costs excluding the effects of the PPA	(1.800.744)	(1.873.976)	(73.232)	(3,9%)	(589.861)	(594.095)	(2.529.984)
Net operating income	1.096.661	1.300.551	(203.890)	(15,7%)	338.402	370.389	1.478.391
Net operating income excluding the effects of the PPA	1.194.522	1.413.722	(219.200)	(15,5%)	370.126	403.798	1.636.993
130.a Net impairment losses on loans	(592.544)	(255.824)	336.720	131,6%	(197.349)	(102.868)	(566.223)
130.b+c+d Net impairment losses on other assets/liabilities	(35.554)	5.629	(41.183)	n.s.	(580)	2.122	(510.550)
190. Net provisions for risks and charges	(29.492)	(39.020)	(9.528)	(24,4%)	(2.621)	(13.100)	(34.489)
240.+270. Profits (loss) from disposal of equity investments	3.618	80.286	(76.668)	(95,5%)	(213)	1.196	84.985
Profit (loss) on continuing operations before tax	442.689	1.091.622	(648.933)	(59,4%)	137.639	257.739	452.114
Profit (loss) on continuing operations before tax excluding the effects of the PPA	540.550	1.204.793	(664.243)	(55,1%)	169.363	291.148	610.716
290. Taxes on income for the period for continuing operations	(220.918)	(347.108)	(126.190)	(36,4%)	(67.883)	(120.023)	(221.564)
<i>of which: effects of the purchase price allocation</i>	<i>31.439</i>	<i>36.938</i>	<i>(5.499)</i>	<i>(14,9%)</i>	<i>10.189</i>	<i>11.123</i>	<i>51.258</i>
Integration costs	(14.832)	(45.411)	(30.579)	(67,3%)	(3.875)	(16.954)	(67.236)
<i>of which: personnel expenses</i>	<i>(11.529)</i>	<i>(33.258)</i>	<i>(21.729)</i>	<i>(65,3%)</i>	<i>(2.563)</i>	<i>(14.735)</i>	<i>(47.796)</i>
<i>other administrative expenses</i>	<i>(5.700)</i>	<i>(29.478)</i>	<i>(23.778)</i>	<i>(80,7%)</i>	<i>(1.690)</i>	<i>(8.288)</i>	<i>(41.920)</i>
<i>net impairment losses on property, plant and equipment and investment property and intangible assets</i>	<i>(3.864)</i>	<i>(1.991)</i>	<i>1.873</i>	<i>94,1%</i>	<i>(1.289)</i>	<i>(951)</i>	<i>(6.223)</i>
<i>taxes</i>	<i>6.261</i>	<i>19.316</i>	<i>(13.055)</i>	<i>(67,6%)</i>	<i>1.667</i>	<i>7.020</i>	<i>28.703</i>
310. After tax profit (loss) from discontinued operations	5.155	(11.029)	16.184	n.s.	(33)	-	(15.727)
330. Profit (loss) for the period attributable to minority interests	(24.797)	(68.034)	(43.237)	(63,6%)	(4.488)	(19.908)	(78.586)
<i>of which: effects of the purchase price allocation</i>	<i>11.819</i>	<i>12.716</i>	<i>(897)</i>	<i>(7,1%)</i>	<i>4.219</i>	<i>3.646</i>	<i>18.868</i>
<i>Profit (loss) for the period attributable to the shareholders of the Parent excluding the effects of the PPA</i>	<i>241.900</i>	<i>683.557</i>	<i>(441.657)</i>	<i>(64,6%)</i>	<i>78.676</i>	<i>119.494</i>	<i>157.477</i>
Profit (loss) for the period attributable to the shareholders of the Parent	187.297	620.040	(432.743)	(69,8%)	61.360	100.854	69.001
<i>Total impact of the purchase price allocation on the income statement</i>	<i>(54.603)</i>	<i>(63.517)</i>	<i>(8.914)</i>	<i>(14,0%)</i>	<i>(17.316)</i>	<i>(18.640)</i>	<i>(88.476)</i>

For information purposes, the reclassified consolidated income statement, together with the quarterly income statements, are presented without the reclassification of Maximum Overdraft Charges (MOC), i.e. maintaining MOC within net interest income and recognising commitment fees within net commissions from 1st July 2009.

Without that reclassification net interest income in the first nine months of 2009 fell by 12,6% (-22,1% in the third quarter of 2009 compared to the same period in 2008), while commissions fell by 11,8% (+4,6% on a quarterly basis).

Reclassified consolidated quarterly income statements without the reclassification of the maximum overdraft charge

Figures in thousands of euro		2009			2008			
		3rd Quarter	2nd Quarter	1st Quarter	4th Quarter	3rd Quarter	2nd Quarter	1st Quarter pro-forma
10.-20.	Net interest income	577.084	654.067	693.791	778.524	740.671	731.909	731.023
	<i>of which: effects of the purchase price allocation</i>	(15.198)	(18.027)	(15.060)	(18.768)	(15.172)	(24.079)	(19.219)
	<i>Net interest income excluding the effects of the PPA</i>	592.282	672.094	708.851	797.292	755.843	755.988	750.242
70.	Dividends and similar income	6.253	1.656	1.844	1.210	1.519	66.839	1.636
	Profit (loss) of equity investments valued using the equity method	8.828	5.956	4.208	(14.556)	374	5.470	8.730
40.-50.	Net commission income	293.045	257.037	250.404	280.957	280.195	305.747	321.376
80.+90.+100.+110.	Net income from trading, hedging and disposal/repurchase activities and from assets/liabilities at fair value	26.363	48.429	18.254	(192.557)	(60.596)	37.980	(27.088)
150.+160.	Net income from insurance operations	8.967	16.088	5.941	(6.915)	2.743	9.700	4.111
220.	Other operating income/(expense)	24.249	23.226	21.291	13.848	17.815	20.793	28.281
	Operating income	944.789	1.006.459	995.733	860.511	982.721	1.178.438	1.068.069
	Operating income excluding the effects of the PPA	959.987	1.024.486	1.010.793	879.279	997.893	1.202.517	1.087.288
180.a	Personnel expenses	(373.370)	(366.294)	(378.564)	(393.405)	(380.090)	(415.289)	(395.394)
180.b	Other administrative expenses	(174.874)	(200.793)	(182.782)	(211.799)	(165.293)	(198.404)	(173.764)
200.+210.	Net impairment losses on property, plant and equipment and investment property and intangible assets	(58.143)	(57.546)	(57.954)	(77.467)	(66.949)	(66.942)	(66.552)
	<i>of which: effects of the purchase price allocation</i>	(16.526)	(16.525)	(16.525)	(26.663)	(18.237)	(18.237)	(18.227)
	<i>Net impairment losses on property, plant and equipment and investment property and intangible assets excluding the effects of the PPA</i>	(41.617)	(41.021)	(41.429)	(50.804)	(48.712)	(48.705)	(48.325)
	Operating costs	(606.387)	(624.633)	(619.300)	(682.671)	(612.332)	(680.635)	(635.710)
	Operating costs excluding the effects of the PPA	(589.861)	(608.108)	(602.775)	(656.008)	(594.095)	(662.398)	(617.483)
	Net operating income	338.402	381.826	376.433	177.840	370.389	497.803	432.359
	Net operating income excluding the effects of the PPA	370.126	416.378	408.018	223.271	403.798	540.119	469.805
130.a	Net impairment losses on loans	(197.349)	(235.622)	(159.573)	(310.399)	(102.868)	(93.299)	(59.657)
130.b+c+d	Net impairment losses on other assets and liabilities	(580)	39.372	(74.346)	(516.179)	2.122	3.517	(10)
190.	Net provisions for risks and charges	(2.621)	(17.081)	(9.790)	4.531	(13.100)	(17.431)	(8.489)
240.+270.	Profits (loss) from disposal of equity investments	(213)	(357)	4.188	4.699	1.196	21.708	57.382
	Profit (loss) on continuing operations before tax	137.639	168.138	136.912	(639.508)	257.739	412.298	421.585
	Profit (loss) on continuing operations before tax excluding the effects of the PPA	169.363	202.690	168.497	(594.077)	291.148	454.614	459.031
290.	Taxes on income for the period for continuing operations	(67.883)	(50.367)	(102.668)	125.544	(120.023)	(66.345)	(160.740)
	<i>of which: effects of the purchase price allocation</i>	10.189	11.106	10.144	14.320	11.123	13.782	12.033
	Integration costs	(3.875)	(4.555)	(6.402)	(21.825)	(16.954)	(14.037)	(14.420)
	<i>of which: personnel expenses</i>	(2.563)	(3.998)	(4.968)	(14.538)	(14.735)	(8.634)	(9.889)
	<i>other administrative expenses</i>	(1.690)	(1.136)	(2.874)	(12.442)	(8.288)	(10.788)	(10.402)
	<i>net impairment losses on property, plant and equipment and investment property and intangible assets</i>	(1.289)	(1.312)	(1.263)	(4.232)	(951)	(718)	(322)
	<i>taxes</i>	1.667	1.891	2.703	9.387	7.020	6.103	6.193
310.	After tax profit (loss) from discontinued operations	(33)	(5)	5.193	(4.698)	-	(11.029)	-
330.	Profit (loss) for the period attributable to minority interests	(4.488)	(11.619)	(8.690)	(10.552)	(19.908)	(20.971)	(27.155)
	<i>of which: effects of the purchase price allocation</i>	4.219	4.117	3.483	6.152	3.646	4.942	4.128
	<i>Profit (loss) for the period attributable to the shareholders of the Parent excluding the effects of the PPA</i>	78.676	120.921	42.303	(526.080)	119.494	323.508	240.555
	Profit (loss) for the period attributable to the shareholders of the Parent	61.360	101.592	24.345	(551.039)	100.854	299.916	219.270
	<i>Total impact of the purchase price allocation on the income statement</i>	<i>(17.316)</i>	<i>(19.329)</i>	<i>(17.958)</i>	<i>(24.959)</i>	<i>(18.640)</i>	<i>(23.592)</i>	<i>(21.285)</i>

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

	non-recurring items								non-recurring items						Changes A-B	% changes A/B		
	30.9.2009	PEO gain on own subordinated securities	Disposal and impairment of equity investments	Write-down of DD Growth Fund	Integration costs	Tax realignment pursuant to Art. 15, paragraph 3, Decree Law 185/2008	Disposal of UBI insurance agent operations and 1 branch + portion of CBU of BPCI	Coralis Rent provision	30.9.2009 net of non-recurring items A	30.9.2008	Disposal and impairment of equity investments	Redemption of EC section	Net impairment losses on guarantees	Adjustment of BPCI and Carime branch disposal price			Integration costs	30.9.2008 net of non-recurring items B
Figures in thousands of euro																		
Net interest income (including the effects of PPA)	1.842.626								1.842.626	2.074.631						2.074.631	(232.005)	(11,2%)
Dividends and similar income	9.753								9.753	69.994						69.994	(60.241)	(86,1%)
Profit (loss) of equity investments valued using the equity method	18.992								18.992	14.574						14.574	4.418	30,3%
Net commission income	882.802								882.802	1.036.290						1.036.290	(153.488)	(14,8%)
Net income from trading, hedging and disposal/repurchase activities and from assets/liabilities at fair value	93.046	(60.549)		25.234					57.731	(49.704)	(7.055)					(56.759)	114.490	n.s.
Net income from insurance operations	30.996								30.996	16.554						16.554	14.442	87,2%
Other net operating income/(expense)	68.766								68.766	66.889						66.889	1.877	2,8%
Operating income (including the effects of PPA)	2.946.981	(60.549)	-	25.234	-	-	-	-	2.911.666	3.229.228	(7.055)	-	-	-	-	3.222.173	(310.507)	(9,6%)
Personnel expenses	(1.118.228)								(1.118.228)	(1.190.773)						(1.190.773)	(72.545)	(6,1%)
Other administrative expenses	(558.449)								(558.449)	(537.461)						(537.461)	20.988	3,9%
Net impairment losses on property, plant and equipment and investment property and intangible assets (including the effects of PPA)	(173.643)								(173.643)	(200.443)						(200.443)	(26.800)	(13,4%)
Operating costs (including the effects of PPA)	(1.850.320)	-	-	-	-	-	-	-	(1.850.320)	(1.928.677)	-	-	-	-	-	(1.928.677)	(78.357)	(4,1%)
Net operating income (including the effects of PPA)	1.096.661	(60.549)	-	25.234	-	-	-	-	1.061.346	1.300.551	(7.055)	-	-	-	-	1.293.496	(232.150)	(17,9%)
Net impairment losses on loans	(592.544)								(592.544)	(255.824)						(255.824)	336.720	131,6%
Net impairment losses on other assets and liabilities	(35.554)		32.369						(3.185)	5.629	6.432		(8.524)			3.537	(6.722)	n.s.
Net provisions for risks and charges	(29.492)								(23.136)	(39.020)						(39.020)	(15.884)	(40,7%)
Profit (loss) from disposal of equity investments	3.618		(2.618)						1.000	80.286	(78.808)					1.478	(478)	(32,3%)
Profit (loss) on continuing operations before tax (including the effects of PPA)	442.689	(60.549)	29.751	25.234	-	-	-	6.356	443.481	1.091.622	(79.431)	-	(8.524)	-	-	1.003.667	(560.186)	(55,8%)
Taxes on income for the period for continuing operations	(220.918)	19.588	(576)	(8.156)				(12.629)	(224.745)	(347.108)	7.545	(73.832)	2.344			(411.051)	(186.306)	(45,3%)
Integration costs	(14.832)								14.832	(45.411)						45.411	-	-
of which: personnel expenses	(11.529)								11.529	(33.258)						33.258	-	-
other administrative expenses	(5.700)								5.700	(29.478)						29.478	-	-
net impairment losses on property, plant and equipment and investment property and intangible assets	(3.864)								3.864	(1.991)						1.991	-	-
taxes	6.261								(6.261)	19.316						(19.316)	-	-
After tax profit (loss) from discontinued operations	5.155								(5.155)	(11.029)						11.029	-	-
Profit (loss) for the period attributable to minority interests	(24.797)		185		(1.136)		1.839	424	(62)	(68.034)	554	6.115	900	(1.831)	(2.566)	(64.862)	(41.315)	(63,7%)
Profit (loss) for the period attributable to the shareholders of the Parent	187.297	(40.961)	29.360	17.078	13.696	(10.790)	(4.731)	4.240	195.189	620.040	(71.332)	(67.717)	(5.280)	9.198	42.845	527.754	(332.565)	(63,0%)
Annualised ROE	2,2%								2,3%	7,6%						6,5%		
Cost / Income ratio (including the effects of PPA)	62,8%								63,5%	59,7%						59,9%		
Cost / Income ratio (excluding the effects of PPA)	60,1%								60,8%	57,0%						57,1%		

Reconciliation schedule to 30th September 2009

Items	RECLASSIFIED INCOME STATEMENT Figures in thousands of euro	30th September 2009 mandatory consolidated financial statements	reclassifications						30th September 2009 reclassified consolidated financial statements
			integration costs	net income from insurance operations	tax recoveries	profit of investments valued at equity	depreciation for improvements to leased assets	maximum overdraft charges	
10.-20. Net interest income		1.933.480			(8.538)			(82.316)	1.842.626
70. Dividends and similar income		9.753							9.753
Profit (loss) of equity investments valued using the equity method		-				18.992			18.992
40.-50. Net commission income		800.486						82.316	882.802
80.+90.+100.+110. Net income from trading, hedging and disposal/repurchase activities and from assets/liabilities at fair value		93.051			(5)				93.046
150.+160. Net income from insurance operations		21.342		9.654					30.996
220. Other net operating income/(expense)		178.788		(1.111)	(114.878)		5.967		68.766
Operating income		3.036.900			(114.878)	18.992	5.967		2.946.981
180.a Personnel expenses		(1.129.757)	11.529						(1.118.228)
180.b Other administrative expenses		(679.027)	5.700		114.878				(558.449)
200.+210. Net impairment losses on property, plant and equipment and investment property and intangible assets		(171.540)	3.864				(5.967)		(173.643)
Operating costs		(1.980.324)	21.093		114.878		(5.967)		(1.850.320)
Net operating income		1.056.576	21.093						1.096.661
130.a Net impairment losses on loans		(592.544)							(592.544)
130.b+c+d +260. Net impairment losses on other assets and liabilities		(35.554)							(35.554)
190. Net provisions for risks and charges		(29.492)							(29.492)
240.+270. Profit (loss) from disposal of equity investments		22.610				(18.992)			3.618
Profit (loss) on continuing operations before tax		421.596	21.093						442.689
290. Taxes on income for the period for continuing operations		(214.657)		(6.261)					(220.918)
Integration costs		-	(14.832)						(14.832)
310. After tax profit (loss) from discontinued operations		5.155							5.155
330. Profit (loss) for the period attributable to minority interests		(24.797)							(24.797)
Profit (loss) for the period attributable to the shareholders of the Parent		187.297							187.297

Reconciliation schedule to 30th September 2008

Items	RECLASSIFIED INCOME STATEMENT Figures in thousands of euro	30th September 2008 mandatory consolidated financial statements	reclassifications						
			realignment effects	integration costs	net income from insurance operations	tax recoveries	profit of investments valued at equity	depreciation for improvements to leased assets	maximum overdraft charges
10.-20. Net interest income		2.213.862				(10.259)			(128.972)
70. Dividends and similar income		69.994						14.574	
Profit (loss) of equity investments valued using the equity method		-							
40.-50. Net commission income		899.041	8.277						128.972
80.+90.+100.+110. Net income from trading, hedging and disposal/repurchase activities and from assets/liabilities at fair value		(49.704)							
150.+160. Net income from insurance operations		5.678			10.876				
220. Other net operating income/(expense)		185.763	(8.277)		(617)	(117.181)		7.201	
Operating income		3.324.634				(117.181)	14.574	7.201	
180.a Personnel expenses		(1.224.031)		33.258					
180.b Other administrative expenses		(684.120)		29.478		117.181			
200.+210. Net impairment losses on property, plant and equipment and investment property and intangible assets		(195.233)		1.991				(7.201)	
Operating costs		(2.103.384)		64.727		117.181		(7.201)	
Net operating income		1.221.250		64.727			14.574		
130.a Net impairment losses on loans		(255.824)							
130.b+c+d +260. Net impairment losses on other assets and liabilities		5.629							
190. Net provisions for risks and charges		(39.020)							
240.+270. Profit (loss) from disposal of equity investments		94.860					(14.574)		
Profit (loss) on continuing operations before tax		1.026.895		64.727					
290. Taxes on income for the period for continuing operations		(327.792)		(19.316)					
Integration costs		-	(45.411)						
310. After tax profit (loss) from discontinued operations		(11.029)							
330. Profit (loss) for the period attributable to minority interests		(68.034)							
Profit (loss) for the period attributable to the shareholders of the Parent		620.040							

Notes to the financial statements

The mandatory financial statements were prepared on the basis of Bank of Italy Circular No. 262 of 22nd December 2005 and subsequent amendments and additions.

With regard to the creation of a joint venture in the non-life *banc assurance* sector that was announced and the related partial disposal of UBI Assicurazioni, since the necessary authorisations had not yet been received, the operation had not been completed at that time and therefore as at 30th September 2009, the company was consolidated on a line-by-line basis with the recognition of the proportion of the assets and liabilities subject to future disposal within the items 150 “Non-current assets and disposal groups held for sale” and 90 “Liabilities associated with disposal groups held for sale” in the balance sheet. The remaining portion of the assets and liabilities relating to the company in question is therefore recognised within the relevant items in the balance sheet, in application of the line-by-line consolidation method.

A **commitment fee** was introduced from 1st July 2009 which eliminated, amongst other things, the maximum overdraft charge. This brought about a reclassification – made in the reclassified financial statements only and not the mandatory financial statements – of the amounts for that fee, classified within interest until 30th June 2009.

In consideration of the commission nature of the commitment fee, the income from the maximum overdraft charge was reclassified out of net interest income into net commission income for all periods prior to 30th September 2009.

Details are given in the annual report for 2008 and in the interim financial report as at 30th June 2009, which may be consulted, on the following: the partial disposal of UBI Assicurazioni Vita (now Aviva Assicurazioni Vita), completed on 18th June 2008, which resulted in a pro-forma adjustment as at 31st March 2008, and other reclassifications performed to 31st December 2008, concerning repurchase agreements with an institutional counterparty, the alignment with Group accounting policies by some non banking companies and compliance with Bank of Italy instructions concerning statutory auditors’ fees.

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

- net income from insurance companies comprises the revenues of UBI Assicurazioni Spa: net interest, net premiums (item 150), income from trading activities and net income from insurance operations and other (items 160 and 220 in the mandatory financial statements);
- the tax recoveries recognised within item 220 of the mandatory financial statements (other operating income/expenses) were reclassified as a reduction in indirect taxes included within other administrative expenses
- the item profit (loss) of equity investments valued using the equity method includes the profit (loss) of equity investments valued using the equity method included within item 240 in the mandatory financial statements;
- the item net impairment losses on property, plant and equipment and investment property and intangible assets includes items 200 and 210 in the mandatory financial statements and the instalments relating to the depreciation of costs incurred for improvements to third party assets classified within item 220;
- the item profit (loss) on the disposal of equity investments includes the item 240, net of profit (loss) of equity investments valued using the equity method, and item 270 in the mandatory financial statements;
- the item other net operating income/expense includes item 220, net of the reclassifications mentioned above;
- integration costs include leaving incentive plan expenses and other personnel expenses, administrative expenses (relating to IT migrations, the centralisation of operations and advertising programmes in the first quarter of 2008, and to consulting services for the implementation of integration projects in the first quarter of 2009) and impairment losses on property, plant and equipment and investment property and intangible assets.

The reconciliation of the items in the reclassified financial statements with the figures in the mandatory financial statements, prepared on the basis of Bank of Italy Circular No. 262 of 22nd December 2005, 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 performance and in compliance with CONSOB Communication No. DEM/6064293 of 28th July 2006, a special schedule has been included in the reclassified financial statements to show the impact on earnings only 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 2009

- gain on public exchange offer;
- write-down of the interest held in Intesa Sanpaolo and gain on the disposal of IW Bank shares;
- write-down of DD Growth Fund;
- integration costs;
- tax effects of realignment pursuant to Art. 15, paragraph 3 of Decree Law No. 185/2008;
- disposal of UBI Assicurazioni agent operations and sale to BPVI of a Palermo branch, by BPCI, and a part of a Brescia corporate business unit;
- provisions for risks and charges set aside in relation to Coralys Rent;

January-September 2008

- gains on the disposal of UBI Pramerica SGR and UBI Assicurazioni Vita shares and of an interest held in Key Client and the write-down of the interest held in Hopa;
- tax effects in relation to the tax redemption in the EC section;
- change in the method of calculating collective impairment losses on guarantees issued;
- price adjustment for disposal of BPCI and Carime branches;
- integration costs.

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 most significant non-recurring items) contained in another section and the tables furnishing details are also based on those statements. The explanatory notes that follow those reclassified financial statements may be consulted as may the reconciliation schedules for a description of the reclassification.

Despite the continuing weakness of the economic situation, **the third quarter of 2009** benefited from the recovery of financial markets, from a further reduction in operating costs and also from less impairment of the lending portfolio. Furthermore, the income statement figures confirm a revenue structure, which, while penalised by interest rates at record low levels, is returning to pre-crisis levels, although still not fully reflected in the growth in profit for the period: 61,4 million euro, compared to 100,9 million euro in the third quarter of 2008.

In year-on-year terms, **the first nine months of the year** ended with a net profit of 187,3 million euro, restrained by the modest demand for loans from businesses and households, by the overall impairment losses on loans and also by the impairment of AFS financial assets which accumulated in the first half, even though significant positive contributions came from trading income and far from negligible savings on expenses.

The UBI Banca Group achieved net profit of 620 million euro in the same period of 2008, which benefited not only from a different economic scenario, but also from some extraordinary items of income¹.

The **comprehensive income** of the Group – obtained by summing net profit in the income statement to expense and income items recognised in equity – nevertheless improved substantially from 293,5 million euro to the current 450 million euro². This item, which was affected mainly by movements in the fair value reserves for available-for-sale financial assets, does in fact state the wealth generated and/or absorbed by operations in broader terms, because it eliminates the asymmetry in the accounts created by the method for recognising fair value.

Operating income amounted to 2.947 million euro in the period in question, a fall of 8,7% compared to 2008, as a result of both the performance by interest income and net commissions, partly offset by the positive result for financial activities.

As reported in the section entitled “Interim consolidated financial statements as at 30th September 2009” and in the notes to the reclassified financial statements, the introduction of a commitment fee from 1st July 2009 made it advisable to reclassify the old maximum overdraft charges (MOC) out of net interest income (into net commissions) in order to enable a uniform comparison to be made. These amounted to 82,3 million euro for 2009 and to 129 million euro for the first nine months of 2008. As is known, the commitment fee is of an all encompassing nature, which, with a view to simplification, has eliminated not only the maximum overdraft charge, but also a series of other commissions applied to credit lines and to authorised current account overdrafts. In overall terms, this resulted in a reduction in income from 43,5 million euro in the second quarter to 37,8 million euro in the third quarter of 2009, although it will only be

¹ If non-recurring items are excluded, which were negative by 7,9 million euro in 2009 (mainly due to the impairment loss on the interest held in Intesa Sanpaolo, to the total write-down of the DD Growth fund and the presence of integration costs, although offset by the gain on the public exchange offers and the effects of the tax realignment) and positive by 92,3 million in 2008 (as a result of sales of shares held in UBI Pramerica SGR and in UBI Assicurazioni Vita and of the impacts of the EC section tax redemption, although offset by substantial integration costs), net profit amounted to 195,2 million euro, compared to 527,8 million euro in the comparative period.

² See the “Statement of comprehensive income” included among the consolidated financial statements following the amendments made to IAS 1 and IAS 34 by EC Reg. No. 1274/2008, starting with the interim financial report as at 30th June 2009.

possible to make a final assessment of the impacts after the situation has stabilised over a few quarters.

Net interest income, which includes the cost of the PPA amounting to 48,3 million euro, fell in the first nine months of the year by 11,2% to 1.842,6 million euro (-12,6% without the reclassification of the MOCs), suffering in particular from the difficulties encountered by sectors of production in the economy and also by the drastic cuts in market interest rates³, which had the following repercussions:

- the net balance on business with customers amounted to a little more than 1,7 billion euro (-11,4%), affected by trends for average volumes of business generated by the network banks (-3,5% the year-on-year change in lending and +3,5% that for funding), due to both a change in composition towards longer maturities for funding and lending and in particular to the interest rate effect, with a reduction in the customer spread of over 50 basis points;
- financial activities connected with the owned securities portfolio provided income of 138 million euro, compared to 195,8 million euro previously, although investments in debt securities grew over twelve months by more than 900 million euro. Moreover, in September 2008 the item still included 27 million euro relating to capitalisation insurance certificates, subsequently reimbursed;
- the balance on net interest on the interbank market was negative by 16,6 million euro, a marked increase compared to -68,3 million euro in 2008, as a result of a reduction in average Group indebtedness towards the banking system.

Dividends received on shares owned fell to 9,8 million euro from 70 million euro previously, mainly the result of the absence of 55,1 million euro in relation to the interest held in Intesa Sanpaolo, which distributed no profits on its ordinary shares, for last year.

Profits of equity investments valued using the equity method, on the other hand, rose to approximately 19 million euro (14,6 million in 2008) consisting of 6,7 million euro from Lombarda Vita, 5,5 million euro from Aviva Vita, 3,3 million euro from Aviva Assicurazioni Vita and 2,1 million euro from Arca SGR.

Interest and similar income: composition

Figures in thousands of euro	Performing financial assets		Impaired financial assets	Other assets	30.9.2009	30.9.2008
	Debt securities	Financing				
1. Financial assets held for trading	7.188	-	-	25	7.213	22.408
2. Financial assets at fair value	-	-	-	-	-	27.083
3. Available-for-sale financial assets	63.205	-	-	-	63.205	83.464
3. Held-to-maturity investments	11.638	-	-	-	11.638	12.999
5. Loans to banks	-	36.170	-	407	36.577	120.787
6. Loans to customers	2.801	2.904.789	93.339	1.263	3.002.192	4.012.434
7. Hedging derivatives	X	X	X	-	-	-
8. Financial assets transferred not derecognised	99.705	16.064	939	-	116.708	174.108
9. Other assets	X	X	X	581	581	3.223
Total	184.537	2.957.023	94.278	2.276	3.238.114	4.456.506

Interest and similar expense: composition

Figures in thousands of euro	Borrowings	Securities	Other liabilities	30.9.2009	30.9.2008
1. Due to banks	(44.927)	X	(68)	(44.995)	(168.217)
2. Due to customers	(312.611)	X	(510)	(313.121)	(789.853)
3. Securities issued	X	(913.452)	-	(913.452)	(1.187.590)
4. Financial liabilities held for trading	(268)	-	-	(268)	(103.009)
5. Financial liabilities at fair value	-	-	-	-	-
6. Financial liabilities against assets transferred not derecognised	(26.017)	-	-	(26.017)	(27.256)
7. Other liabilities	X	X	(1.708)	(1.708)	(370)
8. Hedging derivatives	X	X	(95.927)	(95.927)	(105.580)
Total	(383.823)	(913.452)	(98.213)	(1.395.488)	(2.381.875)
Net interest income				1.842.626	2.074.631

³ The average progressive one month Euribor rate fell from 4,458% in the first nine months of 2008 to 1,084% in 2009, a reduction of 337 basis points. Furthermore the average Euribor rate fell from 4,597% to 0,541% in the third quarter alone.

on interest rates; 0,3 million euro (-12,1 million euro) from equity instruments (and the relative derivatives); 2,3 million euro (-23,3 million euro) from hedge funds;

- the result for **financial assets and liabilities at fair value**, relating to hedge funds subscribed subsequent to 1st July 2007, was negative by 22,5 million euro, inclusive in reality of 25,2 million for the complete write-down of the DD Growth fund (classified within non-recurring items);
- **hedging activity** – consisting of the change in the fair value of hedging derivatives and of the relative items hedged – generated a practically break-even result (-0,8 million euro) compared to -8,2 million euro previously;
- **income from the disposal/repurchase of financial assets and liabilities** rose to 80,1 million euro, the result, on the one hand of the gain on the public exchange offer (60,5 million euro, recognised within non-recurring items) and, on the other hand, of profits from the disposal of equity instruments (5,5 million euro⁵) and from the disinvestment of BTPs in asset swaps, classified within AFS financial assets (approximately 20 million euro).

Net trading income (loss)

Figures in thousands of euro	Gains (A)	Income from trading (B)	Losses (C)	Losses from trading (D)	Net result 30.9.2009 [(A+B)-(C+D)]	30.9.2008
1. Financial assets held for trading	84.669	205.179	(50.169)	(94.691)	144.988	(433.466)
1.1 Debt securities	14.030	11.089	(978)	(3.618)	20.523	(12.661)
1.2 Equity instruments	18.891	4.846	(2.815)	(5.771)	15.151	(61.046)
1.3 Units in O.I.C.R. (collective investment instruments)	774	1.938	(106)	(303)	2.303	(23.343)
1.4 Financing	-	-	0	(2.782)	(2.782)	(1.949)
1.5 Other	50.974	187.306	(46.270)	(82.217)	109.793	(334.467)
2. Financial liabilities held for trading	313	6	(150)	(1)	168	(1.804)
2.1 Debt securities	-	-	(149)	-	(149)	(125)
2.2 Debts	-	-	-	-	-	-
2.3 Other	313	6	(1)	(1)	317	(1.679)
3. Other financial assets and liabilities: exchange rate differences	X	X	X	X	799	1.075
4. Derivative instruments	488.343	1.960.047	(458.829)	(1.999.638)	(109.655)	433.374
4.1 Financial derivatives	488.343	1.959.215	(458.555)	(1.999.638)	(110.213)	434.895
- on debt securities and interest rates	457.703	1.939.789	(438.258)	(1.954.752)	4.482	37.554
- on equity instruments and share indices	5.056	15.327	(4.880)	(30.308)	(14.805)	48.961
- on currencies and gold	X	X	X	X	(99.578)	346.658
- other	25.584	4.099	(15.417)	(14.578)	(312)	1.722
4.2 Credit derivatives	-	832	(274)	-	558	(1.521)
Total	573.325	2.165.232	(509.148)	(2.094.330)	36.300	(821)

Net hedging income (loss)

Figures in thousands of euro	30.9.2009	30.9.2008
Net hedging income (loss)	(843)	(8.195)

Income/expenses from disposal or repurchase

Figures in thousands of euro	Income	Expenses	Net income 30.9.2009	30.9.2008
Financial assets				
1. Loans to banks	-	-	-	-
2. Loans to customers	-	(50)	(50)	(994)
3. Available-for-sale financial assets	26.443	(1.935)	24.508	7.309
3.1 Debt securities	20.986	(1.588)	19.398	(103)
3.2 Equity instruments	5.457	-	5.457	7.231
3.3 Units in O.I.C.R. (collective investment instruments).	-	(347)	(347)	181
3.4 Financing	-	-	-	-
4. Held-to-maturity investments	-	-	-	-
Total assets	26.443	(1.985)	24.458	6.315
Financial liabilities				
1. Due to banks	-	-	-	-
2. Due to customers	-	-	-	-
3. Securities issued	63.774	(8.139)	55.635	5.714
Total liabilities	63.774	(8.139)	55.635	5.714
Total	90.217	(10.124)	80.093	12.029

Net income/expenses on financial assets and liabilities at fair value

Figures in thousands of euro	30.9.2009	30.9.2008
Net income/expenses on financial assets and liabilities at fair value	(22.504)	(52.717)

Net income from trading, hedging and disposal/repurchase activities and from assets/liabilities at fair value	93.046	(49.704)
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⁵ Including 2,1 million euro (net of a consolidation adjustment) for the sale of the interest held in Cedacri by BRE, 1,5 million euro in relation to the disposal of the SIA-SSB investment and approximately one million from taking up the public tender offer to purchase on Meliorbanca shares.

Net income on insurance operations almost doubled to approximately 31 million euro from 16,6 million euro in the first nine months of 2008, which was affected by extraordinary provisions.

The amount includes net interest (8,5 million euro), the balance on other income/expenses for insurance operations, net premiums (21,3 million euro) and other income/expenses (1,1 million euro) all relating to UBI Assicurazioni.

Other net operating income/expense increased to 68,8 million euro (66,9 million in 2008), to record a progressive recovery during the year in quarterly terms.

As can be seen from the table, income fell by 5 million euro, due to recoveries of insurance premiums and taxes and also to lower exceptional receivables. Operating costs on the other hand fell by 6,9 million euro, partly as a result of an accounting realignment of the figure for September 2008 which affected the network banks after the migration onto the target IT system.

Other operating income and costs

Figures in thousands of euro	30.9.2009	30.9.2008
Other operating income	139.251	144.293
Recovery of expenses and other income on current accounts	20.137	19.182
Recovery of insurance premiums	23.481	24.648
Recoveries of taxes	114.878	117.181
Rents and other income for property management	6.353	5.953
Recovery of expenses on financial lease contracts	9.981	10.890
Other income and exceptional receivables	79.299	83.620
Reclassification of "tax recoveries"	(114.878)	(117.181)
Other operating expenses	(70.485)	(77.404)
Depreciation of improvements to leased assets	(5.967)	(7.201)
Costs relating to financial lease contracts	(5.391)	(5.706)
Costs for public authority treasury contracts	(5.580)	(6.032)
Ordinary maintenance of investment properties	(9)	(8)
Other costs and exceptional payables	(59.505)	(65.658)
Reclassification of depreciation of improvements to leased assets	5.967	7.201
Other operating income and costs	68.766	66.889

Operating costs fell by 4,1% over the first nine months of the year, compared to the period January-September 2008, amounting to a little more than 1,8 billion euro. The quarterly trend for the aggregate in 2009 shows average costs falling close to 617 million euro, 26 million euro lower than the average quarterly figure in the first nine months of 2008 (643 million euro).

Personnel expenses fell by 6,1% to 1,1 billion euro, with savings of 72,5 million euro. As shown from the composition reported in the table, almost all items recorded a decrease. In detail, employee related expenses fell by 69,7 million euro, attributable mainly to the variable components of remuneration, in relation to company and Group performance, and also to changes in average personnel numbers. Expenses relating to other personnel fell by one million euro, while remuneration paid to directors and statutory auditors decreased by 1,7 million euro, following decisions taken in the first months of the current year by the Supervisory and Management Boards (see the 2008 Annual Report).

Personnel expenses: composition

Figures in thousands of euro	30.9.2009	30.9.2008
1) Employees	(1.080.174)	(1.149.908)
a) Wages and salaries	(748.171)	(793.278)
b) Social security charges	(198.135)	(214.765)
c) Severance indemnity	(1.260)	(2.214)
d) Pension expense	(93)	(69)
e) Provision charge for severance payments	(11.907)	(19.598)
f) Provision charge for pensions and similar obligations:	(3.102)	(3.029)
- defined contribution	-	-
- defined service	(3.102)	(3.029)
g) Payments to external supplementary retirement benefit plans:	(82.382)	(79.155)
- defined contribution	(82.382)	(79.124)
- defined service	-	(31)
h) Expenses resulting from share based payment agreements	(179)	(23)
i) Other benefits for permanent employees	(34.945)	(37.777)
2) Other personnel	(20.271)	(21.312)
- Expenses for agency personnel on staff leasing contracts	(16.466)	(15.652)
- Other expenses	(3.805)	(5.660)
3) Directors and statutory auditors	(17.324)	(19.064)
4) Expenses for retired personnel	(459)	(489)
Total	(1.118.228)	(1.190.773)

Other administrative expenses totalled 558,4 million euro, an increase of approximately 21 million euro. In reality, as can be seen from the table, the increase is entirely attributable to changes in indirect taxes (+25,1 million euro) and more specifically to the introduction, starting in the 2009, of VAT on intragroup services (22,3 million euro) and to taxation resulting from an increase in court action and mortgage formalities in relation to credit recovery (+2,2 million euro).

Current expenses fell, on the other hand, by 4,1 million euro as a result of significant savings (e.g. - 9,5 million euro due to the renegotiation of telephone and data transmission rates, -7,2 million euro for lower promotion, advertising and entertainment expenses, -4,7 million euro on travel expenses, printed forms and consumables), but also with growth in some items (e.g. +10,2 million euro for credit recovery activities due to the deterioration in the economic situation, +9,5 million euro for tenancy of premises, property maintenance and rent payable, partly the result of contract renewals and new branches opening).

Other administrative expenses: composition

	30.9.2009	30.9.2008
Figures in thousands of euro		
A. Other administrative expenses	(511.856)	(515.924)
Rent payable	(60.791)	(56.018)
Professional and advisory services	(68.261)	(64.987)
Rentals hardware, software and other assets	(27.151)	(28.757)
Maintenance of hardware, software and other assets	(32.110)	(31.732)
Tenancy of premises	(43.851)	(39.082)
Property maintenance	(15.340)	(15.721)
Counting, transport and management of valuables	(13.301)	(15.108)
Membership fees	(8.643)	(5.898)
Information services and land registry searches	(12.468)	(12.111)
Books and periodicals	(1.484)	(1.688)
Postal	(29.024)	(27.587)
Insurance premiums	(20.508)	(26.267)
Advertising	(18.491)	(24.764)
Entertainment expenses	(1.496)	(2.397)
Telephone and data transmission expenses	(49.104)	(58.583)
Services in outsourcing	(34.472)	(33.815)
Travel expenses	(17.022)	(18.675)
Credit recovery expenses	(29.480)	(19.283)
Forms, stationery and consumables	(9.703)	(12.712)
Transport and removals	(6.129)	(6.393)
Security	(7.924)	(8.804)
Other expenses	(5.103)	(5.542)
B. Indirect taxes	(46.593)	(21.537)
Indirect taxes and duties	(34.765)	(9.125)
Stamp duty	(99.922)	(99.819)
Municipal property tax	(6.298)	(5.055)
Other taxes	(20.486)	(24.719)
<i>Reclassification of "tax recoveries"</i>	<i>114.878</i>	<i>117.181</i>
Total	(558.449)	(537.461)

It should also be noted that current expenses incorporate, in different items and to different extents, the savings resulting from the unification of the IT system.

Net impairment losses on property, plant and equipment and investment property and intangible assets fell by 26,8 million euro to 173,6 million euro. This result was attributable mainly to the adoption of a single IT platform.

The item continues to include the impact of the purchase price allocation, amounting to 49,6 million euro (54,7 million in 2008).

As a summary of the overall performance of the Group, **net operating income** amounted to 1.096,7 million euro (-15,7%).

Net impairment losses on loans were recognised in the first nine months of the year amounting to 592,5 million euro, compared to 255,8 million euro previously, to give a *cost of credit* of 0,82% annualised, which is exactly the same as the cost recorded in the first half of the year, compared to 0,35% in the first nine months of 2008 and to 0,59% for the full year.

This item has increased significantly since last year as a result of the widespread deterioration in the risk profiles for businesses and households, a trend that has shown signs of weakening in recent months as shown by the figure for the third quarter, down to 197,3 million euro from 235,6 million euro in the previous three months.

The table reporting details for the third quarter shows case-by-case write-downs of 178,3 million euro, compared to a particularly contained level for collective write-downs (19 million euro), a sign that an adequate level of provision had already been made for the performing portfolio in previous periods with a coverage ratio up to 0,54%.

No significant reclassifications of positions out of performing loans were made during the period, except for four positions reclassified into impaired loans and one into restructured loans.

Net impairment losses on loans: composition

Figures in thousands of euro	Impairment losses/write-backs, net		30.9.2009	Impairment losses/write-backs, net		3rd Quarter 2009
	Specific	Portfolio		Specific	Portfolio	
A. Loans to banks	(3.481)	(21)	(3.502)	54	91	145
B. Loans to customers	(474.637)	(114.405)	(589.042)	(178.408)	(19.086)	(197.494)
C. Total	(478.118)	(114.426)	(592.544)	(178.354)	(18.995)	(197.349)

Figures in thousands of euro	Impairment losses/write-backs, net		30.9.2008	Impairment losses/write-backs, net		3rd Quarter 2008
	Specific	Portfolio		Specific	Portfolio	
A. Loans to banks	4	(191)	(187)	495	11	506
B. Loans to customers	(227.176)	(28.461)	(255.637)	(77.979)	(25.395)	(103.374)
C. Total	(227.172)	(28.652)	(255.824)	(77.484)	(25.384)	(102.868)

Net impairment losses on other assets and liabilities were recognised in the period in question amounting to 35,6 million euro⁶. These included 32,4 million euro (reclassified within non-recurring items) in relation to the reduction in value pursuant to IAS 39 of the available-for-sale interest held in Intesa Sanpaolo, which occurred in the first half of the year. The increase in the value that occurred in the third quarter (106,7 million euro gross) on the basis of the official price of the share recorded on 30th September 2009 (3,032 euro) had the effect of increasing the equity reserve relating to available-for-sale financial assets.

Net provisions for risks and charges amounted to 29,5 million euro, a decrease of 9,5 million euro compared to 2008 (39 million euro), which was affected by an extraordinary provision made by BPCI, in connection with litigation with BPVI over the sale of branches (see the 2008 Annual Report).

Net provisions for risks and charges

Figures in thousands of euro	30.9.2009	30.9.2008
1. Net provisions for risks and charges for revocations	(2.029)	(4.533)
3. Net provision charges for bonds in default	(2.560)	(5.868)
4. Net provisions for litigation	(11.530)	(21.440)
5. Other provisions for risks and charges	(13.373)	(7.179)
Total	(29.492)	(39.020)

The item currently includes: a provision of 2,8 million euro relating to tax litigation and a non-recurring provision made by Coralis Rent for risks relating to structural and credit costs in the current difficult economic situation.

The period benefited from 3,6 million euro of *profits on the disposal of equity investments*, including a non-recurring item of 2,6 million euro (net of a consolidation adjustment) in relation to the disposal of IW Bank shares by Centrobanca (as part of the agreement with Medinvest International).

The amount of 80,3 million euro recognised to 30th September 2008 included 55,9 million euro from the disposal of shares in UBI Pramerica SGR and 22,9 million euro from the partial disposal of UBI Assicurazioni Vita (both amounts, totalling 78,8 million euro, were classified within non-recurring items).

Profit on continuing operations before tax amounted as a consequence to 442,7 million euro, compared to 1.091,6 million euro previously.

⁶ The amount of 5,6 million euro recognised in the same period of 2008 included two non-recurring items: the write-down of Hopa by -6,4 million euro and the positive impact of the update of the parameters of the procedures for calculating net impairment losses on loan guarantees amounting to +8,5 million euro.

As a result of the changes in taxable income, *taxes on income for the period for continuing operations* decreased to 220,9 million euro, compared to 347,1 million euro in 2008, to give a tax rate of 49,9%, compared to 31,8% previously (50,7% and 41% respectively in normalised terms).

An amount of 73,8 million euro was recognised in the comparative period, the positive impact of the redemption obtained from the EC section of the income tax return form by payment of a substitute tax on non statutory accounting differences.

The item to 30th September 2009, on the other hand, includes the positive impact, amounting to 12,6 million euro, resulting from the application of a substitute tax (with the relative release of the related deferred taxation) in relation to the realignment of statutory accounts with tax accounts pursuant to Art. 15, paragraph 3, of Decree Law 185/2008.

The increase in the percentage of tax paid is attributable primarily to the non deductibility of the impairment of available-for-sale financial assets, the increased IRAP (local production tax) expense due to the non deductibility of impairment losses on loans and the increase in the non deductible part of interest expense (4% in 2009 compared to 3% in 2008).

The income statement contains a separate item for *integration costs*, which reduced, as the integration process was completed, from 45,4 million euro in the first nine months of 2008 to the current amount of 14,8 million euro (net of tax amounting to 6,3 million euro), consisting mainly of staff expenses (11,5 million euro, including 3,8 million euro for leaving incentives, 3,6 million euro for occupational mobility and 4,1 million euro for temporary personnel to support network banks).

The after tax profit (loss) from discontinued operations amounted to 5,2 million euro – classified almost entirely as a non recurring item – and consisted of 2,6 million euro from the sale of insurance agent operations belonging to UBI Assicurazioni to the Cattolica Group and of 2,5 million euro from the sale by BPCI of its Palermo branch and a portion of a corporate banking unit in Brescia to BPVI, as part of an agreement which had been reached previously (the original amount before tax was 4,6 million euro, which was subsequently decreased with the payment of a final balance amounting to 0,8 million euro).

The amount recognised in 2008 (-11 million euro) included 10,9 million euro for the final balance on the price for the sale of 61 branches to BPVI, also classified as non-recurring.

As a consequence of the performance just reported *net profit for the period attributable to minority interests* fell to 24,8 million euro compared to 68 million euro recorded previously.

Traditional banking business

The comments that follow are based on the consolidated balance sheet items 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.

Direct funding

Total funding as at 30th September 2009, consisting of total amounts administered on behalf of customers, amounted to 174,2 billion euro, almost reaching the same levels as a year ago, as a result of positive trends for direct funding, which almost fully offset the decrease in indirect funding, and in assets under management in particular.

The growth of 2,5 billion euro compared to December is entirely attributable, on the other hand, to the recovery in indirect funding (+4,5 billion euro), which fully offset the reduction in direct funding (-2 billion euro).

Total funding from customers

Figures in thousands of euro	30.9.2009 A	%	30.6.2009 B	%	31.12.2008 C	%	30.9.2008 D	%	Changes A/D amount	%
Direct funding	95.546.517	54,8%	96.135.357	56,0%	97.591.237	56,9%	94.293.650	54,0%	1.252.867	1,3%
Indirect funding	78.650.864	45,2%	75.478.319	44,0%	74.064.263	43,1%	80.218.538	46,0%	-1.567.674	-2,0%
of which: assets under management	4.1996.897	24,1%	40.240.522	23,4%	39.206.955	22,8%	43.037.558	24,7%	-1.040.661	-2,4%
TOTAL FUNDING	174.197.381	100,0%	171.613.676	100,0%	171.655.500	100,0%	174.512.188	100,0%	-314.807	-0,2%

Direct funding from customers – which is the sum of “due to customers” (*liabilities item 20 on the balance sheet*) and “securities issued” (*liabilities item 30 on the balance sheet*) – amounted to 95,5 billion euro, up on an annual basis by 1,2 million euro, consisting of amounts due to customers of 0,9 billion euro and securities issued of 0,3 billion euro.

The item decreased compared to December, however, by two billion euro attributable to a fall of 2,7 billion euro in amounts due to customers, only partially offset by an increase of 0,7 billion euro in securities issued.

Direct funding from customers

Figures in thousands of euro	30.9.2009 A	%	30.6.2009 B	%	31.12.2008 C	%	30.9.2008 D	%	Changes A/D amount	%
Due to customers (liabilities item 20)	51.383.644	53,8%	53.612.989	55,8%	54.150.681	55,5%	50.464.444	53,5%	919.200	1,8%
Securities issued (liabilities item 30)	44.162.873	46,2%	42.522.368	44,2%	43.440.556	44,5%	43.829.206	46,5%	333.667	0,8%
of which: network bank bonds subscribed by customers	19.896.055	20,8%	20.127.471	20,9%	20.377.687	20,9%	19.416.606	20,6%	479.449	2,5%
of which: securities subscribed by institutional customers:	15.024.884	15,7%	13.695.347	14,2%	14.281.931	14,6%	15.479.131	16,4%	-454.247	-2,9%
- EMTN (*)	11.384.257	11,9%	11.671.429	12,1%	12.339.600	12,6%	12.914.653	13,7%	-1.530.396	-11,9%
- French certificates of deposit	1.364.595	1,5%	1.068.177	1,1%	566.111	0,6%	386.749	0,4%	977.846	252,8%
- Euro commercial paper	791.145	0,8%	478.541	0,5%	767.269	0,8%	1.601.823	1,7%	-810.678	-50,6%
- Covered bonds	997.062	1,0%	-	-	-	-	-	-	997.062	-
- Preference shares (**)	487.825	0,5%	477.200	0,5%	608.951	0,6%	591.307	0,6%	-103.482	-17,5%
TOTAL DIRECT FUNDING	95.546.517	100,0%	96.135.357	100,0%	97.591.237	100,0%	94.293.650	100,0%	1.252.867	1,3%
of which: subordinated liabilities	4.179.881	4,4%	4.158.719	4,3%	4.016.334	4,1%	3.611.572	3,8%	568.309	15,7%
of which: - preference shares (**)	487.825	0,5%	477.200	0,5%	608.951	0,6%	591.307	0,6%	-103.482	-17,5%
- EMTN (subordinated securities) (*)	1.223.761	1,3%	1.223.582	1,3%	2.036.629	2,1%	2.024.261	2,1%	-800.500	-39,5%

(*) The corresponding nominal amounts were: 11.368 million euro (net of repurchases) as at 30th September 2009 (1.202 million euro subordinated); 11.695 million euro (net of repurchases) as at 30th June 2009 (1.204 million euro subordinated); 12.222 million euro as at 31st December 2008 (2.000 million euro subordinated); and 12.823 million euro as at 30th September 2008 (2.000 million euro subordinated).

(**) The preference shares were issued for nominal amounts by BPB Capital Trust of 300 million euro, by Banca Lombarda Preferred Securities Trust of 155 million euro and by BPCI Capital Trust of 115 million euro. Following the public exchange offer concluded on 25th June 2009, the residual nominal amounts consisted of 227,436 million euro for the BPB Capital Trust issue, 124,636 million euro for that of Banca Lombarda Preferred Securities Trust and 101,388 million euro for the BPCI Capital Trust issue.

Figures in thousands of euro	30.9.2009 A	%	30.6.2009 B	%	31.12.2008 C	%	30.9.2008 D	%	Changes A/D amount	%
Current accounts and deposits	43.623.143	45,7%	44.174.286	46,0%	41.537.816	42,6%	38.708.769	41,0%	4.914.374	12,7%
Term deposits	1.314.063	1,4%	1.309.331	1,4%	1.296.530	1,3%	1.379.460	1,4%	-65.397	-4,7%
Funds administered on behalf of public bodies	2.752	0,0%	2.487	0,0%	2.830	0,0%	3.270	0,0%	-518	-15,8%
Financing	2.887.059	3,0%	4.171.241	4,3%	8.087.267	8,3%	8.741.173	9,3%	-5.854.114	-67,0%
- finance leases	656	0,0%	842	0,0%	1.608	0,0%	955	0,0%	-299	-31,3%
- repurchase agreements	2.870.830	3,0%	3.941.150	4,1%	8.082.338	8,3%	8.736.931	9,3%	-5.866.101	-67,1%
- other	15.573	0,0%	229.249	0,2%	3.321	0,0%	3.287	0,0%	12.286	373,8%
Amounts due for commitments to repurchase own equity instruments	-	-	-	-	-	-	174.617	0,2%	-174.617	-100,0%
Liabilities relating to assets transferred not derecognised	2.776.556	2,9%	3.045.248	3,2%	2.347.375	2,4%	447.856	0,5%	2.328.700	520,0%
- repurchase agreements	2.776.556	2,9%	3.045.248	3,2%	2.347.375	2,4%	447.856	0,5%	2.328.700	520,0%
Other payables	780.071	0,8%	910.396	0,9%	878.863	0,9%	1.009.299	1,1%	-229.228	-22,7%
Total amounts due to customers	51.383.644	53,8%	53.612.989	55,8%	54.150.681	55,5%	50.464.444	53,5%	919.200	1,8%
Bonds	39.215.515	41,0%	37.691.006	39,2%	36.704.152	37,6%	36.430.483	38,6%	2.785.032	3,5%
Other certificates	4.947.358	5,2%	4.831.362	5,0%	6.736.404	6,9%	7.398.723	7,9%	-2.451.365	-34,7%
Total securities issued	44.162.873	46,2%	42.522.368	44,2%	43.440.556	44,5%	43.829.206	46,5%	333.667	0,8%
TOTAL DIRECT FUNDING	95.546.517	100,0%	96.135.357	100,0%	97.591.237	100,0%	94.293.650	100,0%	1.252.867	1,3%

The change on an annual basis in *amounts due to customers* recorded growth in current accounts and deposits (+4,9 billion euro to 43,6 billion euro) which – in line with the trend for the banking sector nationally – absorbed customer liquidity waiting to be reinvested and came to account for 45,7% of total direct funding.

This growth was broadly offset by the fall of 1,8 billion euro in repurchase agreements (including both those for financing and those relating to assets transferred not derecognised), despite the increase in transactions with the Cassa di Compensazione e Garanzia Spa (CC&G)¹. At the end of September repurchase agreement transactions with CC&G had reached 3,6 billion euro (4 billion euro in June, 3,4 billion euro in December and 1,4 billion euro in September 2008), including 2,8 billion euro relating to “repurchase agreements against assets transferred not derecognised”.

As can be seen from the table, *securities issued* remained more or less unchanged over twelve months (+0,3 billion euro to 44,2 billion euro), buoyed by growth in the bond component (+2,8 billion), within which growth in issues sold to customers – both by the network banks (+1,5 billion euro) and by UBI Banca (+2,1 billion euro²) – and the issuance of a convertible bond (639 million euro) compensated for the reduced recourse to institutional funding (-1,5 billion euro on the EMTN market and +1 billion euro on the covered bond market).

The item “other certificates”, on the other hand, decreased by 2,5 billion euro, concentrated above all in 2009, attributable to certificates of deposit in yen (hedged against currency risk) and to a lesser extent to short term institutional funding (French certificates of deposit and euro commercial paper).

The maturities of the bonds outstanding as at 30th September 2009 is given below together with a list of Group bonds listed on the *Mercato Telematico delle Obbligazioni* (screen-based bond market).

Bond maturities

Nominal amounts in millions of euro	4th Q. 2009	2010	2011	Subsequent years	Total
UBI BANCA	750	1.729	2.794	11.182	16.455
of which: EMTN	750	1.390	2.547	6.833	11.520
Other banks in the group	2.316	5.951	8.958	5.423	22.648
TOTAL	3.066	7.680	11.752	16.605	39.103

1 Cassa di Compensazione e Garanzia Spa (CC&G) manages the central counterparty guarantee system on a broad range of markets and securities: shares, warrants and convertible bonds listed on the MTA (screen-based equity market), ETFs and ETCs listed on ETF Plus, futures and options on shares and on indices listed on IDEM Equity, electricity futures listed on IDEX, closed funds, investment companies and real estate investment companies listed on the MIV (screen based investment vehicle market), Italian government securities listed on the MTS (primary government security market), EuroMTS and BrokerTec. The presence of CC&G eliminates counterparty risk as it becomes the sole guarantor of contracts acting as the buyer with regard to sellers and vice versa operating as the seller with regard to buyers.

2 More specifically, UBI Banca issued securities for a nominal amount of 2,2 billion euro (1,7 billion euro with lower tier 2 subordination), details of which are given in the table of securities listed on the MOT (screen based bond market), against the maturity of an upper tier 2 loan with a nominal amount of 100 million euro.

Bonds listed on the MOT (screen based bond market)

ISIN number		Nominal amount of issue
IT0001197083	Centrobanca zero coupon 1998-2018	L. 800 billion
IT0001257333	Centrobanca 1998/2014 reverse floater	L. 300 billion
IT0001267381	Centrobanca 1998/2018 reverse floater capped	L. 320 billion
IT0001278941	Centrobanca 1998/2013 equity linked coupon	L. 100 billion
IT0001300992	Centrobanca 1999/2019 step down indicizzato al tasso swap euro 10 anni	€ 170.000.000
IT0001312708	Centrobanca 1999/2019 step down eurostability bond	€ 60.000.000
IT0003834832	Centrobanca 2005/2013 inflazione Italia con leva	€ 16.280.000
IT0003210074	Banca Popolare di Bergamo-CV 2001/2012 a tasso variabile subordinato ibrido - upper tier II	€ 250.000.000
IT0004424435	UBI subordinato lower tier II a tasso variabile con ammortamento 28.11.2008-2015	€ 599.399.000
IT0004457187	UBI subordinato lower tier II a tasso variabile con ammortamento 13.03.2009-2016	€ 211.992.000
IT0004457070	UBI subordinato lower tier II fix to float con rimborso anticipato 13.03.2009-2019	€ 370.000.000
IT0004497050	UBI subordinato lower tier II fix to float con rimborso anticipato 30.06.2009-2019	€ 365.000.000
IT0004497068	UBI subordinato lower tier II a tasso variabile con ammortamento 30.06.2009-2016	€ 156.837.000
IT0004497043	Unione di Banche Italiane Scpa tasso misto 30.06.2009-2014	€ 219.990.000
IT0004496557	Unione di Banche Italiane Scpa tasso misto 07.07.2009-2014	€ 200.000.000
IT0004517139	Unione di Banche Italiane Scpa tasso misto 04.09.2009-2013	€ 84.991.000

Innovative capital instruments (Lower Tier I) listed on international markets

Stock exchange		Nominal amount of issue
Luxembourg	Non-cumulative Fixed/Floating Rate Guaranteed Trust Preferred Securities Banca Popolare di Bergamo Capital Trust	€ 300.000.000
Luxembourg	9% Non-cumulative Guaranteed Trust Preferred Securities Banca Popolare Commercio e Industria Capital Trust	€ 115.000.000
London	Step-Up Non-voting Non-cumulative Banca Lombarda Preferred Securities Trust	€ 155.000.000

The list does not include the numerous EMTN issues listed in London and in Luxembourg, nor the securities issued in relation to securitisations performed for internal purposes by Banca 24-7, UBI Leasing and Banco di Brescia, all listed in Dublin.

Institutional funding fell to 15 billion euro from 15,5 billion euro twelve months previously as a result of the decrease in total outstanding EMTN securities (-1,5 billion euro) and euro commercial paper (-0,8 billion euro) and the partial redemption of preference shares as part of the public exchange offer (-0,1 billion euro), only partially offset by French certificates of deposit (+0,9 billion euro), which was added to in the third quarter by a new issuance of covered bonds amounting to one billion euro. Consequently institutional funding as a percentage of the total fell to 15,7% from 16,4% a year before³.

The aggregate was composed as follows:

- **EMTN issues** (Euro Medium Term Notes) amounting to 11,4 billion euro (12,9 billion euro in September 2008) in the context of a maximum ceiling authorised by the London listing authority on 17th September 2008, of 15 billion euro;
- **French certificates of deposit** amounting to 1,4 billion euro, issued by the Luxembourg branch of Banco di Brescia Spa as part of a programme for a maximum issue of two billion euro. The Management Board of the Parent and the Board of Directors of Banco di Brescia passed resolutions on 13th and 15th October 2009 respectively to raise the maximum limit to four billion euro with a consequent adjustment of the guarantee issued by UBI Banca in favour of the issuer;
- **euro commercial paper** amounting to 0,8 billion euro, issued by the Luxembourg branch of Banco di Brescia Spa as part of a programme for a maximum issue of five billion euro;
- **covered bonds** amounting to one billion euro, recently issued by UBI Banca as part of a programme with a maximum limit of 10 billion euro, designed to meet medium-to-long term funding requirements
- **preference shares** amounting to 487,8 million euro consisting of the shares remaining following the public exchange offer concluded in June 2009.

As concerns the EMTN programme in particular, 12 issuances were performed, all concentrated in 2009, for a total nominal amount of 3.107 million euro, including 875 million euro relating to a senior bond issued as part of the public exchange offer⁴.

³ When account is also taken of net interbank debt, institutional funding as a percentage of the total (inclusive of the net interbank balance) as at 30th September 2009 was 17,6% (20,1% in September 2008).

⁴ The original issue of 850 million euro was followed by a reopening of the issue for a further 25 million euro performed with a value date of 13th July 2009.

The decreases by a nominal amount of 4.562 million euro were attributable to: the natural maturities of 11 issues for a total of 3.451,6 million euro (2.850 million euro relating to the first nine months of 2009); the cancellation of securities surrendered as part of the public exchange offer and the exercise of options on a subordinated bond with the call on 30th June 2009 for a total of 695,6 million euro; the exercise of put options on two issues for a total of 260 million euro; and to the partial repurchase of two securities for a nominal amount of 154,8 million euro.

All the EMTN securities are admitted for trading: the new UBI Banca issues and those originally issued by the former BPU Banca on the London stock exchange; those which had been issued by the former Banca Lombarda e Piemontese on the Luxembourg stock exchange.

* * *

With regard to *market segmentation of customers*⁵, management accounting figures for the average volumes of direct funding for the network banks and for UBI Banca Private Investment show that 78,6% (75% in September 2008) of funding from customers came from the retail market, 13,3% (16,7%) came from the private banking market and the remaining 8,1% (8,3%) from the corporate market.

In terms of trends, the same management accounting figures show growth on an annual basis⁶ of 1,8% for the retail market, -5,1% for corporate market and -22,4% for the private banking market (the latter is due primarily to the progressive transfer of funds into indirect funding, repurchase agreement instruments).

* * *

Finally the *changes in direct funding from customers in the third quarter of 2009* consisted of a reduction of approximately 0,6 billion euro, attributable to a decrease of 2,2 billion euro in amounts due to customers, which was only partially offset by growth of 1,6 billion euro in total outstanding securities issued and in bonds in particular (+1,5 billion euro).

The decrease in amounts due to customers included one billion euro relating to the Parent as a result of a fall in business with the *Cassa di Compensazione e Garanzia* (-0,4 billion euro) and a decrease in current account deposits due to the classification of the accounts for the management of UBI Pramerica investment funds within liabilities held for disposal, in accordance with IFRS 5, in relation to the disposal of the depositary banking operations (-0,6 billion euro). The negative trend for repurchase agreements also continued between June and September (-0,9 billion euro), as customers preferred not to renew these positions in favour of longer maturity investments and/or forms of asset management investment.

Funding from bonds benefited in July from the issuance of a convertible bond for a nominal amount of 0,6 billion euro and in September from the first issue of covered bonds for a nominal amount of one billion euro.

⁵ The new organisational structure is based on the following business segments:

retail: comprises business performed by the network banks with mass market customers (private individuals with financial wealth – direct and indirect funding – of less than 50 thousand euro), affluent customers (private individuals with financial wealth – direct and indirect funding - of between 50 thousand and 500 thousand euro) and small businesses (firms with a turnover of up to 5 million euro);

corporate: comprises business performed by the network banks with corporate customers – mid and lower – (firms with a turnover of between 5 and 150 million euro) and large corporate customers (groups of firms or firms with turnover of more than 150 million euro).

private: comprises business performed by the network banks with private individuals with financial wealth – direct and indirect funding – of more than 500 thousand euro.

⁶ The changes relate to average balances in September.

Indirect funding and assets under management

Indirect funding from ordinary customers of the UBI Banca Group as at 30th September 2009 amounted to 78,7 billion euro, a decrease (-1,6 billion euro) compared to 8,2 billion euro in September 2008, but recovering significantly compared both to June (+3,2 billion euro) and to the end of 2008 (+4,6 billion euro), benefiting from the progressive reduction of tensions on markets and the consequent increase in equity prices which started in the middle of March. As can be seen from the table, assets under management as a percentage of total indirect funding remained basically stable over twelve months.

Indirect funding from ordinary customers

Figures in thousands of euro	30.9.2009 A	%	30.6.2009 B	%	31.12.2008 C	%	30.9.2008 D	%	Changes A/D amount	%
Assets under custody	36.653.967	46,6%	35.237.797	46,7%	34.857.308	47,1%	37.180.980	46,3%	-527.013	-1,4%
Assets under management	41.996.897	53,4%	40.240.522	53,3%	39.206.955	52,9%	43.037.558	53,7%	-1.040.661	-2,4%
Customer portfolio management	9.047.044	11,5%	8.768.668	11,6%	8.951.219	12,1%	9.712.965	12,1%	-665.921	-6,9%
of which: fund based instruments	2.136.819	2,7%	2.107.198	2,8%	2.315.388	3,1%	2.578.196	3,2%	-441.377	-17,1%
Mutual investment funds and SICAV's	20.925.394	26,6%	19.744.719	26,2%	18.973.457	25,6%	21.824.569	27,2%	-899.175	-4,1%
Insurance policies and pension funds	12.024.459	15,3%	11.727.135	15,5%	11.282.279	15,2%	11.500.024	14,4%	524.435	4,6%
of which: Insurance policies	11.835.784	15,0%	11.552.823	15,3%	11.118.593	15,0%	11.318.924	14,1%	516.860	4,6%
Total ordinary customers	78.650.864	100,0%	75.478.319	100,0%	74.064.263	100,0%	80.218.538	100,0%	-1.567.674	-2,0%

* * *

According to the most recent Assogestioni (national association of asset management companies)⁷, at the end of the second quarter the UBI Banca Group was positioned in fifth place among operators in the sector (fourth among Italian groups) in terms of assets under management (collective instruments and customer portfolio managements), with assets under management reaching almost 29 billion euro – including approximately 4,9 billion euro relating to institutional customers – and a firm market share (3,77% compared to 3,78% in December) despite the difficulties on markets during the period.

* * *

As concerns mutual investment funds and Sicav's in particular, the Assogestioni⁸ figures for the asset management companies of the UBI Group reported the following for the first nine months of 2009:

- net inflows now positive again of 305,3 million euro, amounting to 1,6% of assets under management at the end of 2008 (while the figure for the sector nationally fell by 7,6 billion euro, amounting to 1,9% of assets under management at the end of December). In the third quarter in particular net inflows were constantly positive totalling 461,1 million euro with the positive trend confirmed also in October;
- assets under management of 21 billion euro, which confirms the Group's position in third place among operators in the sector with a market share of 4,96%, an increase compared to 4,87% in December and basically stable compared to the end of June.
- an increase in assets under management of 1,3 billion euro (+6,8%) in the first nine months of the year, higher than the trend for the sector nationally (+4,9%).

⁷ "New map of assets under management (collective instruments and customer portfolio management)" relating to the 2nd quarter of 2009.

⁸ The data are taken from "Italian and foreign registered open mutual funds and sicav's – net inflows/assets – 2009" and "Monthly trends on open funds, September 2009".

Asset funds

UBI Banca Group	30.9.2009		31.12.2008		Changes A/C	
<i>Importi in milioni di euro</i>	A	%	C	%	amount	%
Equities	2.096	10,0%	1.698	8,7%	398	23,4%
Balanced	1.490	7,1%	1.532	7,8%	-42	-2,7%
Bond	8.650	41,3%	7.794	39,7%	856	11,0%
Monetary funds	7.288	34,8%	6.944	35,4%	344	5,0%
Flexible	1.026	4,9%	1.155	5,9%	-129	-11,2%
Hedge funds	398	1,9%	500	2,5%	-102	-20,4%
Total (a)	20.948	100,0%	19.623	100,0%	1.325	6,8%

Sector	30.9.2009		31.12.2008		Changes A/C	
<i>Figures in millions of euro</i>	A	%	C	%	amount	%
Equities	83.186	19,7%	68.512	17,0%	14.674	21,4%
Balanced	17.869	4,2%	17.671	4,4%	198	1,1%
Bond	159.351	37,7%	156.925	39,0%	2.426	1,5%
Monetary funds	89.710	21,3%	85.917	21,3%	3.793	4,4%
Flexible	56.138	13,3%	52.254	13,0%	3.884	7,4%
Hedge funds	16.201	3,8%	21.387	5,3%	-5.186	-24,2%
Total (b)	422.455	100,0%	402.666	100,0%	19.789	4,9%

Market share UBI Group (A/B)	30.9.2009	31.12.2008
	4,96%	4,87%

The figures summarised in the table confirm the continuation of a more prudential composition of assets under management by Group customers compared to that for the sector as a whole

A comparison with the figures for the end of 2008 shows on the one hand, an increase in the equities component (from 8,7% to 10%) that is more contained than that of the Assogestioni sample (from 17% to 19,7%); and, on the other hand, a stable higher percentage of lower risk funds (monetary and bond funds) accounting as a whole for 76,1% of the total (75,1% in December) compared to 59% for the sector nationally (60,3% at the end of 2008).

The classification of the UBI Group funds is for the category of fund as at the reporting date (September 2009).

Lending

Lending to customers as at 30th September 2009 amounted to 96,6 billion euro, a decrease of 1,5% compared to 98 billion euro twelve months previously, against +1,3%, for the private sector, estimated by the Bank of Italy for the Italian banking sector¹.

If the large corporate segment is excluded – which was affected by action taken in the second half of 2008 to rationalise exposures with marginal profitability – the trend for lending on an annual basis was positive, although modest (+1,2%), the result of contrasting performance by the network banks (-3,2%), which account for approximately 70% of the consolidated aggregate and the product companies (+10,3%). It must also be considered that approximately one fifth of the business of the latter comes from “captive” customers of the network banks (+17,8% annually).

Composition of loans to customers

Figures in thousands of euro	30.9.2009		30.6.2009		31.12.2008		30.9.2008		Changes A/D	
	A	%	B	%	C	%	D	%	amount	%
Current account overdrafts	13.510.795	14,0%	14.164.398	14,6%	15.386.298	16,0%	16.687.780	17,0%	-3.176.985	-19,0%
Reverse repurchase agreements	45.236	0,0%	98.656	0,1%	3.076	0,0%	35.490	0,0%	9.746	27,5%
Mortgage loans and other medium-to-long term financing	47.913.629	49,6%	47.490.636	49,0%	46.346.858	48,1%	46.450.338	47,4%	1.463.291	3,2%
Credit cards, personal loans and salary backed loans	6.478.816	6,7%	6.202.149	6,4%	5.736.726	5,9%	5.398.519	5,5%	1.080.297	20,0%
Finance leases	8.510.430	8,8%	8.513.103	8,8%	8.253.382	8,6%	8.132.098	8,3%	378.332	4,7%
Factoring	2.003.048	2,1%	2.037.145	2,1%	2.290.010	2,4%	1.842.931	1,9%	160.117	8,7%
Debt securities	95.795	0,1%	86.568	0,1%	76.985	0,1%	156.908	0,2%	-61.113	-38,9%
Other transactions	14.070.108	14,6%	14.621.928	15,1%	15.415.382	16,0%	16.641.553	17,0%	-2.571.445	-15,5%
Assets transferred not derecognised	418.980	0,5%	449.169	0,5%	543.822	0,5%	579.202	0,6%	-160.222	-27,7%
Impaired assets	3.508.126	3,6%	3.166.364	3,3%	2.315.913	2,4%	2.095.329	2,1%	1.412.797	67,4%
TOTAL	96.554.963	100,0%	96.830.116	100,0%	96.368.452	100,0%	98.020.148	100,0%	-1.465.185	-1,5%

The performance of the lending portfolio over twelve months was driven by the following *types of lending*, which were mainly medium-to-long term:

- mortgages and other medium-to-long term lending increased to 47,9 billion euro (+1,5 billion euro; +3,2%), again the principal type of lending (49,6% of the total). Within the item, mortgages for home purchases exceeded 18 billion euro, driven by B@nca 24-7 business (through third party distribution networks);
- the various types of consumer credit grew overall to 6,5 billion euro (+1,1 billion euro; +20%). This growth was driven by B@nca 24-7, which increased lending over twelve months by 1,2 billion euro, including 0,9 billion euro relating to salary backed loans originated by external distribution networks and 0,5 billion euro relating to personal loans originated by the network banks of the Group, against a decrease of 0,2 billion euro in loans originated by SILF and other types of lending;
- finance leases exceeded 8,5 billion euro (+0,4 billion euro; +4,7%), reflecting the performance by UBI Leasing in which the finance lease business of the Group is concentrated;
- factoring lending performed by UBI Factor remained firm at two billion euro (+8,7%).

On the other hand, there was a decrease in all the main types of short term lending which were affected by less demand for loans to fund working capital from businesses: current account overdrafts fell to 13,5 billion euro (-3,2 billion euro; -19%), while “other transactions” (advances, portfolio, import/export transactions, very short term lending, etc.) fell by 2,6 billion euro to 14,1 billion euro.

The ratio of lending to funding at the end of September stood at 101,1%, an improvement compared to 104% twelve months before, but worse than both 100,7% recorded in June and 98,7% in December, the result of the different trends which affected the two items in the different periods.

¹ If loans to the private sector only are considered (households, businesses, financial companies, excluding public administrations), and therefore compared on a uniform basis with the sector average, the change in the item for the Group over twelve months would be +1,6%.

* * *

Total lending fell by 0,28 billion euro (-0,3%) in the third quarter, compared to 96,8 billion euro at the end of June, in line with the trend annually. The fall was nevertheless less than that of -0,6% for the private sector, estimated by the Bank of Italy over the same time period for the Italian banking sector. The contraction in shorter maturity loans, “current account overdrafts” (-0,7 billion euro; -4,6%) and “other transactions” (-0,6 billion euro; -3,8%) continued and was only partially offset by the increase in the various forms of consumer credit (+0,3 billion euro; +4,5% compared to -3,9% estimated for the sector nationally) and “mortgages and other medium-to-long term lending” (+0,4 billion euro; +0,9%), while leasing and factoring business remained stable.

* * *

As concerns *customer market segmentation*, management accounting figures for average monthly lending by network banks and by UBI Banca Private Investment show that at the end of September, 55,6% was destined to the retail market, (52,7% in September 2008), 43,4% to the corporate market (46,4%) and the remaining 1% to the private banking market (0,9%).

In terms of trends, those same management accounting figures show that the change on an annual basis² was negative on aggregate for the corporate market (-11,3%), within which the “core” segment fell by 7,2% compared to -17,6% for the large corporate segment, in accordance with the policy already mentioned to contain these exposures. Lending to the retail market on the other hand remained basically firm (-0,1%), with an increase for the “private individuals” segment (+2,4%), but a decrease for the “small business” segment (-3,2%).

Again on the basis of management figures, the results for network banks and Centrobanca only showed the following at the end of September 2009:

- in terms of the *types of borrower*, approximately 91% of existing lending was to manufacturing and service companies and to household consumers, which confirms the traditional vocation of the Group to support the local economies it serves;

- as concerns the *distribution by sector* of lending to non financial companies and to producer households, “other services destined for sale” and “commercial services”, which are also heterogeneous by nature, accounted for the largest percentage (more than 42% considered together), followed by the construction sector (16,1%), energy products (5,3%), metal products (3,6%) and foodstuffs (3,3%), while “public services” and “agriculture” both accounted for 3,2%.

Distribution of loans by economic sector

(Management accounting figures relating to network banks and Centrobanca only)

Figures in thousands of euro	30.9.2009	30.6.2009	31.12.2008	30.9.2008
Manufacturing and service companies (non financial companies and producer households)	62,8%	63,3%	64,7%	64,4%
Consumer households	28,1%	27,5%	26,4%	24,8%
Financial companies	5,1%	5,0%	4,9%	6,8%
Public administrations	1,0%	1,0%	0,8%	0,9%
Other (not-for-profit institutions and the rest of the world)	3,0%	3,2%	3,2%	3,1%
TOTAL	100,0%	100,0%	100,0%	100,0%

While the *degree of concentration* of loans at the end of the period was higher than the record low at the end of December, it had nevertheless decreased both in comparison to June and to the level twelve months previously, and it was within the risk concentration limits set by UBI Banca Group policy.

With regard to “large exposures”, subject to periodic supervisory reporting to the Bank of Italy, the Group continued in September to record no positions amounting to more than 10% of the consolidated supervisory capital (no positions at the end of 2008 either).

Concentration of risk

(percentage of total loans and advances and guarantees for the largest customers or groups)

Customers or Groups	30.9.2009	30.6.2009	31.12.2008	30.9.2008
Largest 10	4,0%	4,3%	3,9%	5,3%
Largest 20	6,4%	6,7%	6,2%	7,8%
Largest 30	8,2%	8,4%	7,7%	9,7%
Largest 40	9,3%	9,6%	8,8%	10,9%
Largest 50	10,3%	10,6%	9,8%	11,9%

² The changes relate to average balances in the month of September.

Finally with regard to **risk**, the increase in deteriorated assets caused by the difficult economic situation seems to have lessened in the third quarter compared to the previous period.

At the end of September **net deteriorated loans** had reached 3,51 billion euro, an increase of 1,41 billion euro on an annual basis (+67,4%) and of 1,19 billion euro since the beginning of the year (+51,5%), consisting of 0,34 billion euro in the third quarter, 0,62 billion euro in the second quarter and 0,23 billion euro in the first quarter.

While this performance regarded all the principal classes of deteriorated loans, it affected impaired loans in particular and was accompanied by a reduction in coverage³ (31,40% compared to 34,85% twelve months before), partly attributable to the appearance in the second quarter of secured positions or positions related to loan restructuring plans in the deteriorated classes.

On the other hand there was a progressive increase in the coverage for performing loans, which rose to 0,54% from 0,35% in September 2008.

Net impairment losses on performing loans are estimated by adopting the same valuation methods for all the Group's network banks and for Centrobanca based on internal estimates of PD and LGD, consistent with the Basel 2, AIRB (Advanced Internal Rating Based) approach. In order to provide a better representation of the specifics of the individual banks in terms of the actual portfolio risk, as already described in the 2008 Annual Report, total net impairment losses have been attributed to the single entities by using an empirical approach, which also takes account of the deterioration rates for each individual reality.

In detail:

- **net non performing loans** rose over twelve months from 771 million euro to 1,2 billion euro, an increase of 418 million euro (+54,2%). The increase since the beginning of year on the other hand, amounted to 340,4 million euro (+40,1%), consisting of 89,6 million euro attributable to the third quarter, 149,2 million euro to the second quarter and 101,6 million euro to the first quarter. The increase for the Italian banking sector in the same period was 46,5%.

The slowdown recorded over the summer, after the substantial action taken since the fourth quarter of 2008, appears even more significant when compared to average figures for the sector nationally, which recorded growth of 20,1% in the period July-September compared to +8,2% for the Group.

As opposed to what occurred in the first half of 2009, more than 80% of the increase in net non performing loans in the third quarter related to the network banks.

As concerns **gross non performing loans**, on the other hand, these increased by 780 million euro on an annual basis to 2,5 billion euro, a greater increase (+46,7%) than that recorded for the sector nationally (+25,4%). The change since the beginning of year, however, was 582,7 million euro amounting to +31,2% compared to +33,1% for the banking sector. That amount consisted of 174,8 million euro attributable to the third quarter, 269,7 million euro to the second quarter and 138,2 million euro to the first quarter.

Similarly to what was already reported for this item net of write-downs, the increase in gross non performing loans also slowed over the summer, as underscored by a comparison with the banking sector: +12,5% in the period July-September compared to +7,7% for the Group.

In **percentage terms**, the ratio of net non-performing loans to net loans increased further to 1,23%, partly as a result of the basic stability of the total lending portfolio, but nevertheless still below the average for the Italian banking sector (1,82% in September).

Coverage stood at 51,49%, remaining at almost

Distribution of net non performing loans of the network banks by economic sector

Figures in thousands of euro	30.9.2009	31.12.2008
Public administrations	0,0%	0,0%
Non financial companies and producer households	70,1%	71,8%
<i>of which:</i>		
<i>Construction and public works</i>	14,1%	14,2%
<i>Commercial services, etc.</i>	13,4%	14,4%
<i>Other services destined for sale</i>	10,3%	10,8%
<i>Textiles, leather and footwear, clothing</i>	6,9%	7,3%
<i>Hotel and restaurant services</i>	3,1%	3,4%
Financial companies	1,1%	0,7%
Consumer households	28,5%	27,1%
Other (not-for-profit institutions and the rest of the world)	0,3%	0,4%
TOTAL	100,0%	100,0%

³ The ratio of impairment to gross exposure.

the same level as in June after falling in the two previous quarters, partly as a result of the appearance of positions relating to UBI Leasing, for which the type of operations⁴ results in significantly lower coverage rates compared to those of other banks and companies in the Group. For a proper evaluation of the adequacy of that level it must be borne in mind that it does not consider:

- those positions where once an account is subject to proceedings by creditors (bankruptcy, prior arrangements with creditors, extraordinary administration, etc.), the part of the positions considered uncollectable, with the relative impairment is written off;
- collateral in excess of the part already considered in calculating LGD (Loss Given Default).

If these factors are taken into account, then the coverage for non performing loans as at 30th September 2009 was 81,23% (79,65% in June 2009);

- on the basis of the latest available information, the **deterioration rates** for the Group (calculated for the Group network banks, Centrobanca and IW Bank⁵) continued to remain below the average for the sector nationally. More specifically, the deterioration rate for the UBI Group in the second quarter (calculated on the basis of customised Bank of Italy feedback), while worsening, stood at 0,35%, compared to 0,49% for the sector nationally;
- **net impaired loans** rose over twelve months from 1,1 billion euro to 1,7 billion euro, a total increase of 602,7 million euro (+55,7%). The increase since the beginning of year, however, was 523,7 million euro (+45,1%), consisting of 189,6 million euro in the third quarter, 232,8 million euro in the second quarter and 101,3 million euro in the first quarter.

As for non performing loans, the trend for impaired loans also slowed on a quarterly basis, although not so sharply. This trend was driven virtually on an equal basis by both the network banks and the group of companies consisting of Centrobanca and the product companies. One of the latter, UBI Leasing, recorded an increase of 72,6 million euro, the result of 52 new impaired positions, mainly property leases, the seven largest of which accounting for approximately half the gross increase (+80,8 million euro).

The total net impaired loans of B@nca 24-7 remained more or less unchanged over the three month period, because the company dealt with the increase in gross positions (+24,8 million euro) with a simultaneous increase in write-downs which raised the coverage for them from 27,5% to 43,4%. An increase in coverage for impaired loans also occurred at Centrobanca, up from 11,83% in June to 16,60% in September.

As a result, amongst other things, of the changes just reported, at the end of September the coverage for impaired loans at consolidated level increased to 14,88%, returning to the same level as twelve months previously, although still lower than 16,10% recorded in December.

If account is taken of the collateral in excess of the part already considered in calculating LGD, then the coverage for impaired loans was 24,90% (19,63% in June).

As a consequence of the trends for the totals, the ratio of net impaired loans to net lending rose progressively over twelve months from 1,10% to 1,74%;

- **net restructured loans** amounted to 379 million euro, an increase of 288,4 million euro on an annual basis. The increase in 2009 was +276,1 million euro, consisting of 60,2 million euro in the third quarter, 202,7 million euro in the second quarter – principally in relation to the Carlo Tassara⁶ position – and 13,2 million euro in the first quarter.

Coverage rose to 9,35% at the end of September, a slight improvement compared to June (8%), but significantly lower than at the end of 2008 (27,83%), in relation to the Carlo Tassara position already mentioned;

- **exposures past due and in arrears** at the end of the period amounted to 257 million euro, an increase of 104 million euro on an annual basis and 52 million euro over nine months, but more or less unchanged compared to June. The decrease in coverage that occurred over twelve months (from 6,20% to 3,86%) was caused by the appearance of some positions secured by collateral.

⁴ The secured nature of the loans granted (ownership of the asset leased) and type of asset financed (mainly property transactions).

⁵ For IW Bank, which, however, is of negligible importance considering the very small volumes of lending by that bank compared to the total for the network banks and Centrobanca, the data was last updated for the third quarter of 2008.

⁶ A position of 175 million euro backed by a pledge for which a loan restructuring plan was drawn up.

Loans to customers as at 30th September 2009

Figures in thousands of euro	Gross exposure		Impairment	Carrying amount		Coverage (*)
Deteriorated loans	5,18%	5.114.050	1.605.924	(3,63%)	3.508.126	31,40%
- Non-performing loans	2,49%	2.451.280	1.262.201	(1,23%)	1.189.079	51,49%
- Impaired loans	2,00%	1.978.253	294.389	(1,74%)	1.683.864	14,88%
- Restructured loans	0,42%	417.657	39.046	(0,39%)	378.611	9,35%
- Past due loans	0,27%	266.860	10.288	(0,27%)	256.572	3,86%
Performing loans	94,82%	93.555.066	508.229	(96,37%)	93.046.837	0,54%
<i>of which: Unguaranteed loans to countries at risk</i>	0,01%	6.114	299	(0,01%)	5.815	4,89%
TOTAL		98.669.116	2.114.153		96.554.963	2,14%

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

Loans to customers as at 30th June 2009

Figures in thousands of euro	Gross exposure		Impairment	Carrying amount		Coverage (*)
Deteriorated loans	4,69%	4.634.066	1.467.702	(3,27%)	3.166.364	31,67%
- Non-performing loans	2,30%	2.276.487	1.177.019	(1,14%)	1.099.468	51,70%
- Impaired loans	1,76%	1.734.945	240.664	(1,54%)	1.494.281	13,87%
- Restructured loans	0,35%	346.068	27.675	(0,33%)	318.393	8,00%
- Past due loans	0,28%	276.566	22.344	(0,26%)	254.222	8,08%
Performing loans	95,31%	94.158.552	494.800	(96,73%)	93.663.752	0,53%
<i>of which: Unguaranteed loans to countries at risk</i>	0,01%	7.242	318	(0,01%)	6.924	4,39%
TOTAL		98.792.618	1.962.502		96.830.116	1,99%

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

Loans to customers as at 31st December 2008

Figures in thousands of euro	Gross exposure		Impairment	Carrying amount		Coverage (*)
Deteriorated loans	(3,68%)	3.607.588	1.291.675	(2,40%)	2.315.913	35,80%
- Non-performing loans	(1,90%)	1.868.615	1.019.944	(0,88%)	848.671	54,58%
- Impaired loans	(1,41%)	1.382.852	222.661	(1,20%)	1.160.191	16,10%
- Restructured loans	(0,15%)	142.114	39.555	(0,11%)	102.559	27,83%
- Past due loans	(0,22%)	214.007	9.515	(0,21%)	204.492	4,45%
Performing loans	(96,32%)	94.486.871	434.332	(97,60%)	94.052.539	0,46%
<i>of which: Unguaranteed loans to countries at risk</i>	(0,01%)	6.040	294	(0,01%)	5.746	4,87%
TOTAL		98.094.459	1.726.007		96.368.452	1,76%

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

Loans to customers as at 30th September 2008

Figures in thousands of euro	Gross exposure		Impairment	Carrying amount		Coverage (*)
Deteriorated loans	(3,23%)	3.216.391	1.121.062	(2,14%)	2.095.329	34,85%
- Non-performing loans	(1,68%)	1.671.493	900.222	(0,79%)	771.271	53,86%
- Impaired loans	(1,28%)	1.270.327	189.174	(1,10%)	1.081.153	14,89%
- Restructured loans	(0,11%)	111.736	21.564	(0,09%)	90.172	19,30%
- Past due loans	(0,16%)	162.835	10.102	(0,16%)	152.733	6,20%
Performing loans	(96,77%)	96.264.472	339.653	(97,86%)	95.924.819	0,35%
<i>of which: Unguaranteed loans to countries at risk</i>	(0,02%)	22.643	298	(0,02%)	22.345	1,32%
TOTAL		99.480.863	1.460.715		98.020.148	1,47%

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

(*) The coverage is calculated as the ratio of impairment to gross exposure.

Initiatives in favour of businesses and private individuals to face the current difficult economic situation

As reported in the interim financial report as at 30th June 2009, the banks in the Group have undertaken a series of actions to support families and businesses in their respective local markets, conducted in active co-operation with public institutions (chambers of commerce, regional and provincial governments), guarantee bodies and associations. The UBI Group also participated in the main initiatives organised in the sector nationally by the Italian Banking Association.

With regard to the latter, on 12th August the UBI Group joined the initiative “[Agreement for the suspension of the debts of small-to-medium size enterprises⁷ to banks](#)” signed on 3rd August by the Ministry of the Economy and Finance, by the Italian Banking Association and by other associations belonging to the Banks-Businesses Observatory. The agreement is designed to support SMEs experiencing temporary financial difficulties, but which have adequate business prospects and are “going concerns”.

A further condition for these businesses is that their positions with the Bank as at 30th September 2008 were classified exclusively by the Bank as “performing” and that at the time of presenting an application they have no “restructured”, or “impaired” positions, or proceedings for insolvency in progress.

The agreement, which became operational on 28th September 2009, contains four measures: i) the suspension for twelve months of capital repayments on mortgages; ii) the suspension for twelve or six months of the capital repayment portion of property or equipment leasing instalments respectively; iii) an extension to 270 days for the repayment of bank advances on short term receivables; iv) special finance designed to strengthen the capital positions of SMEs.

An initial estimate – based on the low and mid corporate and small business markets as indicators of SMEs – indicates that the Group has granted approximately 200 thousand non subsidised medium-to-long term loans which could benefit from the agreement by presenting an application by the deadline of 30th June 2010, for a maximum amount of the capital repayments due over twelve months, equal to 3,8 billion euro.

The impact on the short term loans eligible under the moratorium would be smaller, even if, according to a recent Italian Banking Association circular, the range of application of the short term loans eligible for an extension of the due dates would be broader than originally estimated by the initial interpretations and clarifications provided.

In order to help streamline the processing of applications under the agreement, a special procedure has been put in place for the approval of applications to benefit from the moratorium.

At the date of publishing this report, approximately 3.200 applications had been received, almost all relating to medium-to-long term loans, two thirds of which have already been examined and practically all accepted.

As concerns on the other hand, the provision of products under the agreement to strengthen the capital of SMEs, the UBI Group has created the credit line entitled “[200% immediate recapitalisation](#)”, which provides loans equal to twice the increases in capital actually paid in by the shareholders/proprietors of a business, up to a maximum of four million euro.

The products offered by the banks in the Group also include two further credit lines backed by guarantees provided under standing agreements with major guarantee consortium bodies, which provide better terms and conditions than those provided under the agreement:

- “[400% Support and Development](#)” – loans up to four times the amount of capital contributions made by the shareholders/proprietors of a business – designed to support growth projects by making fixed investments;
- “[200% Capital reinforcement](#)”, – loans of up to twice the amount of capital contributions made by the shareholders/proprietors of a business (joint stock companies, partnerships or sole proprietor businesses), for a maximum amount of one million euro – designed to support the capitalisation of businesses and restructuring of the sources of funding. These loans are granted even in cases where capital payments are deferred or where future profits are to be allocated to reserves.

On 6th August the UBI Group also signed a finance contract with the [Cassa Deposito e Prestiti \(CDP – state controlled fund and deposit institution\)](#) on the basis of a convention signed by the Italian Banking Association and the CDP on 28th May 2009, designed to provide new

⁷ According to the definition in EU regulations, small-to-medium size enterprises are entities which carry on a business and regardless of their legal status employ fewer than 250 persons, with an annual turnover of not more than 50 million euro or with total assets of less than 43 million euro.

opportunities for funding for small-to-medium size enterprises with attractive conditions through recourse to CDP funds resulting from postal savings.

Maximum funds of 156 million euro were made available to the UBI Group (part of an initial tranche of three billion euro provided for the sector nationally) to finance investments to be made, and/or in progress, or to increase the working capital of SMEs (again as defined by the European Community).

This measure will allow the network banks of the Group to disburse loans granted to SMEs under attractive conditions, also in consideration of the reduction in the cost of the funding provided by the CDP under the contract mentioned for those banks with a tier 1 ratio of greater than 7%, from which the UBI Group will be able to benefit.

The duration of the repayment schedule for the loan disbursed by the CDP to the banks participating in the initiative is set at a maximum of 5 years, with an initial grace period of three years and an interest rate equal to the Euribor half year plus a spread currently set at 80 basis points for banks with a tier 1 ratio of less than or equal to 7% or at 60 basis points for banks with a tier 1 ratio of greater than 7%.

As on the other hand concerns measures to assist families in difficulty, the Italian Banking Association announced a support programme in October to supplement the various measures introduced independently by the banks in the Group for the communities they serve, with concessions of a general and uniform nature applied throughout the country. It consists of the suspension of repayments on mortgages reserved to households which have lost their income because of the crisis⁸, access to new loans to enable basic consumption and support for the start-up of micro-enterprises or for the search for a new job. The measure will come into operation in January 2010.

⁸ Those eligible are: permanent employee workers who have lost their jobs; workers on temporary contracts, sub-contracted or similar work, for whom the contract has been terminated; self-employed workers who have gone-out of business; households in which one of the breadwinners is deceased; workers laid-off under ordinary or extraordinary state benefit redundancy schemes.

The interbank market and the liquidity situation

Net interbank position

Figures in thousands of euro	30.9.2009	30.6.2009	31.3.2009	31.12.2008	Change A/D		30.9.2008	Change A/D	
	A	B	C	D	amount	%	E	amount	%
Loans to banks	3.101.108	3.184.949	2.824.055	3.053.704	47.404	1,6%	2.748.587	352.521	12,8%
Due to banks	5.306.536	6.073.741	5.953.954	3.980.922	1.325.614	33,3%	7.071.811	-1.765.275	-25,0%
NET INTERBANK POSITION	-2.205.428	-2.888.792	-3.129.899	-927.218	1.278.210	137,9%	-4.323.224	2.117.796	-49,0%

The net interbank indebtedness of the UBI Banca Group as at as at 30th September 2009 consisted of a debtor position of -2,2 billion euro, down by almost half on an annual basis (-4,3 billion euro the balance in September 2008), but up compared to the end of the year (-0,9 billion euro).

As it did in 2008 and in the first half of 2009, short term indebtedness (approximately -1,7 billion euro at the end of the third quarter) remained firmly below the early warning threshold (-6,0 billion euro) set by the governance bodies of the Bank.

In respect of the position just mentioned, in September 2009 the Group possessed assets eligible for refinancing – net of haircuts – of approximately 9,6 billion euro, including 0,5 billion euro pledged in transactions with the ECB and one billion euro deposited to guarantee operations on the *Mercato Interbancario Collateralizzato* (MIC - collateralised interbank market).

The composition of assets eligible for refinancing is given in the table below.

Assets eligible for refinancing

Figures in billions of euro	30.9.2009		30.6.2009		31.3.2009		31.12.2008	
	nominal amount	eligible net of haircuts	nominal amount	eligible net of haircuts	nominal amount	eligible net of haircuts	nominal amount	eligible net of haircuts
AFS and HTM securities	1,7	1,6	1,6	1,5	1,3	1,2	1,4	1,3
HFT securities *	0,0	0,0	0,1	0,1	0,2	0,2	0,3	0,3
B@nca 24-7 residential mortgage securitisation	2,3	1,6	2,3	1,5	2,3	1,5	2,3	1,7
B@nca 24-7 salary backed loan securitisation	0,7	0,6	0,7	0,5	0,7	0,5	0,7	0,6
B@nca 24-7 consumer loan securitisation	2,1	1,8	2,1	1,5	2,1	1,5	-	-
UBI Leasing assets securitisation	3,5	2,7	3,4	2,6	3,4	2,6	-	-
Banco di Brescia assets securitisation	1,6	1,0	1,6	1,1	-	-	-	-
Assets eligible resulting from participation in ABACO**	0,3	0,3	0,3	0,3	0,3	0,3	0,2	0,2
TOTAL	12,2	9,6	12,1	9,1	10,3	7,8	4,9	4,1

* The nominal amount as at 30th September was approximately 38 million euro while the amount eligible net of haircuts was approximately 35 million euro.

** 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 concerning the following: type of debtor/guarantor (public sector, non financial company, international and supranational institutions), high credit rating (single "A" credit quality level, equivalent to a default probability of 0,10 percent) and a minimum amount (one million euro for national use until 2011).

The increase in the total eligible assets from 9,1 billion euro to 9,6 billion euro recorded in the third quarter is attributable to a more favourable valuation of assets generated by internal securitisations.

As concerns liquidity risk management, the pursuit of a co-ordinated policy for net exposure on the interbank market, started in 2008, continued with the dual objective of:

- maintaining net short term interbank indebtedness constantly below the "early warning" threshold and within the limits set by internal policies. In this respect a further

management accounting indicator has been introduced for short term net interbank indebtedness, more severe than those set by internal policies, which is used for more rapid and effective management of actual liquidity risk;

- maintaining a level of assets eligible for refinancing with the central bank equal to at least 150% of the early warning threshold for short term net interbank indebtedness.

Lending to banks: composition

Figures in thousands of euro	30.9.2009		30.6.2009		31.12.2008		Changes A/C		30.9.2008		Changes A/D	
	A	%	B	%	C	%	amount	%	D	amount	%	
A. Loans to Central Banks	198.470	6,4%	643.471	20,2%	1.045.983	34,3%	-847.513	-81,0%	495.644	-297.174	-60,0%	
1. Term deposits	-	-	-	-	-	-	-	-	-	-	-	
2. Compulsory reserve requirement	198.428	6,4%	643.414	20,2%	1.045.659	34,3%	-847.231	-81,0%	495.644	-297.216	-60,0%	
3. Reverse repurchase agreements	-	-	-	-	-	-	-	-	-	-	-	
4. Other	42	0,0%	57	0,0%	324	0,0%	-282	-87,0%	-	42	-	
B. Loans to banks	2.902.638	93,6%	2.541.478	79,8%	2.007.721	65,7%	894.917	44,6%	2.252.943	649.695	28,8%	
1. Current accounts and deposits	1.045.311	33,7%	726.344	22,8%	712.201	23,3%	333.110	46,8%	846.517	198.794	23,5%	
2. Term deposits	789.332	25,5%	504.191	15,9%	253.770	8,3%	535.562	211,0%	336.948	452.384	134,3%	
3. Other loans	1.067.589	34,4%	1.310.528	41,1%	1.041.685	34,1%	25.904	2,5%	1.068.487	-898	-0,1%	
3.1 reverse repurchase agreements	10.040	0,3%	10.017	0,3%	25.359	0,8%	-15.319	-60,4%	6.042	3.998	66,2%	
3.2 finance leases	2.790	0,1%	2.896	0,1%	3.067	0,1%	-277	-9,0%	3.582	-792	-22,1%	
3.3 other	1.054.759	34,0%	1.297.615	40,7%	1.013.259	33,2%	41.500	4,1%	1.058.863	-4.104	-0,4%	
4. Debt securities	-	-	-	-	-	-	-	-	-	-	-	
5. Impaired assets	406	0,0%	415	0,0%	65	0,0%	341	524,6%	991	-585	-59,0%	
6. Assets transferred not derecognised	-	-	-	-	-	-	-	-	-	-	-	
TOTAL	3.101.108	100,0%	3.184.949	100,0%	3.053.704	100,0%	47.404	1,6%	2.748.587	352.521	12,8%	

As shown in the tables, as at 30th September 2009 compulsory reserve liquidity (0,2 billion euro against a required reserve of a little more than one billion euro) had been partly used in order to contain borrowings from banks at the end of the period.

Loans to banks other than central banks, amounting to 2,9 billion euro, increased both on an annual basis (+0,6 billion euro) and compared to the end of 2008 (+0,9 billion euro), which affected current accounts and term deposits equally.

Amounts due to banks: composition

Figures in thousands of euro	30.9.2009		30.6.2009		31.12.2008		Changes A/C		30.9.2008		Changes A/D	
	A	%	B	%	C	%	amount	%	D	amount	%	
1. Due to central banks	501.371	9,4%	1.500.249	24,7%	450.059	11,3%	51.312	11,4%	1.301.930	-800.559	-61,5%	
1.1 Repurchase agreements	501.371	9,4%	1.500.249	24,7%	400.059	10,0%	101.312	25,3%	1.300.005	-798.634	-61,4%	
1.2 Other	-	-	-	-	50.000	1,3%	-50.000	-100,0%	1.925	-1.925	-100,0%	
2. Due to banks	4.805.165	90,6%	4.573.492	75,3%	3.530.863	88,7%	1.274.302	36,1%	5.769.881	-964.716	-16,7%	
2.1 Current accounts and deposits	2.847.057	53,7%	1.767.255	29,1%	898.961	22,6%	1.948.096	216,7%	1.159.462	1.687.595	145,5%	
2.2 Term deposits	696.560	13,1%	1.459.505	24,0%	452.187	11,4%	244.373	54,0%	2.021.245	-1.324.685	-65,5%	
2.3 Financing	833.000	15,7%	922.301	15,2%	1.359.279	34,1%	-526.279	-38,7%	1.113.946	-280.946	-25,2%	
2.3.1 finance leases	-	-	-	-	-	-	-	-	-	-	-	
2.3.2 other	833.000	15,7%	922.301	15,2%	1.359.279	34,1%	-526.279	-38,7%	1.113.946	-280.946	-25,2%	
transferred not derecognised in the financial statements	332.718	6,3%	321.999	5,3%	648.262	16,3%	-315.544	-48,7%	996.184	-663.466	-66,6%	
2.5.1 Repurchase agreements	332.718	6,3%	321.999	5,3%	648.262	16,3%	-315.544	-48,7%	996.184	-663.466	-66,6%	
2.6 Other payables	95.830	1,8%	102.432	1,7%	172.174	4,3%	-76.344	-44,3%	479.044	-383.214	-80,0%	
TOTAL	5.306.536	100,0%	6.073.741	100,0%	3.980.922	100,0%	1.325.614	33,3%	7.071.811	-1.765.275	-25,0%	

As specifically concerns funding, amounts due to banks totalled 5,3 billion euro, a reduction compared to twelve months before (-1,8 billion euro), but up over nine months (+1,3 billion euro).

At the end of September, refinancing transactions with the central bank existed for a total of 500 million euro (400 million euro in December; 1,3 billion euro in September 2008), with a residual maturity of six months.

Financial activities

UBI Banca has not used the option granted by the amendments to IAS 39 introduced in October 2008 and it has therefore not performed any reclassification of financial assets currently held in portfolio.

The total financial assets of the Group as at 30th September 2009 amounted to approximately 8,6 billion euro, a decrease compared both to June (-4,3%) and to December 2008 (-2,3%).

Net of financial liabilities held for trading, consisting mainly of financial derivatives, the aggregate amounted to 7,8 billion euro, a reduction compared to all the preceding comparative periods.

The changes that occurred in the Group portfolio in the third quarter of 2009 form part of a general decrease in the main classes of investment, with the sole exception of held-to-maturity investments: the decrease, in progress since the beginning of the year in assets held for trading and those designated at fair value, was accompanied by a fall in available-for-sale securities, which, however, had recorded an increase in the first half.

As can be seen from the table, in terms of percentages of the total, debt securities fell over three months from 80% to 78,2%, a decrease of 460 million euro, including 250 million euro relating to “assets transferred not derecognised” consisting of those securities – all held by the Parent company – used as the underlying collateral in repurchase agreement business. Similarly, the units in O.I.C.R.s (collective investment instruments) fell from 4,5% to 3,9% of the total (10% in September 2008), while equity instruments rose above all as a result of the positive change in the fair value of investments from 7,8% to 9,6%.

Financial assets/liabilities of the Group

Figures in thousands of euro	30.9.2009		30.6.2009		Changes		31.12.2008		Changes		30.9.2008	
	amount	%	amount	%	amount	%	amount	%	amount	%	amount	%
Financial assets held for trading	1.431.752	16,7%	1.634.912	18,3%	-203.160	-12,4%	2.326.654	26,5%	-894.902	-38,5%	1.915.381	22,8%
of which: financial derivatives	704.398	8,2%	675.157	7,5%	29.241	4,3%	774.088	8,8%	-69.690	-9,0%	757.941	9,0%
Financial assets at fair value	191.583	2,2%	252.388	2,8%	-60.805	-24,1%	460.157	5,3%	-268.574	-58,4%	1.014.669	12,1%
Available-for-sale financial assets	5.257.186	61,4%	5.483.644	61,3%	-226.458	-4,1%	4.351.838	49,6%	905.348	20,8%	4.060.565	48,4%
Held-to-maturity investments	1.687.077	19,7%	1.577.276	17,6%	109.801	7,0%	1.630.844	18,6%	56.233	3,4%	1.396.121	16,7%
Total financial assets (A)	8.567.598	100,0%	8.948.220	100,0%	-380.622	-4,3%	8.769.493	100,0%	-201.895	-2,3%	8.386.736	100,0%
of which:												
- equity instruments	819.160	9,6%	695.982	7,8%	123.178	17,7%	738.900	8,4%	80.260	10,9%	983.262	11,7%
- Units in O.I.C.R. (collective investment instruments)	335.436	3,9%	406.065	4,5%	-70.629	-17,4%	635.620	7,2%	-300.184	-47,2%	837.446	10,0%
- debt securities	6.697.169	78,2%	7.157.630	80,0%	-460.461	-6,4%	6.598.940	75,2%	98.229	1,5%	5.780.488	68,9%
of which: Assets transferred not derecognised	3.671.550	42,9%	3.921.058	43,8%	-249.508	-6,4%	3.018.587	34,4%	652.963	21,6%	1.828.740	21,8%
Financial liabilities held for trading (B)	815.697	100,0%	746.246	100,0%	69.451	9,3%	799.254	100,0%	16.443	2,1%	477.339	100,0%
of which: financial derivatives	810.480	99,4%	741.085	99,3%	69.395	9,4%	792.360	99,1%	18.120	2,3%	421.830	88,4%
Net financial assets (A-B)	7.751.901		8.201.974		-450.073		7.970.239		-218.338		7.909.397	

Management figures¹ as at 30th September show that:

- in terms of *type of financial instrument*, the securities portfolio of the Group was composed as follows: 62,2% of government securities, 25,7% of corporate securities (74% issued by major banks both Italian and international), 2,6% of hedge funds and the remainder consisting of funds, equities and other instruments;
- from a *financial viewpoint*, floating rate securities accounted for 56,4% of the portfolio² and fixed rate securities for 22,8%, while structured instruments (for which the optional component concerned the coupons only and not the capital invested), present mainly in the held-to-maturity portfolio, accounted for 11,3%, with the remainder composed of equities, funds and convertible bonds;

¹ The management accounting figures relate to a smaller portfolio than that stated in the consolidated financial statements, because they exclude equity investments, hedging derivatives and derivative business with customers and some minor portfolios.

² The fixed rate securities purchased as part of asset swaps are also considered as floating rate.

- as regards the *reference currency*, more than 98,1% of the securities were denominated in euro, while in terms of *geographical distribution*, 92,3% of the investments (excluding hedge funds) were located in the euro area and 5,1% in USA securities;
- finally, an analysis by *rating* (for the bond portfolio only) shows that 96,8% of the portfolio consisted of “investment grade” securities with an average rating of A3³.

Financial instruments held for trading

Financial assets held for trading (asset item 20)

The item “Financial assets held for trading” includes financial trading instruments “used to generate a profit from short-term fluctuations in price or from a dealer’s margin”. They are recognised at fair value through profit or loss – FVPL.

Financial assets held for trading: composition

Figures in thousands of euro	30.9.2009			30.6.2009			Changes (a)/(b)		31.12.2008			Changes (a)/(c)		30.9.2008
	Listed	Unlisted	Total (a)	Listed	Unlisted	Total (b)	amount	%	Listed	Unlisted	Total (c)	amount	%	
A. On-balance sheet assets														
Debt securities	414.342	86.777	501.119	624.946	105.961	730.907	-229.788	-31,4%	1.114.253	141.655	1.255.908	-754.789	-60,1%	745.140
<i>of which: assets transferred not derecognised</i>	83.030	-	83.030	247.248	-	247.248	-164.218	-66,4%	787.634	-	787.634	-704.604	-89,5%	222.233
Equity instruments	107.085	97.086	204.171	101.570	90.733	192.303	11.868	6,2%	139.773	87.613	227.386	-23.215	-10,2%	274.122
Units in O.I.C.R. (collective investment instruments)	580	11.495	12.075	9.966	14.639	24.605	-12.530	-50,9%	48.857	10	48.867	-36.792	-75,3%	112.119
Financing	-	8.895	8.895	-	10.825	10.825	-1.930	-17,8%	-	19.327	19.327	-10.432	-54,0%	11.774
Impaired assets	-	1.094	1.094	-	1.115	1.115	-21	-1,9%	-	1.078	1.078	16	1,5%	14.285
Total A	522.007	205.347	727.354	736.482	223.273	959.755	-232.401	-24,2%	1.302.883	249.683	1.552.566	-825.212	-53,2%	1.157.440
B. Derivative instruments														
Financial derivatives	510	703.888	704.398	1.920	673.237	675.157	29.241	4,3%	2.637	771.451	774.088	-69.690	-9,0%	757.941
Credit derivatives	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total B	510	703.888	704.398	1.920	673.237	675.157	29.241	4,3%	2.637	771.451	774.088	-69.690	-9,0%	757.941
TOTAL (A+B)	522.517	909.235	1.431.752	738.402	896.510	1.634.912	-203.160	-12,4%	1.305.520	1.021.134	2.326.654	-894.902	-38,5%	1.915.381

Financial assets held for trading totalled 1.431,8 million euro at the end of September, a fall compared both to the previous quarter (-12,4%) and to December 2008 (-38,5%), attributable primarily to the sale and/or maturity of debt securities.

It will be recalled that this accounting class also includes the portfolio entrusted to UBI Pramerica SGR under the management mandate granted to it for an investment amounting again in 2009 to 1,6 billion euro, relating to UBI Banca only.

On the basis of that mandate, management is performed following a capital protection strategy, which guarantees a level of capital protection on maturity of 98,44% (96,84% in 2008) and involves investments of approximately 10%-15% of the total in asset instruments (mainly equities), while the remainder is managed by the use of derivative and monetary instruments. Investments in European equities amounted to approximately 87 million euro at the end of September (+4 million euro compared to June), in addition to open positions in futures on equity indices, options on equity indices, options on futures on equity indices and forward contracts in foreign currency.

Debt securities – inclusive of “assets transferred not derecognised”, i.e. those debt securities used as the collateral for repurchase agreements – amounted to 501,1 million euro compared to 730,9 million three months before (more than half the amount for December 2008). The progressive decrease is basically due to the net effects of sales/maturities and purchases of Italian Government securities.

³ The decrease compared to the average rating assigned in June 2009 (A1) is to be considered in relation to the decrease in holdings of government securities (BTP) classified within the UBI Banca AFS portfolio and to the increase in corporate securities held by Centrobanca.

Debt securities also included investments in “asset backed securities” (ABS – financial instruments issued as part of securitisation transactions) with a management accounting value of 47 million euro, practically unchanged compared to June (46,4 million euro).

Details of ABS securities present in this asset class are as follows:

- a Collateralised Debt Obligation (“CDO Investment Jersey Ltd 1999-2013”), subscribed by UBI Banca amounting to 44,4 million euro, with the underlying assets consisting principally of securities issued by supranational AAA institutions (EIB and World Bank);
- securities – mainly MBS (Mortgage Backed Securities) – amounting to 2,6 million euro, held by the subsidiary UBI Banca International Sa, with the underlying assets mainly of European origin.

For a full picture of Group investments in ABS Securities, in addition to the 47 million of the assets reported above, account must also be taken of the 168,1 million euro included in the AFS portfolio described in a dedicated sub-section.

Debt securities also included structured products, similar in terms of risk to ABS securities, with a management accounting value of approximately 7,7 million euro, down compared to 15 million euro in June, following the sale of a security held by UBI Banca.

Equity instruments rose during the quarter from 192,3 million euro to 204,2 million euro, the result primarily of new investments in equities made by the Group’s asset management company (4 million euro) under the mandate granted to it and by Centrobanca (7,2 million euro).

This category also includes investments in equity instruments, other than those classified as companies subject to control, joint control and significant influence, made as part of merchant banking and private equity activities (in connection principally with Centrobanca’s activities). At the end of the third quarter, these amounted to 101,4 million euro, an increase of 8,2 million euro compared to June 2009, attributable to the increase in the fair value of some equity investments and to the new investments already mentioned made by Centrobanca.

Investments in *OICR units* (collective investment instruments) totalled 12,1 million euro (24,6 in June and 48,9 million euro in December 2008) and related almost entirely to hedge funds purchased prior to 30th June 2007 and still held (11,5 million euro compared to 24 million in June and 48,3 million at the end of the year).

The following sub-section, “financial assets at fair value”, may be consulted for a full picture of the Group’s investments in hedge funds.

Financial instruments held for trading included *impaired assets* amounting to 1,1 million euro – unchanged since the beginning of year –, attributable almost entirely to the presumed realisable value of bonds issued by Lehman Brothers, which had been purchased for a total nominal amount of 12,5 million euro.

With regard to the Lehman Brothers position, UBI Banca filed proof of claim applications in connection with derivatives contracts which had been entered into with companies in the Lehman Brothers Group subject to Chapter 11 bankruptcy proceedings in the USA. More specifically three proof of claim applications were filed with the Court of the Southern District of New York in relation to the following debts owed to UBI Banca by:

- 1) *Lehman Brothers Special Financing Inc. in relation to a cross-currency swap (6.002.141,62 dollars);*
- 2) *Lehman Brothers Holdings Inc. in relation to the guarantee granted on the debt mentioned in the previous point 1;*
- 3) *Lehman Brothers Holding Inc. in relation to the guarantee granted by it in favour of Lehman Brothers International (Europe), a company in administration in the UK, from which the debt owed to UBI Banca may be claimed once the relative terms for creditors are established in the bankruptcy proceedings (853.676,91 dollars⁴).*

Two proof of claim forms were also filed with the Court of the Southern District of New York in relation to the following debts owed to Centrobanca by:

- a) *Lehman Brothers Special Financing Inc. in relation to a derivatives contract which had been entered into by Centrobanca and Lehman Brothers Special Financing Inc. (7.803.282,00 dollars);*

⁴ The amount is different from that published in the 2008 annual report because the America bankruptcy proceedings allow creditors to claim not only the principal, but also interest and the legal expenses incurred (these amounts were quantified subsequent to the issue of the “statement” in November 2008).

b) *Lehman Brothers Holdings Inc. in relation to the guarantee granted on the debt mentioned in the previous point;*

On the basis of the relative contract clauses, the debt just mentioned owed to Centrobanca consists of the remaining balance after the deduction of a debt owed by UBI Banca to Lehman Brothers Special Financing Inc. amounting to 2.368.154,26 dollars.

As on the other hand concerns debt in relation to bonds issued or guaranteed by Lehman Brothers Holdings Inc., proof of claim forms were filed concerning bonds held by UBI Banca (nominal amount of 4 million euro), by the Luxembourg branch of Banco di Brescia (nominal amount of 6 million euro) and by UBI Banca International SA (nominal amount of 2,5 million euro).

Finally, financial assets classified as held for trading also include *derivative instruments* amounting to 704,4 million (euro 675,2 million euro in June 2008) entirely of a financial nature, for which the changes must be interpreted in strict relation to the corresponding item recognised within financial liabilities held for trading.

Financial liabilities held for trading (liability item 40)

Financial liabilities held for trading composition

Figures in thousands of euro	30.9.2009			30.6.2009			Changes (a)/(b)		31.12.2008			Changes (a)/(c)		30.9.2008	
	Listed	Unlisted	Total (a)	Listed	Unlisted	Total (b)	amount	%	Listed	Unlisted	Total (c)	amount	%		
A. On-balance sheet liabilities															
1. Due to banks	-	-	-	-	-	-	-	-	-	-	-	-	-	-	13.206
2. Due to customers	5.217	-	5.217	5.161	-	5.161	56	1,1%	5.108	10	5.118	99	1,9%	40.623	
3. Debt securities	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Total A	5.217	-	5.217	5.161	-	5.161	56	1,1%	5.108	10	5.118	99	1,9%	53.829	
B. Derivative instruments															
1. Financial derivatives	1.887	808.593	810.480	1.515	739.570	741.085	69.395	9,4%	5.147	787.213	792.360	18.120	2,3%	421.830	
2. Credit Derivatives	-	-	-	-	-	-	-	-	-	1.776	1.776	-1.776	-100,0%	1.680	
Total B	1.887	808.593	810.480	1.515	739.570	741.085	69.395	9,4%	5.147	788.989	794.136	16.344	2,1%	423.510	
TOTAL (A+B)	7.104	808.593	815.697	6.676	739.570	746.246	69.451	9,3%	10.255	788.999	799.254	16.443	2,1%	477.339	

At the end of September financial liabilities amounted to 815,7 million euro, having increased progressively over twelve months. As can be seen from the table, this trend is attributable principally to financial derivatives, while amounts due to customers (uncovered short positions) remained stable during 2009 after the significant decrease that occurred in the fourth quarter of 2008, following the restrictions imposed by the CONSOB (Italian securities market authority) on uncovered short selling.

Financial assets at fair value (asset item 30)

The item "financial assets at fair value" includes financial instruments designated as such in application of the fair value option (FVO).

Since 31st December 2008, these items have consisted exclusively of units in hedge funds purchased subsequent to 1st July 2007. As at 30th September 2008 they still included residual investments in capitalisation policies, reimbursed in the fourth quarter.

These financial assets are recognised at fair value through profit or loss.

Financial assets at fair value: composition

Figures in thousands of euro	30.9.2009			30.6.2009			Changes (a)/(b)		31.12.2008			Changes (a)/(c)		30.9.2008	
	Listed	Unlisted	Total (a)	Listed	Unlisted	Total (b)	amount	%	Listed	Unlisted	Total (c)	amount	%		
Debt securities	-	-	-	-	-	-	-	-	-	-	-	-	-	-	422.090
Units in O.I.C.R. (collective investment instruments)	110.025	81.558	191.583	140.805	111.583	252.388	-60.805	-24,1%	460.157	-	460.157	-268.574	-58,4%	-	592.579
TOTAL	110.025	81.558	191.583	140.805	111.583	252.388	-60.805	-24,1%	460.157	-	460.157	-268.574	-58,4%	-	1.014.669

The process in progress for a year now of the gradual disinvestment from units in hedge funds held by UBI Banca classified within this category continued in the third quarter: the total stock had fallen as at 30th September to 191,6 million euro from 252,4 million in June.

It will be recalled that investments in hedge funds amounting 11,5 million euro (24 million euro in June 2009) are also present within financial assets held for trading reported in the previous sub-section.

Total investments in **hedge funds** as at 30th September 2009 therefore totalled 203,1 million euro, a significant contraction compared to 276,4 million euro for the previous quarter and above all to 508,5 million euro at the end of 2008.

In the period January-September, while Capitalgest funds were subscribed (107,5 million euro the amount recognised as at 30th September), redemptions were received, net of redemption fees⁵, amounting to 380,7 million euro – 68,2 million in the third quarter – including 234,9 million euro from redemption requests made before 31st December 2008 and 145,8 million euro relating to requests made in the current year.

As regards redemption requests made but not yet paid, 14 funds, for a total NAV of 71,2 million euro, have temporarily suspended redemptions and/or declared that they are implementing a deferred redemption plan (termed a “gate”), as allowed for in their respective regulations, while 21 funds, with an NAV of 20,9 million euro, have set up side pocket accounts.

As concerns the Dynamic Decisions Growth Premium 2X fund, in liquidation, an agreement has been signed with the receivers which gives UBI Banca preference in the redemption of sums recovered in the liquidation, in return for financing paid to the receivers.

Finally, as concerns the action taken by UBI Banca against the Thema International Plc fund (attributable to the Madoff collapse), a “statement of claim” was filed on 16th September, with which UBI Banca issued a summons to the Thema International Plc fund to appear before the Commercial Court of Dublin together with the relative depository bank, HSBC Institutional Trust Services Ltd. The action is still in progress.

In the meantime, UBI Banca is monitoring the class actions brought in the USA against Thema International Plc and the other parties involved, in order to ensure its participation in them.

Available-for-sale financial assets (asset item 40)

These assets are measured at fair value with the recognition of changes in a separate valuation reserve in shareholders’ equity, except for losses due to reductions in value that are considered significant or prolonged. In this case the reduction in value that occurred is increased or decreased by the negative or positive reserve that may have been recognised in equity previously. Following recognition of impairment, reductions in value are recognised through profit and loss, while write-backs, if they relate to equity instruments, are recognised directly in the equity reserve.

⁵ The technical term used to indicate expenses for repayment.

Available-for-sale financial assets: composition

Figures in thousands of euro	30.9.2009			30.6.2009			Changes (a)/(b)		31.12.2008			Changes (a)/(c)		30.9.2008
	Listed	Unlisted	Total (a)	Listed	Unlisted	Total (b)	amount	%	Listed	Unlisted	Total (c)	amount	%	
Debt securities	3.399.594	1.109.379	4.508.973	3.968.895	880.552	4.849.447	-340.474	-7,0%	2.804.901	907.287	3.712.188	796.785	21,5%	3.217.137
<i>of which: assets transferred not derecognised</i>	<i>2.146.904</i>	<i>271.494</i>	<i>2.418.398</i>	<i>2.645.523</i>	-	<i>2.645.523</i>	<i>-227.125</i>	<i>-8,6%</i>	<i>911.461</i>	-	<i>911.461</i>	<i>1.506.937</i>	<i>165,3%</i>	<i>639.295</i>
Equity instruments	469.924	145.065	614.989	360.666	143.013	503.679	111.310	22,1%	397.263	114.251	511.514	103.475	20,2%	709.140
Units in O.I.C.R. (collective investment instruments)	23.341	108.437	131.778	21.495	107.577	129.072	2.706	2,1%	14.646	111.950	126.596	5.182	4,1%	132.748
Financing	-	1.446	1.446	-	1.446	1.446	-	-	-	1.446	1.446	-	-	1.446
Impaired assets	-	-	-	-	-	-	-	-	-	94	94	-94	-100,0%	94
TOTAL	3.892.859	1.364.327	5.257.186	4.351.056	1.132.588	5.483.644	-226.458	-4,1%	3.216.810	1.135.028	4.351.838	905.348	20,8%	4.060.565

Available-for-sale financial assets amounted to 5.257,2 million euro as at 30th September 2009, a reversal of the growth trend recorded in the first half of the year, with a decrease of 4,1% compared to 5.483,6 million in June.

The total was composed principally as follows:

- the UBI Banca AFS portfolio amounting to 3.760 million euro (3.856 million euro three months before);
- the IW Bank portfolio, held to stabilise that bank's net interest income, given the particular nature of its normal operations, amounting to 653 million euro (666 million euro in June);
- the Centrobanca corporate bond portfolio which constitutes activity complementary to and consistent with the lending approach of that bank, amounting to 516 million euro (469 million euro);
- the portfolio of UBI Assicurazioni, which operates in the non-life sector, amounting to 364 million euro, (353 million euro).

Debt securities (inclusive of securities classified as "assets transferred not derecognised" because they are used as underlying assets for repurchase agreements) decreased from 4.849 million to 4.509 million, the net result of disinvestments/investments in BTPs (Italian government bonds).

Gains were in fact realised during the quarter on asset swap positions in BTPs present in the UBI portfolio for a nominal amount of 1,5 billion euro, which generated a profit of approximately 20 million euro. The position was gradually re-established with the purchase of BTPs for a nominal amount of 1,2 billion euro, while IRS contracts were entered into at the same time to hedge them.

The Centrobanca portfolio increased during the third quarter by 47 million euro, attributable on the one hand to the purchase of bonds for a nominal amount of 25 million euro, against maturities in the period for a nominal amount of 14 million euro, and on the other hand to a recovery in market values, which helped reduce the negative reserves in equity (from -56,9 million euro to -33,2 million euro).

Debt securities also include ABSs (all held by UBI Banca) eligible for refinancing with the ECB, with a management accounting value of 168,1 million euro (164,8 million euro in June), consisting of 128,1 million euro from INPS (national insurance institute) securitisations (127,4 million euro three months before) and 40 million euro (37,4 million euro) from banking securitisations (RMBSs - Residential Mortgage Backed Securities).

Total Group investments in *ABS securities*, net of own securitisations, in September 2009 amounted to 215,1 million euro (211,2 million euro at the end of the second half) and they were composed as follows:

- 168,1 million euro, included in the AFS portfolio, presented here;
- 47 million euro included in the HFT portfolio (as already reported in the sub-section "financial assets held for trading").

Equity instruments rose to 615 million euro from 504 million in June. Shareholdings that are not classified as companies subject to control, joint control or significant influence and are not held for merchant banking and private equity activities are recognised here.

The growth in this category is basically due to the increase in the fair value of the listed equity investments, with particular reference to the Intesa Sanpaolo share⁶. Its market value at consolidated level rose during the quarter from 333 million euro to 439,7 million euro (+32%), while the A2A share also rose – from 14,6 million euro to 15,1 million euro – together with the London Stock Exchange share (formerly Borsa Italiana), valued at 15 million euro compared to 13,1 million euro at the end of June.

The increases in fair value just reported were recognised, net of tax, as increases in the corresponding reserve in equity.

The investment in *O.I.C.R. units* (collective investment instruments) totalled almost 132 million euro, (+2,1% over three months). The item also includes real estate funds – held almost entirely by UBI Banca – totalling 28 million euro (26 million euro at the end of June), including 18,3 million euro in respect of the Polis fund (16,6 million euro in June) recognised within listed funds.

Held-to-maturity investments (asset item 50)

This class of assets (held-to-maturity) includes securities which it is intended and it is possible to hold until maturity. They are recognised at amortised cost.

Held-to-maturity investments: composition

Figures in thousands of euro	30.9.2009	30.6.2009	Changes (a)/(b)		31.12.2008	Changes (a)/(c)		30.9.2008
	(a)	(b)	amount	%	(c)	amount	%	(d)
Debt securities	1.687.077	1.577.276	109.801	7,0%	1.630.844	56.233	3,4%	1.396.121
<i>of which: Assets transferred and not derecognised</i>	<i>1.170.122</i>	<i>1.028.287</i>	<i>141.835</i>	<i>13,8%</i>	<i>1.319.492</i>	<i>-149.370</i>	<i>-11,3%</i>	<i>967.212</i>
Financing	-	-	-	-	-	-	-	-
Impaired assets	-	-	-	-	-	-	-	-
TOTAL	1.687.077	1.577.276	109.801	7,0%	1.630.844	56.233	3,4%	1.396.121

Held-to-maturity investments, amounting to 1.687,1 million euro, recorded an increase of 7% compared to the previous quarter, as a result of the purchase of BTPs (Italian government bonds).

The assets included in this category, used mainly as collateral for repurchase agreement transactions, are held almost entirely by the Parent company (approximately 1.677 million euro), while the remaining portion is held by UBI Factor.

HTM investments also include “Constant Maturity Swap” (CSM) indexed securities, with variable annual coupons indexed to the 10 year swap rate for a total nominal amount of 650 million euro (654,5 million euro the amount recognised), including 350 million euro issued by major banking counterparties.

The market value of the securities belonging to the held to maturity category as at 30th September 2009 recorded a gain – not recognised – amounting to 20,8 million euro.

⁶ The UBI Banca Group holds a total of 145.022.912 shares, amounting to 1,22% of the share capital with voting rights.

Goodwill

Changes in the period

Figures in thousands of euro	
A. Gross opening balances as at 31st December 2008	4.645.426
A.1 Total net reductions in value	-306.940
A.2 Net opening balances as at 31st December 2008	4.338.486
B. Increases	113.357
B.1 Purchases	112.050
B.6 Other changes	1.307
C. Decreases	-4.649
C.1 Sales	-3.138
C.6 Other changes	-1.511
D. Final net balances as at 30th September 2009	4.447.194
D.1 Total net impairment losses	-306.940
E. Final gross balances as at 30th September 2009	4.754.134

B.1 Purchases

- IW Bank: purchase of shares from minority interests
- Banca Popolare di Ancona: purchase of shares from minority interests
- Banca Regionale Europea: purchase of shares from minority interests
- Banco di S.Giorgio: goodwill recognised in the separate financial statements following the acquisition of branches from Intesa Sanpaolo.

thousands of euro

49.588
365
2
62.095

Total

112.050

B.6 Other changes

- Banco di S. Giorgio: positive consolidation difference for the increase in the share capital at the service of the purchase of branches, subscribed and paid by the UBI Group and by minority interests (dilution effect).

thousands of euro

1.307

C.1 Sales

- IW Bank: sale of shares to minority interests

thousands of euro

-3.138

C.6 Other changes

- InvestNet: reduction due to change in the percentage of ownership by IW Bank.
- Other changes

thousands of euro

-1.500

-11

Total

-1.511

Composition of the item "Goodwill"

Figures in thousands of euro	30.9.2009	31.12.2008
UBI Banca Scpa	569.058	569.058
Banco di Brescia Spa	1.377.754	1.377.754
Banca Carime Spa	814.552	814.552
Banca Regionale Europea Spa	430.683	430.681
Banca Popolare di Ancona Spa	260.207	259.841
Banco di San Giorgio Spa	189.010	125.608
UBI Pramerica SGR Spa	188.124	188.124
UBI Leasing Spa	148.504	148.505
Banca di Valle Camonica Spa	103.621	103.621
B@nca 24-7 Spa	71.132	71.132
UBI Factor Spa	61.491	61.491
IW Bank Spa	54.304	7.854
Banca Popolare Commercio e Industria Spa	40.006	40.006
Banca Popolare di Bergamo Spa	22.028	22.028
UBI Banca Private Investment Spa	20.189	20.189
Capitalgest Alternative Investments SGR Spa	17.365	17.365
Centrobanca Spa	15.198	15.198
UBI Banca International Sa	15.080	15.080
UBI Assicurazioni Spa	11.174	11.174
UBI Management Company Sa	9.155	9.155
Prestitalia Spa	8.298	8.298
Gestioni Lombarda (Suisse) Sa	4.145	4.145
BY YOU Spa	3.452	3.461
InvestNet Holding Sa	2.676	4.175
UBI Sistemi e Servizi SCpA	2.122	2.122
UBI Insurance Broker Srl	2.094	2.094
UBI Fiduciaria Spa	2.052	2.052
Mercato Impresa Spa	1.625	1.625
Barberini Sa	1.026	1.026
UBI Gestioni Fiduciarie Sim Spa	778	778
Solimm Spa	172	172
Other goodwill	119	122
Total	4.447.194	4.338.486

The increase in goodwill relating to Banco San Giorgio is attributable mainly (62.095 thousand euro) to the acquisition of operations from Intesa Sanpaolo concluded in March 2009. In addition to the price of the transaction set at 60 million euro, there were also ancillary costs connected with the purchase amounting to 2.095 thousand euro.

The part B, assets, section 13 of the notes to the consolidated financial statements may be consulted in the 2008 Annual Report for details of the most important items of goodwill.

Shareholders' equity and capital adequacy

The consolidated shareholders' equity of the UBI Banca Group as at 30th September 2009, inclusive of profit for the first nine months of the year, amounted to 11.292,1 million euro compared to 11.140,2 million euro at the end of 2008.

Reconciliation between equity and profit of the Parent with consolidated equity and net profit as at 30th September 2009

Figures in thousands of euro	Equity method	of which: Profit for the period
Equity and profit for the period in the accounts of the Parent	10.642.126	414.219
Effect of consolidation of subsidiaries including joint ventures	1.423.108	428.228
Effect of valuing other significant equity investments using the equity method	-2.481	17.573
Dividends received during the period	-	-572.563
Other consolidation adjustments (including the effects of the PPA)	-770.696	-100.160
Equity and profit for the period in the consolidated financial statements	11.292.057	187.297

As can be seen from the statement of changes in consolidated equity as at 30th September 2009 and from the statement of comprehensive income contained among the mandatory half year interim consolidated financial statements, the change that occurred in the period is attributable to:

- the allocation of 2008 profit to dividends and other uses amounting to 69 million euro;
- the allocation of retained profit reserves to dividends and other uses amounting to 234,2 million euro;
- the allocation of profits to reserves when allocating the result for the previous year, amounting to 9,8 million euro, including 2,4 million euro to the legal reserve and 7,4 million euro to the available reserve for net gains relating to non trading financial instruments of the Parent, UBI Banca;
- a negative change in reserves of 4,75 million euro, including 4,53 million euro attributable to reserves of profits and 0,22 million euro to a decrease in fair value reserves (special revaluation laws);
- a further positive change on aggregate in the fair value reserve of 262,7 million euro relating to cost and income items not recognised through profit and loss but in equity, following a specific IAS/IFRS provision. This consisted of 264,7 million euro relating to available-for-sale financial assets (present in both the banking group and in the portfolio of insurance investments valued using the equity method) and 8,9 million euro relating to cash flow hedging, against losses of -10,9 million euro recognised in the reserve for "actuarial gains/losses on defined benefit plans"¹;
- the recognition of profit for the period of 187,3 million euro;

As can be seen from the tables, the increase of 264,7 million euro mentioned in the item "fair value reserves for available-for-sale financial assets" reflects the significant increases in the fair value (net of tax) of the shares held in portfolio. In detail:

- +142,5 million euro for debt securities, including 104 million euro attributable to securities held in portfolio by consolidated companies (UBI Banca, Centrobanca, IW Bank) and 34

¹ The amounts reported relate only to the portion attributable to the Group, excluding therefore the portion attributable to minority interests.

million euro to the portfolio of insurance investments valued according to the equity method;

- +118,8 million euro for equity instruments, including approximately 107 million relating to the interest held in Intesa Sanpaolo.

Fair value reserves: changes in the period

Figures in thousands of euro	Available-for-sale financial assets	Cash flow hedges	Exchange rate differences	Actuarial gains/losses	Special revaluation laws	Total
A. Opening balances at 1st January 2009	-122.339	-12.660	-243	-5.938	70.884	-70.296
B. Increases	307.684	8.945	-	770	-	317.399
B.1 Increases in fair value	296.379	-	-	-	-	296.379
B.2 Other changes	11.305	8.945	-	770	-	21.020
C. Decreases	-43.019	-	-	-11.695	-223	-54.937
C.1 Fair value decreases	-7.260	-	-	-	-	-7.260
C.2 Other changes	-35.759	-	-	-11.695	-223	-47.677
D. Final balances as at 30th September 2009	142.326	-3.715	-243	-16.863	70.661	192.166

Fair value reserves for available-for-sale financial assets: changes in the period

Figures in thousands of euro	Debt securities	Equity instruments	Units in O.I.C.R. (collective investment instruments)	Financing	Total
1. Opening balances as at 1st January 2009	-147.320	36.951	-11.970	-	-122.339
2. Positive changes	169.962	130.573	7.149	-	307.684
2.1 Increases in fair value	160.815	129.959	5.605	-	296.379
2.2 Transfer to income statement of negative reserves	4.512	502	295	-	5.309
- for impairment	-	-	-	-	-
- for disposal	4.512	502	295	-	5.309
2.3 Other changes	4.635	112	1.249	-	5.996
3. Negative changes	-27.449	-11.748	-3.822	-	-43.019
3.1 Decrease in fair value	-4.085	-1.153	-2.022	-	-7.260
3.2 Impairment losses	-	-	-	-	-
3.3 Transfer to income statement of positive reserves: from disposal	-390	-2.902	-	-	-3.292
3.4 Other changes	-22.974	-7.693	-1.800	-	-32.467
4. Closing balances as at 30th September 2009	-4.807	155.776	-8.643	-	142.326

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

Figures in thousands of euro	30.9.2009			31.12.2008		
	Positive reserve	Negative reserve	Total	Positive reserve	Negative reserve	Total
1. Debt securities	46.455	-51.262	-4.807	1.600	-148.920	-147.320
2. Equity instruments	156.736	-960	155.776	38.051	-1.100	36.951
3. Units in O.I.C.R. (collective investment instruments)	4.264	-12.907	-8.643	3.591	-15.561	-11.970
4. Financing	-	-	-	-	-	-
Total	207.455	-65.129	142.326	43.242	-165.581	-122.339

The estimates of the **capital ratios** as at 30th September 2009 confirmed the solidity of the capital of the Group, recording a generalised increase compared to June. The core tier 1 ratio (after specific deductions to the tier 1 capital) increased to 7,33% from 7,24%, while the tier 1 ratio and the total capital ratio rose to 7,86% and to 11,76% respectively (7,76% and 11,63% at the end of the first half). The ratios benefited from:

- an increase in the supervisory capital due mainly to a decrease in the negative AFS reserves for debt securities;
- a decrease in the risk-weighted assets as a result of less capital being absorbed both for credit risk (in relation to the decrease in loans to customers at consolidated level and to the

improvement in the average weighting due to the increase in the eligibility of mortgage collateral) and for market risk (in relation to lower exposures in hedge funds).

The **share capital** of UBI Banca as at 30th September 2009, amounting to 1.597.864.755 euro, was unchanged compared to the end of 2008, consisting of 639.145.902 ordinary shares with a nominal value of 2,5 euro. All the outstanding shares have normal dividend entitlement from 1st January 2009.

On that same date, UBI Banca held none of its own shares in portfolio and it neither purchased nor sold shares over the nine month period.

Similarly, the companies included in the consolidation also held none of their own shares in portfolio nor those of the Parent, with the sole exception of IW Bank which, at the end of September, held 827.168 of its own shares (800.614 as at 31st December 2008), recognised at the purchase price of 2,6 million euro.

As concerns the **share structure**, on 15th October 2009 the Barclays Group declared that it held, through its asset management company, a total interest in the share capital of UBI Banca of 2,008% (2,103% declared on 19th May 2009; 1,999% declared on 6th August 2009).

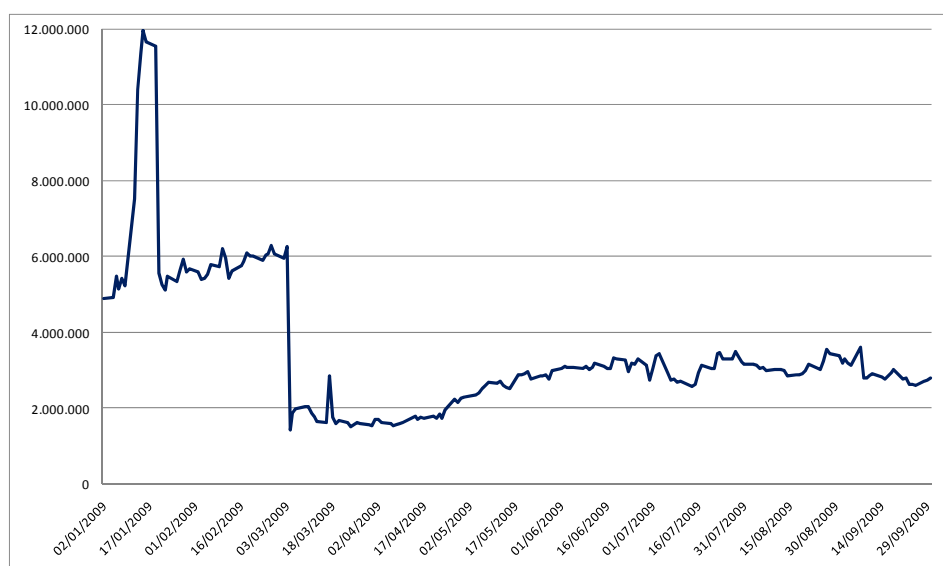
Information on risks and hedging policies

In continuity with the information given in the annual report and in the half year interim report, a brief analysis is given of the main risks to which the banking group is subject. A quantitative update in terms of the main risk indicators is given below, while Part E of the notes to the consolidated financial statements as at 31st December 2008 may be consulted for the general aspects, the risk management policies and the organisational and methodological aspects.

Market risk

INTEREST RATE RISK – SUPERVISORY TRADING BOOK

The graph below shows the changes in daily VaR that occurred in the first nine months of 2009 for the trading portfolios of the UBI Banca Group.



VaR by risk factor, calculated on the entire trading book of the UBI Group as at 30th September 2009, is given below.

VaR for the trading book of the UBI Group

(figures in euro)	30.09.2009	30.06.2009	31.3.2009
Currency risk	70.039	325.506	223.390
Interest rate risk	495.589	503.691	592.580
Equity risk ⁽¹⁾	2.806.621	2.537.799	1.389.012
Credit risk	279.882	300.525	586.102
Volatility risk	413.053	246.863	310.069
Diversification effect ⁽²⁾	(1.251.056)	(1.183.191)	(1.565.569)
Total⁽¹⁾	2.814.128	2.731.194	1.535.583

(1) Does not include VaR on hedge funds

(2) The diversification effect is given by the imperfect correlation between the different risk factors present in the Group's portfolios

The figures reported in the preceding table show an increase for the period March-September in VaR for equity risk, in relation to the reduction in the negative correlation between the equity portfolio of UBI Banca and the portfolio managed under a mandate by the asset management company, which are greater contributors to equity VaR.

No significant changes can be observed, generally, for the period June-September. The decrease in VaR for the “currency” risk factor is explained by the reduction in currency positions for both the UBI Banca portfolios and for the portfolios managed by the asset management company.

INTEREST RATE RISK – BANKING BOOK

Exposure to interest rate risk is measured by using gap analysis and sensitivity analysis models on all those financial instruments – assets and liabilities – not included in the trading book in accordance with supervisory regulations.

Sensitivity analysis of economic value – which includes an estimate of the impacts resulting from early repayment of mortgages and long term loans – is accompanied by sensitivity analysis of net interest income, which focuses on changes in profits in the following twelve months. Both types of analysis are performed by hypothesising a parallel shock on the yield curve.

The current Financial Risks Policy of the Group defines a set of indicators and limits which allows exposure of the banking book to interest rate risk to be continuously managed and monitored. More specifically a positioning range – expressed in terms of sensitivity – for interest rate risk, for both the Group as a whole and for individual companies, is identified. A policy of basic equilibrium in terms of exposure to interest rate risk is defined at individual company level, although there are some specific exceptions. Early warning thresholds are also set together with the exposure limits.

The exposure of the UBI Group to interest rate risk, measured in terms of core sensitivity, amounted to approximately -258,92 million euro as at 30th September 2009, equal to 2,56% of the consolidated supervisory capital as at 30th June 2009.

The impact on net interest income (calculated over a time horizon of 12 months on contractually agreed maturities and assuming a parallel shift of 100 basis points in the yield curve) was positive if interest rates increase (+117,96 million euro) and negative if they decrease (-150,83 million euro). The viscosity effect of the on demand items is estimated at approximately +162 million euro if there is an increase in interest rates and -195 million euro if they decrease.

The table below gives the risk measured for the periods cited for a standardised parallel shift in the curve of 200 bp., in compliance with the requirements of Basle 2, measured on the tier 1 capital and on the supervisory capital as at 30th June 2009.

Main risk indicators – end of period values (*)

<i>parallel shift of 200 bp</i>	September 2009	June 2009
sensitivity/tier 1	7,53%	6,90%
sensitivity/supervisory capital	5,03%	4,63%

(*) Inclusive of the impact of early repayment of mortgage loans

* * *

The limits defined for the trading book are also used for some of the portfolios in the banking book containing assets classified as available-for-sale for accounting purposes. At the end of September, the total VaR for these portfolios amounted to 36,37 million euro (16,52 million euro as at 30th June 2009) with an NAV of 6.117,4 million euro (6.390,61 million euro as at 30th June 2009).

PRICE RISK – SUPERVISORY TRADING PORTFOLIO

As concerns investments in hedge funds, the relative VaR is calculated using a “style analysis” method with a confidence interval of 99% and a holding period of two months.

At the end of September 2009, the method for calculating VaR was applied to funds recognised in the accounts amounting to approximately 203 million euro. The VaR used was approximately 11,07 million euro (against a limit of 50 million euro). The investments were denominated exclusively in euro (70% of NAV) and in USD (30% of NAV) and they were mainly in multi-strategy funds (more than 74,1% of NAV), which involve internal diversification of the management strategies, in event driven funds (14,01% of NAV) and in fixed income arbitrage funds (5,4% of NAV).

Liquidity risk

Liquidity risk is monitored using a liquidity gap model which calculates the net cash flows of the Group and of individual companies over time in order to detect any critical points in the expected liquidity. Liquidity risk reporting covers the entire UBI Group.

At consolidated level, liquidity risk is regulated as part of the financial risks policy. Not only does the policy set exposure limits and early warning thresholds, it also defines rules designed to pursue and maintain structural balance in network banks and product companies by means of co-ordinated and efficient funding and lending policies

Liquidity risk is managed in practice principally by defining a dual limit designed to monitor the composition of the sources of funding and its appropriateness in terms of the structural balance between assets and liabilities. In detail:

- i) **net exposure on the interbank market:** an absolute limit is set at consolidated level (with an early warning level for the limit), while a percentage of the total sources of funding is set for each Group member company;
- ii) **financial balance:** this is monitored at consolidated level by transforming maturities and at individual company level by monitoring mismatches for different time buckets, in order to pursue a basic balance for each individual time bucket.

The following are responsible for liquidity risk management:

- the Finance Area (1st level management), which monitors liquidity daily and manages risk on the basis of defined limits;
- the Risk Management Area (2nd level management), responsible for periodically verifying that limits are observed.

A structured system of continuous monitoring of net interbank indebtedness was introduced in the fourth quarter of 2008, both at consolidated and individual company level, in order to be able to promptly take the action necessary to comply with limits set by internal policies.

In consideration of developments in the controls employed for the management of liquidity risk, corporate risk policies were supplemented with the adoption of a *contingency funding plan* (CFP), the main aim of which is to protect the Bank's assets in situations of liquidity drainage, by putting in place crisis management strategies and procedures to find sources of funding in cases of emergency. The plan may be activated either by the Finance Committee, which assesses requests which may be made by the organisational units concerned, or when determined “trigger” events occur, connected with daily monitoring of a series of risk indicators by the Risk Management Area.

Liquidity management also includes a stress testing programme formulated by the UBI Group. It is designed to measure the effects on liquidity management of specific events (sensitivity analysis) or of the combined changes in a set of economic and financial variables, hypothesising adverse scenarios (scenario analysis). The objectives of stress tests consist of assessing the vulnerability of the Group to exceptional but plausible events and they provide a

better assessment of exposure to liquidity risk, of the systems for mitigating and monitoring them and of the length of the “survival period” under hypotheses of adverse scenarios

Liquidity analysis, based mainly on accounting and operating data generated monthly, is performed by analysing changes in the balance sheet item “net interbank indebtedness” and in its composition using gap analysis by time buckets with the identification of summary indicators of liquidity.

The section, “The interbank market and the liquidity situation”, may be consulted for changes in net interbank indebtedness in the balance sheet.

With regard to structural balance between asset and liabilities items, the consolidated position benefited in the third quarter from the issuance of covered bonds with a maturity of seven years amounting to one billion euro.

Careful monitoring of the level of indebtedness, even in the event of stress on the more volatile aggregates, together with programming of balanced growth between lending and funding, also allows the short term liquidity requirement to be contained within the warning levels set by internal policies.

As at 30th September 2009, liquid assets were sufficient to cover approximately 99,93% of the liquidity requirement resulting from maturing items. Liquid assets, together with assets eligible for refinancing with the ECB, were sufficient to cover the entire liquidity requirement resulting from maturing items, in addition to a possible reduction of 15,83% in on-demand liabilities, relating to ordinary customers. The coverage ratios also benefited from a significant increase in assets eligible for refinancing (up from 4,1 billion euro at the end of 2008 to the 9,6 billion euro at present net of haircuts applied by the European Central Bank).

Operational risk

Operational risk is the risk of losses resulting from errors or inadequacies in internal processes due to both human resources and technological systems or from chance or natural external events. It includes legal risk which, amongst other things, comprises exposure to fines, monetary or other penalties resulting from measures taken by the supervisory body or by private agreement regulations. Its main characteristic is that it is intrinsically connected with all activities which employ human resources, processes, systems and tangible and intangible assets both of the Group and of third party customers.

Information on general aspects, the processes and operational risk management and measurement systems has been reported in detail in the part E, section 1, sub-section 4 – Operational Risks – of the Notes to the Consolidated Financial Statements in the 2008 Annual Report, which may be consulted.

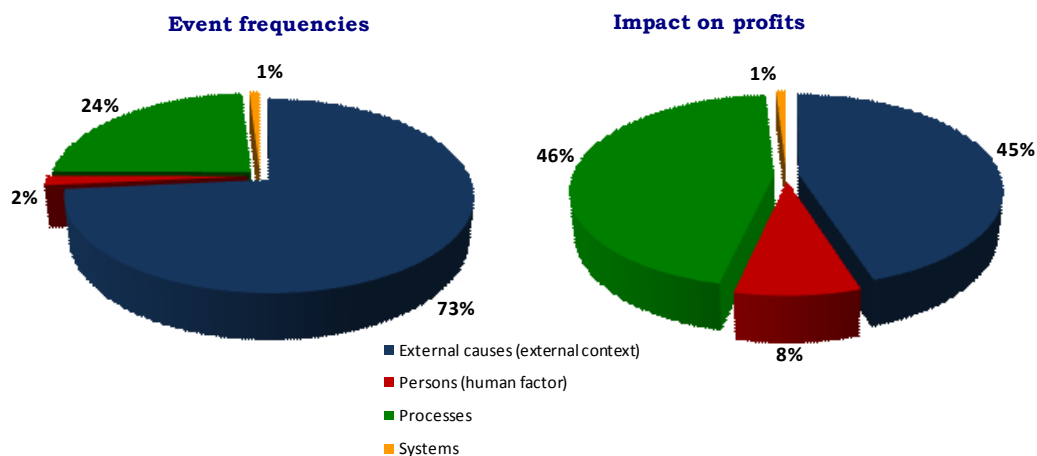
The main **sources of operational risk** for the UBI Banca Group in the period January 2004 – September 2009 (analysed by date of detection) were “external causes” (45% of impacts and 73% of frequencies) and “processes” (46% of impacts and 24% of frequencies).

The “process” risk drivers included unintentional errors and incorrect application of regulations. The “external causes” (external context) risk driver included human actions performed by third parties and not directly under the control of the Bank, such as for example thefts and robberies, paper fraud, damage caused by natural events (earthquakes, floods, etc.) and other external events.

Percentage of operational losses by risk driver

(analysis performed by date of detection in the period January 2004 to September 2009)

Percentage of operational losses by risk driver (detection: January 2004 - September 2009)



The **types of event** which caused the greatest operational losses, gross of insurance recoveries and other external recoveries in the period in question (January 2004 – September 2009, by date of detection) were “external fraud” (43%), “customers, products and professional practices” (30%) and “execution, delivery and process management” (16%). They were attributable above all to the “retail banking” (37%) and “trading & sales” (36%) **lines of business**.

Consolidated companies: the principal figures

Net profit

Figures in thousands of euro	January-September 2009	January-September 2008	% change
Unione di Banche Italiane Sepa	4 14.219	605.277	-31,6%
Banca Popolare di Bergamo Spa	143.073	294.179	-51,4%
Banco di Brescia Spa	101.643	177.967	-42,9%
Banca Popolare Commercio e Industria Spa	20.161	62.866	-67,9%
Banca Regionale Europea Spa	50.639	88.138	-42,5%
Banca Popolare di Ancona Spa	10.928	137.302	-92,0%
Banca Carime Spa	59.239	93.304	-36,5%
Banca di Valle Camonica Spa	8.683	20.829	-58,3%
Banco di San Giorgio Spa	4.746	17.252	-72,5%
UBI Banca Private Investment Spa	-1.609	2.651	n.s.
Centrobanca Spa	27.286	58.504	-53,4%
Centrobanca Sviluppo Impresa SGR Spa	154	-309	n.s.
Banque de Dépôts et de Gestion Sa (*)	1.974	4.439	-55,5%
Banca 24-7 Spa	-32.215	13.248	n.s.
BY YOU Spa (Gruppo)	4.308	94	n.s.
IW Bank Spa	7.700	9.227	-16,5%
UBI Banca International Sa (*)	11.261	2.048	449,9%
UBI Pramerica SGR Spa	19.602	27.371	-28,4%
UBI Pramerica Alternative Investments SGR Spa	226	405	-44,2%
Capitalgest Alternative Investments SGR Spa	-288	720	n.s.
UBI Leasing Spa	10.625	45.237	-76,5%
UBI Factor Spa	15.486	15.331	1,0%
BPB Immobiliare Srl	106	1.057	-90,0%
Società Bresciana Immobiliare - Mobiliare S.B.I.M. Spa	584	574	1,7%
UBI Sistemi e Servizi SCpA (1)	8.059	6.413	25,7%
UBI Fiduciaria Spa (2)	-67	39	n.s.
UBI Gestioni Fiduciarie Sim Spa	33	41	-19,5%
UBI Assicurazioni Spa	4.259	20.948	-79,7%
Aviva Assicurazioni Vita Spa (49,9%)	3.350	2.652	26,3%
Aviva Vita Spa (50%)	5.500	5.350	2,8%
Lombarda Vita Spa (49,9%)	6.739	1.583	325,7%
UBI Insurance Broker Srl	275	393	-30,0%
UBI Trust Company Ltd	3	1	200,0%
Mercato Impresa Spa	344	3.214	-89,3%
Coralis Rent Srl	-5.749	-2.180	163,7%
CONSOLIDATED	187.297	620.040	-69,8%

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

(1) The profit to 30th September 2008 takes account of the merger with UBI Centrosystem, effective from 1st July 2009.

(2) Profit to 30th September 2008 was stated by aggregating the results for Solofid Spa and Plurifid Spa, which were merged (the latter into the former), with effect from 1st October 2008, and took the new name of UBI Fiduciaria Spa.

Net loans to customers

Figures in thousands of euro	30.9.2009 A	30.6.2009 B	31.12.2008 C	30.9.2008 D	Change A-D	% change A/D
Unione di Banche Italiane Scpa	11.389.672	11.152.549	10.446.768	9.028.611	2.361.061	26,2%
Banca Popolare di Bergamo Spa	20.011.567	20.281.755	19.719.071	21.449.816	-1.438.249	-6,7%
Banco di Brescia Spa	14.006.794	14.084.512	14.458.084	14.988.453	-981.659	-6,5%
Banca Popolare Commercio e Industria Spa (1)	8.343.620	8.450.204	9.262.916	9.672.877	-1.329.257	-13,7%
Banca Regionale Europea Spa	7.314.791	7.342.085	7.639.924	7.960.522	-645.731	-8,1%
Banca Popolare di Ancona Spa	7.473.979	7.514.520	7.744.033	7.771.713	-297.734	-3,8%
Banca Carime Spa	4.428.713	4.418.906	4.203.108	4.316.069	112.644	2,6%
Banca di Valle Camonica Spa	1.814.953	1.819.910	1.796.587	1.803.747	11.206	0,6%
Banco di San Giorgio Spa (2)	2.283.359	2.247.349	2.033.807	2.020.858	262.501	13,0%
UBI Banca Private Investment Spa	398.553	393.610	383.186	378.395	20.158	5,3%
Centrobanca Spa	7.017.068	7.182.347	7.485.601	7.302.700	-285.632	-3,9%
Banque de Dépôts et de Gestion Sa	292.379	294.001	323.621	300.388	-8.009	-2,7%
B@nca 24-7 Spa	10.409.463	9.892.568	8.666.159	8.128.673	2.280.790	28,1%
UBI Banca International Sa	912.908	894.803	858.211	756.550	156.358	20,7%
IW Bank Spa	155.244	132.075	105.728	113.326	41.918	37,0%
UBI Factor Spa	1.890.873	1.924.944	2.133.904	1.714.407	176.466	10,3%
UBI Leasing Spa	9.412.066	9.360.935	9.151.799	8.894.299	517.767	5,8%
CONSOLIDATED	96.554.963	96.830.116	96.368.452	98.020.148	-1.465.185	-1,5%

Percentages	Net non performing loans / net lending		Net impaired loans / net lending		Net non performing loans + Net impaired loans / net lending	
	30.9.2009	30.9.2008	30.9.2009	30.9.2008	30.9.2009	30.9.2008
Unione di Banche Italiane Scpa	-	-	-	-	-	-
Banca Popolare di Bergamo Spa	1,06%	0,68%	1,53%	0,57%	2,59%	1,25%
Banco di Brescia Spa	0,88%	0,64%	1,14%	0,55%	2,02%	1,19%
Banca Popolare Commercio e Industria Spa (1)	2,34%	1,32%	1,86%	1,23%	4,20%	2,55%
Banca Regionale Europea Spa	1,47%	1,17%	1,35%	1,16%	2,82%	2,33%
Banca Popolare di Ancona Spa	2,41%	1,43%	2,95%	2,55%	5,36%	3,98%
Banca Carime Spa	0,89%	0,61%	1,48%	1,02%	2,37%	1,63%
Banca di Valle Camonica Spa	0,91%	0,65%	1,54%	0,73%	2,45%	1,38%
Banco di San Giorgio Spa (2)	1,26%	1,19%	1,31%	1,07%	2,57%	2,26%
UBI Banca Private Investment Spa	0,59%	0,41%	1,32%	0,72%	1,91%	1,13%
Centrobanca Spa	0,93%	0,49%	3,05%	1,10%	3,98%	1,59%
Banque de Dépôts et de Gestion Sa	0,05%	0,05%	0,32%	0,36%	0,37%	0,41%
B@nca 24-7 Spa	0,75%	0,26%	0,57%	0,66%	1,32%	0,92%
UBI Banca International Sa	0,05%	-	1,30%	0,07%	1,35%	0,07%
IW Bank Spa	-	-	0,02%	0,03%	0,02%	0,03%
UBI Factor Spa	0,73%	0,24%	0,21%	0,37%	0,94%	0,61%
UBI Leasing Spa	1,28%	0,65%	3,37%	2,66%	4,65%	3,31%
CONSOLIDATO	1,23%	0,79%	1,74%	1,10%	2,97%	1,89%

- (1) The figures as at 30th September 2008 and as at 31st December 2008 included the business for the Palermo branch and the Brescia CBU transferred during the first quarter of 2009 to Banca Popolare di Vicenza.
- (2) The figures as at 30th September 2009 and as at 30th June 2009 include the business of the branches acquired in the first quarter of 2009 from Intesa Sanpaolo.

Direct funding from customers

Figures in thousands of euro	30.9.2009 A	30.6.2009 B	31.12.2008 C	30.9.2008 D	Change A-D	% change A/D
Unione di Banche Italiane Scpa	20.453.399	19.832.703	19.454.884	16.914.190	3.539.209	20,9%
Banca Popolare di Bergamo Spa	20.864.125	21.354.524	22.715.003	21.885.141	-1.021.016	-4,7%
Banco di Brescia Spa (1)	12.600.938	13.227.045	14.000.917	13.803.684	-1.202.746	-8,7%
Banca Popolare Commercio e Industria Spa (2)	7.270.595	7.530.141	8.633.794	8.053.632	-783.037	-9,7%
Banca Regionale Europea Spa	7.603.685	7.723.915	7.720.368	7.390.423	213.262	2,9%
Banca Popolare di Ancona Spa	6.863.500	7.012.994	7.267.371	7.242.280	-378.780	-5,2%
Banca Carime Spa	7.848.380	7.948.653	8.014.542	7.585.574	262.806	3,5%
Banca di Valle Camonica Spa	1.475.927	1.564.836	1.716.236	1.637.442	-161.515	-9,9%
Banco di San Giorgio Spa (3)	1.391.377	1.434.138	1.057.917	949.209	442.168	46,6%
UBI Banca Private Investment Spa	451.643	598.516	655.331	688.547	-236.904	-34,4%
Centrobanca Spa	2.846.259	2.802.961	2.201.207	2.371.342	474.917	20,0%
Banque de Dépôts et de Gestion Sa	565.869	456.397	339.535	287.079	278.790	97,1%
B@nca 24-7 Spa	28.737	42.371	16.560	38.556	-9.819	-25,5%
UBI Banca International Sa	1.040.141	1.110.082	1.061.050	1.225.245	-185.104	-15,1%
IW Bank Spa	1.400.695	1.298.424	1.056.439	1.050.994	349.701	33,3%
CONSOLIDATED	95.546.517	96.135.357	97.591.237	94.293.650	1.252.867	1,3%

Direct funding from customers includes amounts due to customers and securities issued, with the exclusion of bonds subscribed directly by companies in the Group. In the case of UBI Banca, those bonds issued by it on behalf of network banks to support their business, and which were sold on the market, were also excluded.

Direct funding as at 30th September 2009 and as at 30th September 2008 for the following banks was therefore adjusted as follows:

UBI Banca: 486,5 million euro as at 30th September 2008
 Banca Popolare di Bergamo: 2.315,7 million euro (2.338,7 million euro as at 30th September 2008)
 Banco di Brescia: 1.643,8 million euro (1.367 million euro as at 30th September 2008)
 BPCI: 711,1 million euro (713,4 million euro as at 30th September 2008)
 BPA: 1.260 million euro (1.259,9 million euro as at 30th September 2008)
 Centrobanca: 1.105,5 million euro (1.113 million euro as at 30th September 2008)
 Banca Regionale Europea: 500,4 million euro (501,4 million euro as at 30th September 2008)
 Banca di Valle Camonica: 351,8 million euro (273,1 million euro as at 30th September 2008)
 Banco di San Giorgio: 816,4 million euro (375,5 million euro as at 30th September 2008)
 UBI Banca Private Investment: 75,8 million euro as at 30th September 2009
 B@nca 24-7: 4.348,4 million euro (3.177,7 million euro as at 30th September 2008)

- (1) The figures are net of the new issues of French certificates of deposit and euro commercial paper (4,292,6 million euro as at 30th September 2009; 3.391,8 million euro as at 30th June 2009; 1.642,4 million euro as at 31st December 2008; 1.988,6 million euro as at 30th September 2008).
- (2) The figures as at 30th September 2008 and as at 31st December 2008 include the business for the Palermo branch and the Brescia CBU transferred during the first quarter of 2009 to Banca Popolare di Vicenza.
- (3) The figures as at 30th September 2009 and as at 30th June 2009 include the business of the branches acquired in the first quarter of 2009 from Intesa Sanpaolo.

Indirect funding from customers (at market prices)

Figures in thousands of euro	30.9.2009 A	30.6.2009 B	31.12.2008 C	30.9.2008 D	Change A-D	% change A/D
Unione di Banche Italiane Scpa	11	59	58	58	-47	-81,0%
Banca Popolare di Bergamo Spa	21.690.148	20.469.486	19.840.245	21.470.687	219.461	1,0%
Banco di Brescia Spa	14.202.549	13.522.535	13.206.020	14.434.522	-231.973	-1,6%
Banca Popolare Commercio e Industria Spa (1)	12.334.180	11.847.632	11.445.688	12.180.126	154.054	1,3%
Banca Regionale Europea Spa	9.421.383	9.099.884	8.943.038	9.272.158	149.225	1,6%
Banca Popolare di Ancona Spa	3.730.525	3.634.465	3.576.283	3.753.128	-22.603	-0,6%
Banca Carime Spa	5.707.531	5.578.772	5.499.396	5.966.343	-258.812	-4,3%
Banca di Valle Camonica Spa	937.720	847.429	783.426	776.199	161.521	20,8%
Banco di San Giorgio Spa (2)	1.426.018	1.382.968	724.213	749.025	676.993	90,4%
UBI Banca Private Investment Spa	4.592.707	4.160.791	3.877.077	4.117.839	474.868	11,5%
Banque de Dépôts et de Gestion Sa	1.451.725	1.477.869	1.532.084	1.581.120	-129.395	-8,2%
Lombarda Vita Spa	5.001.257	4.884.178	4.793.534	4.840.418	160.839	3,3%
Aviva Assicurazioni Vita Spa	2.607.764	2.649.493	2.675.380	2.713.527	-105.763	-3,9%
UBI Pramerica SGR Spa	25.231.273	24.034.925	23.601.727	26.323.893	-1.092.620	-4,2%
Capitalgest Alternative Investments SGR Spa	179.243	238.376	371.519	638.352	-459.109	-71,9%
UBI Banca International Sa	2.743.014	2.565.790	2.277.733	2.599.984	143.030	5,5%
UBI Pramerica Alternative Investments SGR Spa	112.004	111.299	122.676	144.006	-32.002	-22,2%
IW Bank Spa	2.334.481	2.412.743	2.786.146	2.879.139	-544.658	-18,9%
Aviva Vita Spa	3.820.493	3.658.711	3.317.717	3.321.670	498.823	15,0%
CONSOLIDATED	78.650.864	75.478.319	74.064.263	80.218.538	-1.567.674	-2,0%

Assets under management (at market prices)

Figures in thousands of euro	30.9.2009 A	30.6.2009 B	31.12.2008 C	30.9.2008 D	Change A-D	% change A/D
Unione di Banche Italiane Scpa	6	6	5	6	0	0,0%
Banca Popolare di Bergamo Spa	10.919.673	10.392.012	10.363.687	11.399.105	-479.432	-4,2%
Banco di Brescia Spa	7.408.075	7.196.100	7.027.184	7.511.290	-103.215	-1,4%
Banca Popolare Commercio e Industria Spa (1)	4.920.423	4.674.694	4.554.059	4.985.635	-65.212	-1,3%
Banca Regionale Europea Spa	5.677.927	5.500.591	5.414.322	5.779.453	-101.526	-1,8%
Banca Popolare di Ancona Spa	1.947.142	1.904.537	1.978.948	2.209.873	-262.731	-11,9%
Banca Carime Spa	3.942.165	3.823.609	3.825.010	4.257.495	-315.330	-7,4%
Banca di Valle Camonica Spa	458.063	415.719	403.698	424.938	33.125	7,8%
Banco di San Giorgio Spa (2)	516.491	472.606	229.986	250.186	266.305	106,4%
UBI Banca Private Investment Spa	3.279.764	3.073.381	2.870.094	3.204.105	75.659	2,4%
Banque de Dépôts et de Gestion Sa	1.451.725	1.477.869	1.532.084	1.581.120	-129.395	-8,2%
Lombarda Vita Spa	5.001.257	4.884.178	4.793.534	4.840.418	160.839	3,3%
Aviva Assicurazioni Vita Spa	2.607.764	2.649.493	2.675.380	2.713.527	-105.763	-3,9%
UBI Pramerica SGR Spa	25.231.273	24.034.925	23.601.727	26.323.893	-1.092.620	-4,2%
Capitalgest Alternative Investments SGR Spa	179.243	238.376	371.519	638.352	-459.109	-71,9%
UBI Banca International Sa	119.216	115.310	131.859	169.909	-50.693	-29,8%
UBI Pramerica Alternative Investments SGR Spa	112.004	111.299	122.676	144.006	-32.002	-22,2%
IW Bank Spa	286.802	241.977	172.897	205.038	81.764	39,9%
Aviva Vita Spa	3.820.493	3.658.711	3.317.717	3.321.670	498.823	15,0%
CONSOLIDATED	41.996.897	40.240.522	39.206.955	43.037.558	-1.040.661	-2,4%

(1) The figures as at 30th September 2008 and as at 31st December 2008 include the business for the Palermo branch and the Brescia CBU transferred during the first quarter of 2009 to Banca Popolare di Vicenza.

(2) The figures as at 30th September 2009 and as at 30th June 2009 include the business of the branches acquired in the first quarter of 2009 from Intesa Sanpaolo.

Other information

Report on IW Bank

During the third quarter, the former Directors of IW Bank – Benedetto Marti and Pasquale Casale – initiated arbitration action against UBI Banca in which they requested to be freed from non competition and length of service commitments they had entered into, together with a claim for damages for an unquantified sum.

UBI Banca rejected all their requests because considered without grounds and filed a cross complaint based on contract penalty clauses also claiming damages.

With resolution No. 16956 of 16th July 2009, notified on 23rd July 2009, the Consob (Italian securities market authority) imposed a fine on IW Bank for a total of 20.000 euro for “violations of article 114 of Legislative Decree No. 58 of 4th February 1998 and the relative regulations to implement it”, due to late compliance with disclosure obligations concerning the purchase of own shares performed in September, October, November and December 2007.

In deciding the amount of the fine, which was set at the minimum allowed of 5.000 euro for each violation, the Consob took into consideration the “co-operative and transparent” conduct of the issuer, which “spontaneously informed the Consob of the transactions concerned, although after the time limit set by regulations”.

Inspections

In order to complete the information provided in the half-year interim report on the **Bank of Italy inspections** of UBI Pramerica Spa and Unione di Banche Italiane Scpa – the latter as the depositary bank of the funds managed by UBI Pramerica – we report that after a careful examination of the remarks and considerations received, observations were then presented to the supervisory authority in September.

The considerations made concerning the asset management company of Group – which mainly regarded areas affected by recent new legislation (implementation of EU measures in Italian law concerning MiFID, anti-money laundering and anti-terrorism measures) – related to activities to revise organisational decisions and procedures commenced following the acquisition of a business unit from Capitalgest. They therefore constituted an opportunity for further discussions, study and integration with the Parent on the matters subject to analysis already commenced, thereby helping to define an organisational structure for the Company with stronger risk management and control functions, designed to pursue sound and prudent management objectives more effectively.

The considerations made concerning UBI Banca on the depositary bank activities for the funds managed by UBI Pramerica, however, concerned organisational and procedural aspects on which action is already planned as part of a wide ranging project, designed to strengthen controls over the activities as a whole. The timing for the completion of the action is dependent on integrating the software application platforms for depositary banking activities in the former BPU and BL companies.

The action planned is now at an advanced stage of implementation, partly in relation to the disposal already announced of these operations to RBC Dexia, scheduled for completion before the end of the first half of 2010. This involves the progressive migration onto the system of this partner and therefore the maintenance of a certain level of service by companies in the UBI Group.

Tax aspects

Summary of changes introduced during the quarter

ANTI-CRISIS MEASURES DECREE LAW NO. 78/2009 (CONVERTED INTO LAW NO. 102/2009)

“Currency tax shield” (Art. 13-bis)

A condonation law was introduced for irregular possession of financial and other assets abroad. Those concerned are generally private individuals who can benefit from the concession by presenting a special declaration to financial intermediaries in the period 15th September-15th December 2009 and by paying a tax at the same time amounting to 5% of the assets in question.

It should be recalled that the final deadline had originally been set for 15th April 2010: the shortening of the deadline was accompanied by further amendments to the condonation law, which broadened its range making it more attractive.

In consideration of the central role played by financial intermediaries in the implementation of the legislation, the Group has made its legal and tax assistance facilities available to customers and it has also organised conventions on the subject together with meetings with professional associations. Since this legislation represents an important opportunity for commercial growth, especially in the private banking market, the Group has acted to provide the customers involved with appropriate support both with investments and in the management of financial and other assets through the network banks and UBI Banca Private Investment, together with the Group’s trust company. These offer a competitive range of high standard services and products provided by staff with specific specialist training.

Write-down of new loans (Art. 7)

Amendments were made to the legislation on the deduction of impairments on loans to customers for IRES (corporate income tax) purposes, which raises the proportion deductible during the year from the ordinary rate of 0,30% to 0,50%, but only for new loans disbursed since 1st July 2009 which exceed the average over the previous two years. The period over which any excess may be deducted was also reduced from 18 years to 9 years (Art. 106, paragraph 3-bis, TUIR – consolidated law on income tax).

The legislation does not seem easy to apply, due to the lack of consistency between the rules for the ordinary deductibility of write-downs on loans (Art. 106, paragraph 3, TUIR) and the new rule just mentioned, which uses technical terms that are different from those used for ordinary write-downs. This makes it impossible at present to make a full estimate of the financial impact of this new legislation on the current year.

Legislation on controlled foreign companies is broadened (Art. 13)

Amendments have been made to tighten the tax legislation on controlled foreign companies (CFC -foreign subsidiaries) resident in tax havens. On the basis of the new legislation, in order to be excluded from the CFC tax regime (see Art. 167 of the TUIR – consolidated income tax law) – which consists of immediate taxation “for transparency” of income earned by foreign subsidiaries – in addition to the already existing condition that a foreign controlled company must actually perform commercial and industrial activities, these must now be performed on the local market where the company is registered. For financial companies this requirement is met when most of the sources of finance, investments and revenues originate in the country in which they are located.

At the same time, the CFC rules have also been extended to include subsidiaries wherever they are located, where the following conditions apply:

- a) the actual taxation of the foreign company is less than half that applied in Italy;
- b) more than fifty percent of the revenues are generated by the management, possession or investment in equities and financial assets, by the exploitation of intangible assets or by the provision of services to companies in the same group.

Exclusion from the CFC regime may be allowed by making an application in advance to the tax authorities, demonstrating that the foreign company is not an artifice designed to obtain an undue tax advantage.

In consideration of the complexity of the rules in question, including the timing of their effectiveness and also considering the possible validity of applications made to the tax authorities under the previous rules, it is necessary to wait for official interpretations from the tax authorities before any assessment can be given of the impacts of the new legislation.

Tax litigation

In the first nine months of 2009 the relative offices of the tax authorities launched the following tax audits:

- Banco di Brescia Spa for the year 2006 for IRES (corporate income tax) and IRAP (local production tax);
- UBI Leasing Spa for the year 2007 for IRES, IRAP and VAT (value added tax);
- Centrobanca Spa for the year 2006 for IRES and IRAP;
- Banca Popolare Commercio e Industria Spa for the year 2006 for IRES and IRAP;
- Banca Popolare di Bergamo Spa for the year 2006 for IRES and IRAP;
- Unione di Banche Italiane Scpa (with regard to the former Banche Popolari Unite Scpa) for the years 2004, 2005 and 2006 for IRES and IRAP.

The tax audits at UBI Leasing and at Unione di Banche Italiane (with regard to the former Banche Popolari Unite Scpa) are still in progress, while those performed at Banco di Brescia and Centrobanca have been concluded with the normal issue of tax audit reports. The tax audit of Banca Popolare di Bergamo commenced with the customary request for documentation.

The tax audit report issued to Banco di Brescia reported increased taxes – attributable mainly to the recalculation for tax purposes of write-downs on loans and an alleged failure to collect withholding taxes as a “tax substitute” – totalling 3,6 million euro gross of the tax realignment of the EU section of the income tax form, which reduce to approximately 2,6 million euro net of that realignment. That bank formulated its own observations on the matter in accordance with the taxpayers statute (Art. 12, paragraph 7, Law No. 212/2000) and is now waiting for action to be taken by the tax authorities.

As concerns the tax audit at Centrobanca, the infringements contained in the audit report amounted to 9,3 million euro of greater taxable income, attributable mainly to increased income for IRES purposes on accrual rule grounds in relation to losses and/or write-downs on loans deducted for tax purposes by that bank. The bank formulated its observations on the matter, stating that the tax rules introduced by the 2008 Finance Act applied retrospectively to the annual financial statements for 2006 for those entities which have adopted IAS/IFRS international accounting standards, where exceptions are made to the accrual rules set out in articles 101 and 109 of the consolidated law on income tax (*TUIR*) and as a consequence the infringements contested would not apply.

The audit report issued to Banca Popolare Commercio e Industria on 27th October 2009 reported infringements relating to the limit on deductions (0,40%) of write-downs on loans to customers (Art. 106, paragraph 3, – consolidated law on income tax – *TUIR*) in the financial year 2006. The increased taxable income for IRES (corporation tax) purposes amounted to 0,8 million euro.

In the same period notices of tax assessments were also received following tax audits already concluded in previous years concerning:

- UBI Banca Private Investment (formerly Banca Lombarda Private Investment) for the year 2004 for IRES (corporation tax);
- Banco di Brescia Spa for the year 2004 for IRES and IRAP (local tax on production).

Similar notices of tax assessment, but for IRES only, were received by UBI Banca Scpa as the tax consolidating entity for the companies just mentioned in accordance with articles 117-129 of the consolidated law on income tax – *TUIR*.

As concerns the first assessment (UBI Banca Private Investment), the tax authorities adjusted taxable income for IRES upwards by approximately 0,5 million euro, mainly for alleged infringements on accrual grounds concerning income and expense items, while the extra IRES and IRAP requested of Banco di Brescia amounted to approximately 1,7 million euro, again in relation to infringements concerning income and expense items on accrual grounds. These demands were covered by appropriate provisions made in prior years, to meet the potential

risks. As concerns both the notices of tax assessment, the taxpayers, together with the Parent as the tax consolidating entity, presented tax settlement proposals which were not accepted by the tax authorities. As a consequence the taxpayers will make judicial appeals to the competent tax tribunals.

Again in the same period, a tax audit report concerning IRES, IRAP and VAT for the year 2004 was received and accepted by BPU Sim, which was subsequently merged into UBI Banca Private Investment. The document resulted in a payment of approximately 190 thousand euro. Similarly, compliance with a tax audit report received by Banca Carime concerning IRES for the year 2005 is in progress and it involves a payment of approximately 16 thousand euro.

A request has been received in recent months from the Swiss tax authorities for the reimbursement of a 15% withholding tax (approximately two million euro), originally not applied, on dividends paid to BPU Banca/UBI Banca by the subsidiary BDG Finanziaria and Banque de Dépôts et de Gestion for the years 2006 to 2008. This was because BPU/UBI was not strictly speaking a “joint stock company” in accordance with the Treaty between the European Union and the Swiss Confederation of 26th October 2004. The dispute posed clear problems of how that treaty should be interpreted and also requires careful assessment of the terminology used in it. Those aspects were represented to the Swiss authorities by specially appointed legal advisors.

Finally with regard to tax litigation pending as at 31st December 2008, arising from the contribution of operations to the company Serico Srl, which the tax authorities reclassified as the transfer of property assets, it will be recalled that:

- on 12th May 2009 the Provincial Tax Commission of Bergamo accepted the arguments of the subsidiary BPB Immobiliare Srl;
- on 13th July 2009 a similar favourable ruling was issued by the Provincial Tax Commission of Cosenza with regard to an appeal presented by Banca Carime. That ruling has already been challenged;
- on 27th October 2009 the relative appeal presented by UBI Banca was heard at the Provincial Tax Commission of Bergamo with a successful result.

The three cases just described total approximately 76 million euro. In consideration of the outcomes just reported and also of the favourable opinions given by external advisors, no provisions have been made and the amount has been reported as a contingent liability.

* * *

Provisions for risks and charges had been made as at 30th September 2009 against the various infringements reported above amounting to 2,7 million euro, together with tax litigation provisions of six million euro. The amount of those provisions was calculated on the basis of the degree of probability of losing the cases disputed, in compliance with IAS 37, and taking account of the means available to the taxpayers to oppose the tax demands.

Update on the fine imposed by the Antitrust Authority

As reported in the half year interim financial report as at 30th June 2009, an appeal was made, as announced in advance, to the Council of State by the Antitrust Authority against the ruling by the Administrative Tribunal of Latium in favour of the administrative appeal presented by 23 banks, including four network banks of the Group (Banca Popolare di Bergamo, Banca Popolare Commercio e Industria, Banco di Brescia and Banca Regionale Europea), against the fine imposed by the Antitrust Authority in relation to the transfer of mortgages. On 6th October the appeal, already notified on 18th September, was filed with the Council of State. The date for the hearing has not yet been set.

The arguments presented in the appeal contain no new elements with respect to those already presented by the authority when the fine was imposed and in its defence at the Regional Administrative Tribunal of Latium. Furthermore, no application was made to suspend the order to return the sums paid for the fine, for which the expected acknowledgement has not yet been received from the Treasury Ministry, on the basis of the authorisation already granted by the Antitrust authority.

Following the official summons of the banks concerned, defences will be prepared on the basis of the arguments already presented and supported by the ruling fully in favour of them given in the hearing of first instance by the judge of the administrative tribunal.

In consideration of the strong grounds presented in the hearing of first instance, the amounts involved have been classified as contingent liabilities.

Significant events occurring after 30th September 2009 and the business outlook for consolidated operations

No events of significance that might affect the operating and financial position presented occurred after 30th September 2009, the balance sheet date of this interim financial report, and until 12th November 2009, the date of its approval by the Management Board of UBI Banca Scpa.

In consideration of the economic context which is still uncertain, no change is expected in the business outlook for the last part of 2009 with respect to the third quarter.

The structure of revenues from ordinary operations should remain at the same level as in the third quarter: net interest income will still be affected by interest rates at record low levels, while the modest recovery for net commissions already seen on a quarterly basis will presumably be repeated (if new and unexpected negative performance is not recorded on financial markets).

The forecast for the finance area, consistent with a low risk profile, should also be one of continued positive results.

Operating costs are expected to increase on a quarterly basis, but still fall on an annual basis. It is expected that the downward trend for personnel expenses recorded in the first nine months will continue, while other administrative expenses could rise in the last part of the year as a result of some commercial initiatives and seasonal factors.

The trend for depreciation and amortisation already recorded should continue, stabilising at levels lower than in 2008 as a result of the close down of the former IT system.

The cost of credit is estimated to remain in line with the first nine months of the year.

Bergamo, 12th November 2009

THE MANAGEMENT BOARD

**INTERIM CONSOLIDATED FINANCIAL
STATEMENTS AS AT 30TH SEPTEMBER
2009**

Interim mandatory consolidated financial statements as at 30th September 2009

Consolidated balance sheet

Figures in thousands of euro	30.9.2009	31.12.2008	30.9.2008
ASSETS			
10. Cash and cash equivalents	613.101	793.657	556.927
20. Financial assets held for trading	1.431.752	2.326.654	1.915.381
30. Financial assets at fair value	191.583	460.157	1.014.669
40. Available-for-sale financial assets	5.257.186	4.351.838	4.060.565
50. Held-to-maturity investments	1.687.077	1.630.844	1.396.121
60. Loans to banks	3.101.108	3.053.704	2.748.587
70. Loans to customers	96.554.963	96.368.452	98.020.148
80. Hedging derivatives	652.898	792.398	188.926
90. Fair value change of hedged financial assets (+/-)	403.522	335.417	8.685
100. Equity investments	360.098	246.099	249.561
110. Technical reserves of reinsurers	35.249	88.362	85.462
120. Property, plant and equipment and investment property	2.094.140	2.170.867	2.118.217
130. Intangible assets	5.588.714	5.531.633	5.549.111
of which:			
- goodwill	4.447.194	4.338.486	4.360.612
140. Tax assets	1.200.391	1.512.530	1.077.604
a) current	368.692	746.975	455.739
b) deferred	831.699	765.555	621.865
150. Non-current assets and disposal groups held for sale	398.011	18.931	19.803
160. Other assets	1.931.071	2.274.142	2.585.655
TOTAL ASSETS	121.500.864	121.955.685	121.595.422

Figures in thousands of euro	30.9.2009	31.12.2008	30.9.2008
LIABILITIES AND EQUITY			
10. Due to banks	5.306.536	3.980.922	7.071.811
20. Due to customers	51.383.644	54.150.681	50.464.444
30. Securities issued	44.162.873	43.440.556	43.829.206
40. Financial liabilities held for trading	815.697	799.254	477.339
60. Hedging derivatives	883.088	635.129	337.193
80. Tax liabilities	1.132.291	1.514.050	1.528.496
a) current	453.553	744.869	659.213
b) deferred	678.738	769.181	869.283
90. Liabilities associated with disposal groups held for sale	810.081	4.412	6.609
100. Other liabilities	3.743.221	4.030.238	4.111.175
110. Staff severance provision	440.728	433.094	424.990
120. Provisions for risks and charges:	282.450	295.429	375.015
a) pension and similar obligations	69.820	81.285	81.149
b) other provisions	212.630	214.144	293.866
130. Technical reserves	195.215	408.076	385.463
140. Fair value reserves	192.166	-70.296	-288.491
170. Reserves	2.214.351	2.443.259	2.439.997
180. Share premiums	7.100.378	7.100.378	7.100.378
190. Share capital	1.597.865	1.597.865	1.597.865
210. Minority interests (+/-)	1.052.983	1.123.637	1.113.892
220. Profit (loss) for the period (+/-)	187.297	69.001	620.040
TOTAL LIABILITIES AND EQUITY	121.500.864	121.955.685	121.595.422

Consolidated income statement

	30.9.2009	30.9.2008	31.12.2008	3rd Quarter 2009	3rd Quarter 2008
Figures in thousands of euro					
10. Interest and similar income	3.329.436	4.595.780	6.190.249	947.563	1.546.708
20. Interest expense and similar	(1.395.956)	(2.381.918)	(3.193.905)	(368.295)	(803.661)
30. Net interest income	1.933.480	2.213.862	2.996.344	579.268	743.047
40. Commission income	953.029	1.051.200	1.387.721	341.158	323.719
50. Commission expense	(152.543)	(152.159)	(199.446)	(48.113)	(44.508)
60. Net commission income	800.486	899.041	1.188.275	293.045	279.211
70. Dividends and similar income	9.753	69.994	71.204	6.253	1.519
80. Net trading income (loss)	36.300	(820)	(142.274)	7.083	10.992
90. Net hedging income (loss)	(843)	(8.195)	(18.459)	(2.029)	(22.311)
100. Income/expenses from disposal or repurchase of:	80.098	12.029	29.452	15.728	1.821
a) loans	(50)	(994)	(8.147)	(50)	(266)
b) available-for-sale financial assets	24.513	7.310	30.046	17.230	196
d) financial liabilities	55.635	5.713	7.553	(1.452)	1.891
110. Net income/expenses on financial assets and liabilities at fair value	(22.504)	(52.718)	(118.035)	5.581	(51.097)
120. Gross income	2.836.770	3.133.193	4.006.507	904.929	963.182
130. Net impairment losses on:	(628.098)	(250.195)	(1.069.718)	(197.929)	(99.507)
a) loans	(592.544)	(255.824)	(559.168)	(197.349)	(101.629)
b) available-for-sale financial assets	(32.546)	(6.592)	(516.917)	(50)	77
c) held-to-maturity investments	-	(80)	-	-	(80)
d) other financial transactions	(3.008)	12.301	6.367	(530)	2.125
140. Net financial operating income	2.208.672	2.882.998	2.936.789	707.000	863.675
150. Net insurance premiums	125.687	145.605	189.040	39.932	46.309
160. Other net profit (loss) of insurance operations	(104.345)	(139.927)	(191.426)	(33.551)	(48.807)
170. Net income from banking and insurance operations	2.230.014	2.888.676	2.934.403	713.381	861.177
180. Administrative expenses	(1.808.784)	(1.908.151)	(2.581.014)	(589.980)	(605.588)
a) personnel expenses	(1.129.757)	(1.224.031)	(1.631.974)	(375.933)	(394.825)
b) other administrative expenses	(679.027)	(684.120)	(949.040)	(214.047)	(210.763)
190. Net provisions for risks and charges	(29.492)	(39.020)	(34.489)	(2.621)	(13.100)
200. Net impairment losses on property, plant and equipment and investment property	(86.289)	(91.525)	(123.567)	(29.222)	(30.845)
210. Net impairment losses on intangible assets	(85.251)	(103.708)	(151.045)	(28.788)	(34.619)
220. Other operating income/(expense)	178.788	185.763	226.884	60.712	55.170
230. Operating costs	(1.831.028)	(1.956.641)	(2.663.231)	(589.899)	(628.982)
240. Profits (losses) of equity investments	18.925	14.571	2.050	8.581	373
260. Net impairment losses on goodwill	-	-	-	-	-
270. Profits (losses) on disposal of investments	3.685	80.289	82.953	34	1.197
280. Profit (loss) on continuing operations before tax	421.596	1.026.895	356.175	132.097	233.765
290. Taxes on income for the period for continuing operations	(214.657)	(327.792)	(192.861)	(66.216)	(113.003)
300. After tax profit (loss) on continuing operations	206.939	699.103	163.314	65.881	120.762
310. Profit (loss) after tax from discontinued operations	5.155	(11.029)	(15.727)	(33)	-
320. Profit (loss) for the period	212.094	688.074	147.587	65.848	120.762
330. Profit (loss) for the period attributable to minority interests	(24.797)	(68.034)	(78.586)	(4.488)	(19.908)
Profit (loss) for the period attributable to the shareholders of the Parent	187.297	620.040	69.001	61.360	100.854
Basic EPS (Earnings Per Share) "annualised"	0,3791	1,2764	0,1075		
Diluted EPS (Earnings Per Share) "annualised"	0,3791	1,2764	0,1075		

Consolidated statement of comprehensive income

Figures in thousands of euro	30.9.2009	30.9.2008	31.12.2008
10. PROFIT (LOSS) FOR THE YEAR	212.094	688.074	147.587
Other items of income net of taxes			
20. Available-for-sale financial assets	232.389	-320.911	-83.098
30. Property, plant and equipment and investment property	-	-	-
40. Intangible assets	-	-	-
50. Foreign investment hedges	-	-	-
60. Cash flow hedges	8.947	-252	-13.611
70. Exchange rate differences	-	-	-
80. Non current assets held for sale.	-	-	-
90. Actuarial gains (losses) on defined benefit plans	-12.088	1.711	-8.554
100. Share of fair value reserves of equity investments valued at equity	34.108	-8.444	-5.680
110. Total other items of income net of taxes	263.356	-327.896	-110.943
120. COMPREHENSIVE INCOME (item 10 + 110)	475.450	360.178	36.644
130. CONSOLIDATED COMPREHENSIVE INCOME ATTRIBUTABLE TO MINORITY INTERESTS	25.468	66.646	76.689
130. CONSOLIDATED COMPREHENSIVE INCOME ATTRIBUTABLE TO THE SHAREHOLDERS OF THE PA	449.982	293.532	-40.045

Statement of changes in consolidated equity as at 30th September 2009

Figures in thousands of euro	Balances as at 31.12.2008		Changes in opening balances		Balances as at 1.1.2009		Changes in scope of consolidation	Allocation of prior year profit			Changes January - September 2009						Equity as at 30.9.2009		
	Balances attributable to the Parent	Balances attributable to minority interests	Balances attributable to the Parent	Balances attributable to minority interests	Balances attributable to the Parent	Balances attributable to minority interests		Reserves		Dividends and other uses	Changes in reserves		New share issues		Stock options	Comprehensive income		Balances attributable to the Parent	Balances attributable to minority interests
								Balances attributable to the Parent	Balances attributable to minority interests		Balances attributable to the Parent	Balances attributable to minority interests	Balances attributable to the Parent	Balances attributable to minority interests		Balances attributable to the Parent	Balances attributable to minority interests		
Share capital:	1.597.865	-			1.597.865	-	-	-	-	-	-	-	-	-	-	-	1.597.865	-	
a) ordinary shares	1.597.865	-			1.597.865	-	-	-	-	-	-	-	-	-	-	-	1.597.865	-	
b) other shares	-	-			-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Share premiums	7.100.378	-			7.100.378	-	-	-	-	-	-	-	-	-	-	-	7.100.378	-	
Reserves	2.443.259	995.519	-	-	2.443.259	995.519	-	9.788	78.586	-234.165	-4.531	-96.112	-	-	-	-	2.214.351	977.993	
a) of profits	1.833.317	236.110	-	-	1.833.317	236.110	-	9.788	78.586	-234.165	-4.531	-82.066	-	-	-	-	1.604.409	232.630	
b) other	609.942	759.409	-	-	609.942	759.409	-	-	-	-	-	-14.046	-	-	-	-	609.942	745.363	
Fair value reserves:	-70.296	49.532	-	-	-70.296	49.532	-	-	-	-	-223	-10	-	-	-	262.685	671	192.166	50.193
Capital instruments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Treasury shares:	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
a) of the Parent	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
b) of subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Net profit for the period	69.001	78.586	-	-	69.001	78.586	-	-	-78.586	-69.001	-	-	-	-	-	187.297	24.797	187.297	24.797
Equity	11.140.207	1.123.637	-	-	11.140.207	1.123.637	-	9.788	-	-303.166	-4.754	-96.122	-	-	-	449.982	25.468	11.292.057	1.052.983

With regard to minority interests, the decrease in the reserves, amounting to 96,1 million euro, is due mainly to the distribution of the previous year profits amounting to approximately 83 million euro and to the negative impact, amounting to 18,7 million euro, of the change in the percentage of ownership of IW Bank following the conclusion of agreements signed by UBI Banca, Centrobanca and Medinvest International. This was partially offset by the positive impact, amounting to 3 million euro, of the dilution of the percentage of ownership of Banco di San Giorgio, following the increase in the share capital in relation to the acquisition of Intesa Sanpaolo branches. The effect of the transfer to the income statement of asset and liability items when the purchase price allocation was performed had a negative impact on profit attributable to minority interests, amounting to approximately 11,8 million euro.

Statement of changes in consolidated equity for the period ended 30th September 2008

Figures in thousands of euro	Balances as at 31.12.2007		Changes in opening balances		Balances as at 1.1.2008		Changes in scope of consolidation	Allocation of prior year profit			Changes January - September 2008							Equity as at 30.9.2008		
	Balances attributable to the Parent	Balances attributable to minority interests	Balances attributable to the Parent	Balances attributable to minority interests	Balances attributable to the Parent	Balances attributable to minority interests		Reserves		Dividends and other uses	Changes in reserves		Transactions affecting equity			Comprehensive income				
								Balances attributable to the Parent	Balances attributable to minority interests		Balances attributable to the Parent	Balances attributable to minority interests	Stock options	Balances attributable to the Parent	Balances attributable to minority interests					
																Balances attributable to the Parent	Balances attributable to minority interests			Balances attributable to the Parent
Share capital:	1.597.865	-			1.597.865	-	-	-	-	-	-	-	-	-	-			-	-	
a) ordinary shares	1.597.865	-			1.597.865	-	-	-	-	-	-	-	-	-	-	-	-	-	1.597.865	-
b) other shares	-	-			-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Share premiums	7.100.378	-			7.100.378	-	-	-	-	-	-	-	-	-	-	-	-	-	7.100.378	-
Reserves	2.195.597	933.576	-	-	2.195.597	933.576	-	248.080	100.820	-	-3.680	-38.582	-	-	-	-	-	-	2.439.997	995.814
a) of profits	1.585.655	196.711	-	-	1.585.655	196.711	-	248.080	100.820	-	-3.680	-73.994	-	-	-	-	-	-	1.830.055	223.537
b) other	609.942	736.865	-	-	609.942	736.865	-	-	-	-	-	35.412	-	-	-	-	-	-	609.942	772.277
Fair value reserves:	37.485	51.443	-	-	37.485	51.443	-	-	-	-	532	-11	-	-	-	-	-326.508	-1.388	-288.491	50.044
Capital instruments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Treasury shares:	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
a) of the Parent	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
b) of subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Net profit for the period	880.812	100.820	-	-	880.812	100.820	-	-248.080	-100.820	-632.732	-	-	-	-	-	-	620.040	68.034	620.040	68.034
Equity	11.812.137	1.085.839	-	-	11.812.137	1.085.839	-	-	-	-632.732	-3.148	-38.593	-	-	-	-	293.532	66.646	11.469.789	1.113.892

As concerns minority interests the decrease of 73.994 thousand euro in "reserves of profits" is primarily attributable to the distribution of profits in the previous year amounting to approximately 72.300 thousand euro and to the extraordinary dividend amounting to 13.300 thousand euro of the Banca Regionale Europea, partially offset by the positive impact amounting to 3.300 thousand euro of the contribution of the operations (funds) of Capitalgest SGR Spa, as described below, and by that amounting to 500 thousand euro relating to the partial sale of UBI Sistemi e Servizi to minority interests. The difference relates to consolidation entries regarding changes in the percentages of shareholdings.

The increase in "other reserves", amounting to 35.412 thousand euro, is due to the effects of the contribution of the operations (funds) of Capitalgest SGR Spa and of the interest in Capitalgest Alternative Investments SGR Spa held by UBI Banca and made to UBI Pramerica SGR Spa (49.845 thousand euro), which were only partially offset by the negative impact of the transfer to the income statement of the purchase price allocation, amounting to approximately 13 million euro. The remaining difference relates to consolidation entries regarding changes in the percentages of shareholdings (one million euro relating to IW Bank).

Consolidated statement of cash flows (indirect method)

Figures in thousands of euro	30.9.2009	30.9.2008
A. OPERATING ACTIVITIES		
1. Ordinary activities	853.447	625.181
- net profit for the period (+/-)	187.297	620.040
- gains/losses on financial assets held for trading and on financial assets/liabilities at fair value (+/-)	-13.796	820
- gains/losses on hedging activities (-/+)	843	8.195
- net impairment losses (+/-)	628.098	250.195
- net impairment losses on property, plant and equipment and investment property and intangible fixed assets (+/-)	171.540	195.233
- net provisions for risks and charges and other expense/income (+/-)	29.492	39.020
- net premiums not collected (-)	-	-
- other insurance income/expense not received(-/+)	-	-
- outstanding taxes and duties	-69.620	-120.315
- net impairment losses on disposal groups held for sale after tax (-/+)	-5.155	-
- other adjustments (+/-)	-75.252	-368.007
2. Liquidity generated/absorbed by financial assets	-590.931	-3.230.646
- financial assets held for trading	931.202	1.340.640
- financial assets at fair value	242.220	318.917
- available-for-sale financial assets	-937.894	-530.024
- loans to banks: repayable on demand	-	-
- loans to banks: other loans	-47.404	1.155.593
- loans to customers	-779.055	-5.515.772
3. Liquidity generated/absorbed by financial liabilities	59.460	3.107.514
- amounts due to banks repayable on demand	-	-
- amounts due to banks: other payables	1.325.614	-1.132.947
- due to customers	-2.767.037	1.457.475
- securities issued	722.317	2.958.133
- financial liabilities held for trading	16.443	-387.868
- financial liabilities at fair value	-	-
- other liabilities	762.123	212.721
Net liquidity generated/absorbed by operating activities	321.976	502.049
B. INVESTING ACTIVITIES		
1. Liquidity generated by	21.415	139.254
- disposals of equity investments	439	-
- dividends received on equity investments	9.753	69.994
- disposals of held-to-maturity investments	-	-
- disposals of property, plant and equipment and investment property	2.384	-
- disposals of intangible assets	-	-
- disposals of subsidiaries and lines of business	8.839	69.260
2. Liquidity absorbed by	-220.331	-94.772
- purchases of equity investments	-212.792	-39.163
- purchases of held-to-maturity investments	-	-
- purchases of property, plant and equipment and investment property	-5.200	-55.609
- purchases of intangible assets	-2.339	-
- purchases of subsidiaries and lines of business	-	-
Net liquidity generated/absorbed by investing activities	-198.916	44.482
C. FUNDING ACTIVITIES		
- issues/purchases of treasury shares	-	-
- issues/purchases of capital instruments	-	-
- distribution of dividends and other uses	-303.616	-632.732
Net liquidity generated/absorbed by funding activities	-303.616	-632.732
NET LIQUIDITY GENERATED/ABSORBED DURING THE PERIOD	-180.556	-86.201

Reconciliation

Figures in thousands of euro	30.9.2009	30.9.2008
Cash and cash equivalents at beginning of period	793.657	643.128
Total net cash flow for the period	-180.556	-
Cash and cash equivalents: effect of changes in exchange rates	-	-86.201
Cash and cash equivalents at the end of the period	613.101	556.927

Accounting policies for the interim financial report

Basis of preparation

This interim financial report as at 30th September 2009 of the Unione di Banche Italiane Scpa Group, approved by the Management Board on 12th November 2009, has been prepared in compliance with Art. 154 *ter* of Legislative Decree No. 58/1998 (Consolidated Finance Act), which implemented the “Transparency Directive”, and in accordance with IAS/IFRS international accounting standards.

The criteria adopted in its preparation for the classification, recognition, measurement and derecognition of balance sheet and profit and loss items are the same as those adopted for the financial statements as at 31st December 2008, which may be consulted in full.

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 financial statements in compliance with Bank of Italy Circular No. 262/2005¹ and the reclassified financial statements both prepared in euro as the accounting currency.

The document also contains tables furnishing details of the contents of the main items in the reclassified income statement and the reclassified balance sheet with the relative comments and a summary report on financial and operational risks.

A specific section has also been maintained on the performance of the Parent, UBI Banca Scpa, in the reporting period.

This interim financial report relates to the scope of consolidation reported in the half year interim financial report as at 30th June 2009, slightly modified, as reported in the section “Changes in the consolidation scope” of this publication.

Changes to IAS/IFRS

For full information purposes a brief description is given below of the accounting standards that were amended following the issue of EC regulations in the third quarter.

EC Regulation No. **824/2009**² introduces amendments to IAS 39 and IFRS 7 in order to clarify the date on which they come into force and also transition measures concerning the amendments made to those standards by EC Regulation No. 1004/2008, issued following the crisis on financial markets and adopted on 16th October 2008 with publication in the Official Journal of the European Union.

EC Regulation No. **839/2009**³ introduces amendments to IAS 39 in order to clarify the accounting treatment for hedging transactions with regard to:

- the inflation component of financial instruments that are hedged. In this respect paragraph AG99F states that “*To be eligible for hedge accounting, the designated risks and portions must be separately identifiable components of the financial instrument, and*

¹ “Banking financial statements: presentations and preparation rules”.

² Compulsory adoption from 1st July 2008, but it is not compulsory for entities that have already presented financial statements in accordance with EC Regulation No. 1004/2008 to present them again in order to comply with the new provisions in terms of the time limits for the entrance into force of that regulation.

³ Compulsory adoption from 2010.

changes in the cash flows or fair value of the entire financial instrument arising from changes in the designated risks and portions must be reliably measurable. For example:

- a)
 - b) *inflation is not separately identifiable and reliably measurable and cannot be designated as a risk or a portion of a financial instrument unless the requirements in (c) are met;*
 - c) *a contractually specified inflation portion of the cash flows of a recognised inflation-linked bond (assuming there is no requirement to account for an embedded derivative separately) is separately identifiable and reliably measurable as long as other cash flows of the instrument are not affected by the inflation portion.”;*
- to option contracts when they are used as hedging instruments. In this respect paragraph AG99BA states that “An entity can designate all changes in the cash flows or fair value of a hedged item in a hedging relationship. An entity can also designate only changes in the cash flows or fair value of a hedged item above or below a specified price or other variable (a one-sided risk). The intrinsic value of a purchased option hedging instrument (assuming that it has the same principal terms as the designated risk), but not its time value, reflects a one-sided risk in a hedged item. For example, an entity can designate the variability of future cash flow outcomes resulting from a price increase of a forecast commodity purchase. In such a situation, only cash flow losses that result from an increase in the price above the specified level are designated. The hedged risk does not include the time value of a purchased option because the time value is not a component of the forecast transaction that affects profit or loss (paragraph 86(b)).”

IAS 39 updates

As already performed when the half year interim report as at 30th June 2009⁴ was prepared, in consideration of the importance of the matter, brief information on the proposed amendments to the IAS 39 accounting standard is given; these are still currently under discussion at international level and are not therefore applicable at present.

Nevertheless confirmation of the timing of the application of the standard in question has been given, which is for the financial year 2012. Companies should be given the option of using the new rules earlier than that for the financial year ending 31st December 2009, and in that respect it must be considered that in terms of the timing of the transition, they could lead to some difficulties in the comparability of financial statements over the course of a few years.

As concerns the contents of the Exposure Draft (ED) in question, possible major impacts include the following:

- The categories envisaged for the classification of financial assets/liabilities are as follows:
 - **assets at fair value**, with recognition of the changes through profit and loss, and
 - **assets valued at amortised cost.**
As opposed to previous proposals, it can be reasonably assumed on the basis, amongst other things, of many observations sent to the IASB, that initial classification should occur on the basis of both the business model employed by the company and the objective characteristics of the financial instruments, without any hierarchical order applied for the two drivers.
 - In addition to the two categories cited, the ED also grants entities the option of classifying equity instruments, other than those held for trading, in the category “fair value-other comprehensive income” (FV-OCI), for which the financial assets are measured at fair value with the recognition of changes in equity in the “statement of comprehensive income”.
- In the light of the information provided by the IASB, it is expected that, as opposed to previous proposals, components attributable to dividends will be recognised through profit and loss, unlike other components of valuation or realisation for which it seems at

⁴ See the notes to the “interim financial report as at 30th June 2009” pages 189.

present there will be no recognition through profit or loss even on disposal of the financial instrument. These components would always be recognised in equity.

- With regard to the accounting treatment for embedded derivatives (i.e. derivatives that are incorporated within non derivative host instruments), the ED states that these derivatives will not be subject to unbundling and that the classification of the entire instrument (host+derivative) should follow the general rules for the classification of all financial instruments.

The application of that standard would presumably lead to the classification of a larger number of instruments, compared to practice under the current rules, in the category of **assets at fair value** (with recognition of the changes through profit and loss), with consequent greater volatility in the income statement.

In relation to these matters, the UBI Banca Group is performing specific studies to assess the impacts of a possible early application of the measures in question. In this respect, it participates actively, together with other major Italian banking groups, in working groups set up by the Italian Banking Association to assess the impacts of changes in standards and, as requested by the IASB itself during the ED consultation phase, to formulate observations.

Furthermore, it must be considered that, as matters stand, it is not possible to make a full assessment of the consequences of the adoption of the rules for the classification and measurement of financial instruments, because details are not yet known of the amendments that the IASB intends to make to the rules for hedge accounting and impairment.

Careful consideration must be given to early application of IAS 39, as far as classification and measurement rules are concerned, for various reasons:

- initial considerations would suggest that there would be a broader range of financial instruments measured at fair value with an impact on the income statement, due above all, as already mentioned, to the new rules for unbundling embedded derivatives;
- the possibilities for reclassification would seem to be very limited and circumscribed to the sole case of a change in the business model of a company. On the other hand, it would not seem possible to make changes, in terms of classification, following the amendments that the IASB will make in the near future to rules for hedge accounting and impairment.

Finally, consideration must also be given to problems connected with the following:

- the standard in question, as already mentioned, is in the process of coming into force, but is not yet official with the final issue of the standard scheduled for close to the time when the 2009 annual reported will be prepared;
- the full replacement of IAS 39 is being performed by the IASB in three sequential stages (initially the review of the rules for the classification and valuation of financial instruments – the current stage – and subsequently the measures for impairment and hedge accounting rules) and not in a single unified and co-ordinated solution, which would make application less problematic given the clear connections between the three main components of IAS 39;
- at the current stage the financial statement presentations and the relative rules for preparing them are not yet known, nor are the amendments to supervisory rules that might be made by the Bank of Italy.

Commitment fees (former maximum overdraft charges)

The UBI Banca Group introduced “commitment fees” as of 1st July 2009. This new fee – set at a maximum quarterly rate of 0,50% of the amount of an authorised overdraft – is of an all encompassing nature because it simplifies the previous commission structure, with the elimination not only of the “maximum overdraft charge” (MOC), but also of other commissions applied to credit lines and to current account overdrafts.

Commitment fees are therefore different in nature to the maximum overdraft charges and they are calculated differently. The latter were also charged on a time basis, which is characteristic of interest unlike a commission. In this sense they are recognised in the income statement within “commission income” and not within “interest and similar income”, in which maximum overdraft charges were recognised.

As concerns the reporting period, maximum overdraft charges totalling 82,3 million euro were recognised within the item “interest and similar income” and commitment fees for the third quarter (1st July 2009-30th September 2009), totalling 33,7 million euro, were recognised within the item “commission income”.

Considering the differences between the nature and methods of calculation for MOC and commitment fees, the amounts stated for the previous periods, presented for comparative purposes in the mandatory income statement pursuant to Bank of Italy circular No. 262/2005, have not been reclassified and therefore income from maximum overdraft charges amounting to 129 million euro to 30th September 2008 and to 172 million euro to 31st December 2008 have been recognised entirely within the item “interest and similar income”.

In the preparation of the reclassified income statements on the other hand, the income from MOCs has been reclassified out of the item “interest and similar income” into the item “commission income”.

Optimisation of branch networks

As already described in this financial report, the “branch network optimisation” project involves the transfer of business units, consisting mainly of branches, between some of the network banks of the UBI Banca Group.

The legal and accounting effectiveness of the operation is scheduled for January 2010 and detailed information will therefore be reported in the 2009 Annual Report.

We can report now that the project will be explicitly excluded from the application of IFRS 3 “Business combinations”, because performed between entities under common control. This circumstance will also involve the elimination of the effects from the consolidated financial statements, which, on the other hand reports transactions with counterparties external to the Group.

On the basis of what has just been stated, these transactions are recognised in the separate financial statements of the entities under common control in application of “*Orientamenti preliminari Assirevi in tema IFRS*” (OPI – preliminary orientations on IFRS of the Italian National Association of Auditors). These are orientation documents designed to identify which accounting treatment to apply under IFRS in the separate accounts of an entity subject to common control, which participates in intragroup merger transactions. On the basis of the OPI, the transactions in question are considered as being conducted for organisational purposes and the accounting treatment will therefore be in line with the amounts recognised in the separate financial statements of the companies involved, with no recognition in the income statement. The same accounting treatment was adopted in the past for the preparation of the financial statements for the years ended 31st December 2007 and 31st December 2008.

**DECLARATION OF THE SENIOR
OFFICER RESPONSIBLE FOR
PREPARING CORPORATE
ACCOUNTING DOCUMENTS**

Declaration of the Executive Officer Responsible for preparing corporate accounting documents

The undersigned, Elisabetta Stegher, as the executive 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 law on financial intermediation), that the information contained in this “Quarterly financial report as at 31st March 2009” is reliably based on the records contained in corporate documents and accounting records.

The executive officer responsible for
preparing the corporate accounting
documents

Bergamo, 12th November 2009

**INFORMATION ON THE
PERFORMANCE OF THE PARENT
UBI BANCA Scpa
in the first nine months of 2009**

Reclassified financial statements and reconciliation schedules

Reclassified balance sheet

Figures in thousands of euro	30.9.2009 A	31.12.2008 B	Changes A-B	% change A/B	30.9.2008 C	Changes A-C	% change A/C
ASSETS							
10. Cash and cash equivalents	167.225	246.460	-79.235	-32,1%	132.865	34.360	25,9%
20. Financial assets held for trading	1.865.449	2.424.111	-558.662	-23,0%	1.434.756	430.693	30,0%
30. Financial assets at fair value	191.583	460.157	-268.574	-58,4%	993.918	-802.335	-80,7%
40. Available-for-sale financial assets	3.760.468	2.767.513	992.955	35,9%	2.456.359	1.304.109	53,1%
50. Held-to-maturity investments	1.676.607	1.620.567	56.040	3,5%	1.385.990	290.617	21,0%
60. Loans to banks	26.732.246	29.298.338	-2.566.092	-8,8%	29.119.495	-2.387.249	-8,2%
70. Loans to customers	11.389.672	10.446.768	942.904	9,0%	9.028.611	2.361.061	26,2%
80. Hedging derivatives	111.282	72.787	38.495	52,9%	51.520	59.762	116,0%
100. Equity investments	11.986.854	11.909.207	77.647	0,7%	11.714.899	271.955	2,3%
110. Property, plant and equipment and investment property	657.912	677.218	-19.306	-2,9%	650.909	7.003	1,1%
120. Intangible assets	594.668	596.756	-2.088	-0,3%	572.576	22.092	3,9%
<i>of which: goodwill</i>	569.058	569.058	-	-	569.058	-	-
130. Tax assets	452.827	593.405	-140.578	-23,7%	327.706	125.121	38,2%
140. Non-current assets and disposal groups held for sale	652.168	13.931	638.237	n.s.	13.687	638.481	n.s.
150. Other assets	652.083	856.100	-204.017	-23,8%	1.292.782	-640.699	-49,6%
Total assets	60.891.044	61.983.318	-1.092.274	-1,8%	59.176.073	1.714.971	2,9%
LIABILITIES AND EQUITY							
10. Due to banks	26.241.125	28.732.515	-2.491.390	-8,7%	28.892.512	-2.651.387	-9,2%
20. Due to customers	4.516.557	5.813.895	-1.297.338	-22,3%	3.292.222	1.224.335	37,2%
30. Securities issued	15.936.842	14.128.184	1.808.658	12,8%	14.108.477	1.828.365	13,0%
40. Financial liabilities held for trading	1.504.163	1.222.187	281.976	23,1%	633.666	870.497	137,4%
60. Hedging derivatives	316.535	74.820	241.715	323,1%	58.604	257.931	440,1%
80. Tax liabilities	397.558	411.849	-14.291	-3,5%	446.489	-48.931	-11,0%
90. Liabilities associated with disposal groups held for sale	605.324	-	605.324	-	-	605.324	-
100. Other liabilities	679.347	1.186.374	-507.027	-42,7%	1.011.153	-331.806	-32,8%
110. Staff severance provision	43.379	44.483	-1.104	-2,5%	45.115	-1.736	-3,8%
120. Provisions for risks and charges:	8.088	10.329	-2.241	-21,7%	16.191	-8.103	-50,0%
b) other provisions	8.088	10.329	-2.241	-21,7%	16.191	-8.103	-50,0%
130.+160. +170.+180. Share capital, share premiums and reserves	10.227.907	10.334.796	-106.889	-1,0%	10.066.367	161.540	1,6%
200. Net profit for the period	414.219	23.886	n.s.	n.s.	605.277	-191.058	-31,6%
Total liabilities and equity	60.891.044	61.983.318	-1.092.274	-1,8%	59.176.073	1.714.971	2,9%

Reclassified quarterly balance sheets

Figures in thousands of euro	30th September 2009	30th June 2009	31st March 2009	31st December 2008	30th September 2008	30th June 2008	31st March 2008
ASSETS							
10. Cash and cash equivalents	167.225	143.984	154.230	246.460	132.865	89.797	91.149
20. Financial assets held for trading	1.865.449	1.989.724	2.295.999	2.424.111	1.434.756	2.017.122	1.877.525
30. Financial assets at fair value	191.583	252.388	398.076	460.157	993.918	1.195.485	1.116.263
40. Available-for-sale financial assets	3.760.468	3.855.661	3.669.755	2.767.513	2.456.359	2.132.791	2.295.688
50. Held-to-maturity investments	1.676.607	1.566.871	1.647.524	1.620.567	1.385.990	1.391.788	1.251.495
60. Loans to banks	26.732.246	27.754.476	27.286.888	29.298.338	29.119.495	27.526.361	24.042.535
70. Loans to customers	11.389.672	11.152.549	10.531.691	10.446.768	9.028.611	9.222.305	8.913.116
80. Hedging derivatives	111.282	76.712	91.544	72.787	51.520	25.396	23.270
100. Equity investments	11.986.854	12.017.454	12.051.469	11.909.207	11.714.899	11.709.110	11.706.993
110. Property, plant and equipment and investment property	657.912	664.140	670.536	677.218	650.909	659.019	668.078
120. Intangible assets	594.668	594.854	595.793	596.756	572.576	576.559	582.304
<i>of which: goodwill</i>	<i>569.058</i>	<i>569.058</i>	<i>569.058</i>	<i>569.058</i>	<i>569.058</i>	<i>569.058</i>	<i>569.058</i>
130. Tax assets	452.827	430.580	612.194	593.405	327.706	277.708	558.671
140. Non-current assets and disposal groups held for sale	652.168	13.165	13.139	13.931	13.687	13.687	13.697
150. Other assets	652.083	604.140	707.496	856.100	1.292.782	1.297.100	1.578.986
Total assets	60.891.044	61.116.698	60.726.334	61.983.318	59.176.073	58.134.228	54.719.770
LIABILITIES AND EQUITY							
10. Due to banks	26.241.125	27.877.881	28.174.008	28.732.515	28.892.512	26.641.509	23.902.524
20. Due to customers	4.516.557	5.510.118	6.007.397	5.813.895	3.292.222	3.788.211	2.763.751
30. Securities issued	15.936.842	14.609.574	13.259.508	14.128.184	14.108.477	14.567.300	14.306.376
40. Financial liabilities held for trading	1.504.163	1.435.370	1.546.377	1.222.187	633.666	831.400	708.317
60. Hedging derivatives	316.535	148.819	141.602	74.820	58.604	70.276	45.845
80. Tax liabilities	397.558	283.715	507.918	411.849	446.489	349.267	734.640
90. Liabilities associated with disposal groups held for sale	605.324	-	-	-	-	-	-
100. Other liabilities	679.347	662.087	765.305	1.186.374	1.011.153	1.056.770	1.449.021
110. Staff severance provision	43.379	42.990	43.172	44.483	45.115	44.197	47.873
120. Provisions for risks and charges:	8.088	11.068	11.388	10.329	16.191	16.045	9.564
b) other provisions	8.088	11.068	11.388	10.329	16.191	16.045	9.564
130.+160.+170.+180 Share capital, share premiums and reserves	10.227.907	10.109.575	10.363.861	10.334.796	10.066.367	10.060.756	10.807.780
200. Net profit for the period	414.219	425.501	-94.202	23.886	605.277	708.497	-55.921
Total liabilities and equity	60.891.044	61.116.698	60.726.334	61.983.318	59.176.073	58.134.228	54.719.770

Reclassified income statement

Figures in thousands of euro	30th September 2009	30th September 2008	Changes	% changes	3rd Quarter 2009	3rd Quarter 2008	31st December 2008
10.-20. Net interest income	(91.618)	(186.005)	(94.387)	(50,7%)	(42.712)	(73.183)	(250.789)
70. Dividends and similar income	551.579	903.204	(351.625)	(38,9%)	1.872	1.285	904.355
40.-50. Net commission income	11.829	9.497	2.332	24,6%	4.012	2.748	13.174
80.+90. +100. +110. Net income from trading, hedging and disposal/repurchase activities and from assets/liabilities at fair value	98.114	(56.991)	155.105	(272,2%)	66.644	(32.378)	(192.843)
190. Other operating income/(expense)	96.446	143.336	(46.890)	(32,7%)	31.773	46.997	166.203
Operating income	666.350	813.041	(146.691)	(18,0%)	61.589	(54.531)	640.100
150.a Personnel expenses	(101.905)	(117.813)	(15.908)	(13,5%)	(36.966)	(36.032)	(158.803)
150.b Other administrative expenses	(84.106)	(115.120)	(31.014)	(26,9%)	(27.098)	(35.321)	(156.396)
170.+ 180. Net impairment losses on property, plant and equipment and investment property and intangible assets	(25.099)	(46.652)	(21.553)	(46,2%)	(8.142)	(14.487)	(61.617)
Operating costs	(211.110)	(279.585)	(68.475)	(24,5%)	(72.206)	(85.840)	(376.816)
Net operating income	455.240	533.456	(78.216)	(14,7%)	(10.617)	(140.371)	263.284
130.a Net impairment losses on loans	185	517	(332)	(64,2%)	61	357	(4.400)
130.b +c+d Net impairment losses on other assets/liabilities	(35.386)	(536)	34.850	6501,9%	(1.981)	(351)	(496.077)
160. Net provisions for risks and charges	(2.644)	(604)	2.040	337,7%	2.981	772	(1.733)
210.+ 240. Profits (loss) from disposal of equity investments	(2.392)	18.873	(21.265)	(112,7%)	(2.858)	522	17.542
Profit (loss) on continuing operations before tax	415.003	551.706	(136.703)	(24,8%)	(12.414)	(139.071)	(221.384)
290. Taxes on income for the period for continuing operations	2.679	71.730	(69.051)	(96,3%)	1.900	41.649	271.431
Integration costs	(3.463)	(18.159)	(14.696)	(80,9%)	(768)	(5.798)	(26.161)
of which: personnel expenses	(831)	(10.186)	(9.355)	(91,8%)	(197)	(3.720)	(15.349)
other administrative expenses	(3.864)	(14.780)	(10.916)	(73,9%)	(835)	(4.250)	(20.626)
net impairment losses on property, plant and equipment and investment property and intangible assets	(82)	(81)	1	1,2%	(28)	(27)	(109)
taxes	1.314	6.888	(5.574)	(80,9%)	292	2.199	9.923
Profit (loss) for the period	414.219	605.277	(191.058)	(31,6%)	(11.282)	(103.220)	23.886

Quarterly reclassified income statements

Figures in thousands of euro		2009			2008			
		3rd Quarter	2nd Quarter	1st quarter	4th Quarter	3rd Quarter	2nd Quarter	1st quarter
10.-20.	Net interest income	(42.712)	(26.388)	(22.518)	(64.784)	(73.183)	(62.220)	(50.602)
70.	Dividends and similar income	1.872	536.680	13.027	1.151	1.285	870.280	31.639
40.-50.	Net commission income	4.012	3.883	3.934	3.677	2.748	2.213	4.536
80.+90.+ 100.+110.	Net income from trading, hedging and disposal/repurchase activities and from assets/liabilities at fair value	66.644	15.393	16.077	(135.852)	(32.378)	14.157	(38.770)
190.	Other operating income/(expense)	31.773	31.946	32.727	22.867	46.997	45.771	50.568
	Operating income	61.589	561.514	43.247	(172.941)	(54.531)	870.201	(2.629)
150.a	Personnel expenses	(36.966)	(29.745)	(35.194)	(40.990)	(36.032)	(42.162)	(39.619)
150.b	Other administrative expenses	(27.098)	(29.554)	(27.454)	(41.276)	(35.321)	(40.863)	(38.936)
170.+180.	Net impairment losses on property, plant and equipment and investment property and intangible assets	(8.142)	(8.374)	(8.583)	(14.965)	(14.487)	(16.087)	(16.078)
	Operating costs	(72.206)	(67.673)	(71.231)	(97.231)	(85.840)	(99.112)	(94.633)
	Net operating income	(10.617)	493.841	(27.984)	(270.172)	(140.371)	771.089	(97.262)
130.a	Net impairment losses on loans	61	85	39	(4.917)	357	46	114
130.b+c+d	Net impairment losses on other assets and liabilities	(1.981)	40.297	(73.702)	(495.541)	(351)	(159)	(26)
160.	Net provisions for risks and charges	2.981	(4.566)	(1.059)	(1.129)	772	945	(2.321)
210.+240.	Profits (loss) from disposal of equity investments	(2.858)	(505)	971	(1.331)	522	(5.157)	23.508
	Profit (loss) on continuing operations before tax	(12.414)	529.152	(101.735)	(773.090)	(139.071)	766.764	(75.987)
290.	Taxes on income for the period for continuing operations	1.900	(8.865)	9.644	199.701	41.649	3.370	26.711
	Integration costs	(768)	(584)	(2.111)	(8.002)	(5.798)	(5.716)	(6.645)
	Profit (loss) for the period	(11.282)	519.703	(94.202)	(581.391)	(103.220)	764.418	(55.921)

	Non-recurring items								30.9.2009 net of non-recurring items A	Non-recurring items						30.9.2008 net of non-recurring items B	Changes A-B	% changes A/B
	30.9.2009	Integration costs	Gain on disposal of SSB and Meliorbanca	Impairment of interest in Intesa Sanpaolo	Write-down of DD Growth fund	Public exchange offer	Impairment of interest in Coralys Rent	Impact of Icelandic banks		30.9.2008	Integration costs	EC section tax redemption	Profit on disposal of Key Client	Loss on disposal of UBI.S shares	Profit on disposal of UBI Pramerica shares			
Figures in thousands of euro																		
Net interest income	(91.618)					(4.295)		(95.913)	(186.005)					(186.005)	(90.092)	(48,4%)		
Dividends and similar income	551.579							551.579	903.204					903.204	(351.625)	(38,9%)		
Net commission income	11.829							11.829	9.497					9.497	2.332	24,6%		
Net income from trading, hedging and disposal/repurchase activities and from assets/liabilities at fair value	98.114		(2.506)		25.234	(37.241)		83.601	(56.991)		(7.055)			(64.046)	147.647	n.s.		
Other net operating income / (expenses)	96.446							1.518	143.336					143.336	(45.372)	(31,7%)		
Operating income	666.350	-	(2.506)	-	25.234	(41.536)	-	1.518	649.060	813.041	-	-	(7.055)	-	-	805.986	(156.926)	(19,5%)
Personnel expenses	(101.905)							(101.905)	(117.813)					(117.813)	(15.908)	(13,5%)		
Other administrative expenses	(84.106)							(84.106)	(115.120)					(115.120)	(31.014)	(26,9%)		
Net impairment losses on property, plant and equipment and investment property and intangible assets	(25.099)							(25.099)	(46.652)					(46.652)	(21.553)	(46,2%)		
Operating costs	(211.110)	-	-	-	-	-	-	(211.110)	(279.585)	-	-	-	-	(279.585)	(68.475)	(24,5%)		
Net operating income	455.240	-	(2.506)	-	25.234	(41.536)	-	1.518	437.950	533.456	-	-	(7.055)	-	-	526.401	(88.451)	(16,8%)
Net impairment losses on loans	185							185	517					517	(332)	(64,2%)		
Net impairment losses on other assets/liabilities	(35.386)			31.285				(4.101)	(536)					(536)	3.565	665,1%		
Net provisions for risks and charges	(2.644)							(2.644)	(604)					(604)	2.040	337,7%		
Profits (loss) from disposal of equity investments	(2.392)							2.785	18.873				3.469	(22.017)	325	68	20,9%	
Profit (loss) on continuing operations before tax	415.003	-	(2.506)	31.285	25.234	(41.536)	2.785	1.518	431.783	551.706	-	-	(7.055)	3.469	(22.017)	526.103	(94.320)	(17,9%)
Taxes on income for the period for continuing operations	2.679		6	(626)	(8.156)	13.424		7.327	71.730		(2.377)	97	2.019	6.011	77.480	(70.153)	(90,5%)	
Integration costs	(3.463)	3.463						-	(18.159)	18.159				-	-	-	-	
of which: personnel expenses	(831)	831						-	(10.186)	10.186				-	-	-	-	
other administrative expenses	(3.864)	3.864						-	(14.780)	14.780				-	-	-	-	
net impairment losses on property, plant and equipment and investment property and intangible assets	(82)	82						-	(81)	81				-	-	-	-	
taxes	1.314	(1.314)						-	6.888	(6.888)				-	-	-	-	
Net profit for the period	414.219	3.463	(2.500)	30.659	17.078	(28.112)	2.785	1.518	439.110	605.277	18.159	(2.377)	(6.958)	5.488	(16.006)	603.583	(164.473)	(27,2%)

Reconciliation schedule to 30th September 2009

Items	RECLASSIFIED INCOME STATEMENT Figures in thousands of euro	30th September 2009 Separate mandatory financial statement	reclassifications			30th September 2009 Reclassified financial statements
			integration costs	tax recoveries	Deprec. for improvement s to leased assets	
10.-20. Net interest income		(91.618)				(91.618)
70. Dividends and similar income		551.579				551.579
40.-50. Net commission income		11.829				11.829
80.+90.+ 100.+110. Net income from trading, hedging and disposal/repurchase activities and from assets/liabilities at fair value		98.114				98.114
190. Other net operating income / (expenses)		96.961		(647)	132	96.446
Operating income		666.865	-	(647)	132	666.350
150.a Personnel expenses		(102.736)	831			(101.905)
150.b Other administrative expenses		(88.617)	3.864	647		(84.106)
Net impairment losses on property, plant and equipment and investment property and intangible assets		(25.049)	82		(132)	(25.099)
Operating costs		(216.402)	4.777	647	(132)	(211.110)
Net operating income		450.463	4.777	-	-	455.240
130.a Net impairment losses on loans		185				185
130.b+c+d Net impairment losses on other assets/liabilities		(35.386)				(35.386)
160. Net provisions for risks and charges		(2.644)				(2.644)
210.+240. Profits (loss) from disposal of equity investments		(2.392)				(2.392)
Profit (loss) on continuing operations before tax		410.226	4.777	-	-	415.003
290. Taxes on income for the period for continuing operations		3.993	(1.314)			2.679
Integration costs		-	(3.463)			(3.463)
Net profit for the period		414.219	-	-	-	414.219

Reconciliation schedule to 30th September 2008

Items	RECLASSIFIED INCOME STATEMENT Figures in thousands of euro	30th September 2008 Separate mandatory financial statement	reclassifications			30th September 2008 Reclassified financial statement
			integration costs	tax recoveries	Deprec. for improvement s to leased assets	
10.-20. Net interest income		(186.005)				(186.005)
70. Dividends and similar income		903.204				903.204
40.-50. Net commission income		9.497				9.497
80.+90.+ 100.+110. Net income from trading, hedging and disposal/repurchase activities and from assets/liabilities at fair value		(56.991)				(56.991)
190. Other net operating income / (expenses)		143.262		(99)	173	143.336
Operating income		812.967	-	(99)	173	813.041
150.a Personnel expenses		(127.999)	10.186			(117.813)
150.b Other administrative expenses		(129.999)	14.780	99		(115.120)
Net impairment losses on property, plant and equipment and investment property and intangible assets		(46.560)	81		(173)	(46.652)
Operating costs		(304.558)	25.047	99	(173)	(279.585)
Net operating income		508.409	25.047	-	-	533.456
130.a Net impairment losses on loans		517				517
130.b+c+d Net impairment losses on other assets/liabilities		(536)				(536)
160. Net provisions for risks and charges		(604)				(604)
210.+240. Profits (loss) from disposal of equity investments		18.873				18.873
Profit (loss) on continuing operations before tax		526.659	25.047	-	-	551.706
290. Taxes on income for the period for continuing operations		78.618	(6.888)			71.730
Integration costs		-	(18.159)			(18.159)
Net profit for the period		605.277	-	-	-	605.277

Notes to the financial statements

The mandatory financial statements were prepared on the basis of Bank of Italy Circular No. 262 of 22nd December 2005 and subsequent amendments and additions.

The following rules have been 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 operating income/(expenses) were reclassified as a reduction in indirect taxes included within other administrative expenses;
- the item net impairment losses on property, plant and equipment and investment property 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 third party assets classified within item 190;
- integration costs include leaving incentive scheme expenses and consultancy costs for the continuation of integration projects (advertising expenses were included in the first quarter of 2008) recognised within staff costs and other administrative expenses respectively.

The reconciliation of the items in the reclassified financial statements with the figures in the mandatory financial statements, prepared on the basis of Bank of Italy Circular No. 262 of 22nd December 2005, 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**.

In order to facilitate analysis of the UBI Banca's performance and in compliance with Consob Communication No. DEM/6064293 of 28th July 2006, a special schedule has been included in the reclassified financial statements to show the impact on earnings only 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 2009

- integration costs;
- disposal of equity investments;
- impairment of equity investments classified as AFS (Intesa Sanpaolo);
- write-down of DD Growth Fund;
- gain on public exchange offer (profit from disposal/repurchase of financial assets and liabilities) and amortised cost of securities repurchased (within net interest income);
- impairment of interest in Coralix Rent;
- effect of insurance policies with underlying securities of Icelandic banks in default;

January-September 2008

- integration costs;
- EC section tax redemption;
- profit on the disposal of Key Client;
- loss on the disposal of shares in UBI.S and gain on the disposal of shares in UBI Pramerica.

Performance in the period

These comments relate to the reclassified financial statements – balance sheet, income statement, the quarterly income statements and the income statement net of the principal non-recurring items – contained in the preceding pages, on which the tables that follow are also based.

The first nine months of the year ended with a **net profit** of 414,2 million euro, while in the same period of 2008, UBI Banca realised a net profit of 605,3 million euro¹.

The **comprehensive income** of the Parent – obtained by summing to net profit in the income statement the items of income and expense recognised within net worth – nevertheless recorded a significant improvement, from 325,2 million euro in 2008 to the current 571,5 million euro². This item, which was affected mainly by movements in the fair value reserves for available-for-sale financial assets, does in fact state the wealth generated and/or absorbed by operations in broader terms, because it eliminates the asymmetry in the accounts created by the method for recognising fair value.

Despite the continuing weakness of the economic situation, the third quarter of 2009 benefited from the recovery of financial markets. The progressive results for the **quarterly income statements** confirm the positive and growing levels of revenues (allowing for the seasonal nature of some items, such as dividends) which, although not yet reflected in profit for the period, appreciably reduced the level of the loss (-11,3 million euro over the last three months, compared to -103,2 million euro in the third quarter of 2008).

Operating income in the first nine months of 2009 amounted to 666,4 million euro, a decrease of 146,7 million euro compared to the same period last year, affected by both lower intragroup dividends received and a reduction in other operating income (due to the absence of some services provided to Group member companies), partly offset by the positive result for financial activities.

In detail:

- **net interest income**³ fell to -91,6 million euro (-186 million euro in 2008), in relation above all to the marked reduction in interest rates that occurred over the twelve month period (approximately -340 basis points, the one month Euribor) which affected individual items of income as follows:
 - the **securities portfolio** generated interest income of 106,4 million euro, compared to 139,4 million previously, while investments in debt securities increased over twelve months by approximately one billion euro. Moreover, in September 2008 the item still included 21,7 million euro relating to capitalisation insurance certificates, subsequently reimbursed;
 - activity on the **interbank market**, focused mainly on optimising intragroup cash flows, generated net interest income of 5,2 million euro, (6,3 million euro in the comparative period);
 - finally, the net balance on **business with customers** was negative by 201,9 million euro, an increase compared to -331,7 million euro previously, due mainly to the interest component on securities issued (down by 41% from 534,2 million euro to 315,8 million

¹ If non-recurring items are excluded, which were negative by 24,9 million euro in 2009 (mainly due to the impairment loss on the interest held in Intesa Sanpaolo and to the total write-down of the DD Growth fund, although partially offset by the gain on the public exchange offer) and positive by 1,7 million in 2008 (as a result of the disposal of shares held in UBI Pramerica SGR and the interest held in Key Client, but offset by substantial integration costs), net profit amounted to 439,1 million euro, compared to 603,6 million euro in the comparative period.

² See the "Statement of comprehensive income" included among the separate financial statements starting with the interim financial report as at 30th June 2009, following the amendments made to IAS 1 and IAS 34 by EC Reg. No. 1274/2008,.

³ In consideration of its role as the Parent, UBI Banca's net interest income is structurally negative because it includes the financial expense that it incurs for its investments in Group subsidiaries, while the relative financial revenues are recognised within the item dividends.

euro), partly a consequence of the decrease in total outstanding EMTN securities (-1,5 billion euro approx. over twelve months);

- *dividends* received amounted to 551,6 million euro, a decrease of 351,6 million euro, due on the one hand to the weak results of most Group member companies in 2008 (and in some cases to a policy of strengthening capital) and on the other hand to lower dividends distributed on shares held in portfolio and to the absence of a payment on the Intesa Sanpaolo ordinary shares in particular;

Dividends and similar income

Figures in thousands of euro	30.9.2009	30.9.2008
Banca Popolare di Bergamo Spa	93.217	305.658
Banco di Brescia Spa	54.095	178.863
Banca Popolare Commercio e Industria Spa	45.515	54.727
Banca Carime Spa	95.784	50.369
Banca Popolare di Ancona Spa	34.017	48.563
Centrobanca Spa	39.719	47.786
Banca Regionale Europea Spa	58.904	47.305
UBI Factor Spa	5.557	15.974
UBI Leasing Spa	31.972	21.172
Banca 24-7 Spa	-	11.520
UBI Pramerica SGR Spa	8.794	10.228
UBI Assicurazioni Spa	35.804	-
Other equity investments (item 100)	39.736	45.513
Dividends received from item 100 equity investments	543.114	837.678
Dividends received from item 40 AFS	5.390	58.408
<i>of which Intesa SanPaolo</i>	-	53.264
Dividends received from item 20 for trading	3.075	7.118
Total	551.579	903.204

- *net commissions* rose to 11,8 million euro (from 9,5 million euro in 2008) as a result of the reclassification in the accounts of some items connected with the renegotiation of financial instruments with banks in the Group, which reduced the effect of the lower income from depositary bank activities (-3,6 million euro), in relation to the continuing difficulties in the mutual funds sector;

- the *net result for financial activities* improved considerably to 98,1 million euro (including 66,6 million euro generated in the third quarter) compared with a negative result in 2008 amounting to -57 million euro. In normalised terms the net income rose on the other hand, from -64 million euro to +83,6 million euro.

The total amount was generated:

- by *trading activity* which reversed the loss recorded in the first nine months of 2008, with income of 53,3 million euro, consisting of: 51,3 million euro (26,8 million in 2008) from debt securities, primarily financial derivatives on debt securities and on interest rates; 0,4 million euro (-25,2 million euro) from equity instruments (and the relative derivatives); 2,3 million euro (-23,3 million euro) from hedge funds;
- by *financial assets and liabilities at fair value* – relating to hedge funds subscribed subsequent to 1st July 2007 – which recorded a negative result of 22,5 million euro, inclusive in reality of 25,2 million euro for the complete write-down of the DD Growth fund (classified within non-recurring items);
- by *hedging activity* – consisting of the change in the fair value of hedging derivatives and of the relative items hedged – which generated 6,5 million euro;
- by *income from the disposal/repurchase of financial assets and liabilities*, which rose to 60,8 million euro, the result of the presence of non-recurring items in relation to the gains on the public exchange offer (37,2 million euro) and by the disposal of equity instruments (2,5 million euro) and the disinvestment of BTPs in asset swaps (classified within AFS), which generated a profit of approximately 20 million euro;
- *other net operating income/(expense)* totalled 96,5 million euro, a decrease compared to 143,3 million euro in 2008, the result of changes in income for services to Group member companies (73 million euro compared to 120,7 million euro previously), due to the absence of services and organisation activities connected with the IT platform, closed down last December and the revision of the operating procedures for some services (e.g. postal expenses).

The amount includes a non-recurring expense of 1,5 million euro, as the part borne by the Parent, for financial insurance policies purchased by the customers of the UBI Banca Group, with securities issued by Icelandic banks in default as underlying assets. At the end of July, UBI Banca had in fact paid three million euro to the Aviva Group, of which 1,5 million euro had already been set aside in a provision for risks and charges in 2008.

Net trading income (loss)

	Gains (A)	Profit from trading (B)	Losses (C)	Losses from trading (D)	Net income 30.9.2009 [(A+B)-(C+D)]	30.9.2008
Figures in thousands of euro						
1. Financial assets held for trading	23.930	15.191	(728)	(13.761)	24.632	(99.931)
1.1 Debt securities	5.922	3.675	(42)	(1.828)	7.727	(1.149)
1.2 Equity instruments	17.281	4.239	(581)	(5.396)	15.543	(74.747)
1.3 Units in O.I.C.R. (collective investment instruments)	727	1.938	(105)	(303)	2.257	(23.334)
1.4 Financing	-	-	-	-	-	-
1.5 Other	-	5.339	-	(6.234)	(895)	(701)
2. Financial liabilities held for trading	-	-	(149)	-	(149)	(125)
2.1 Debt securities	-	-	(149)	-	(149)	(125)
2.2 Debts	-	-	-	-	-	-
2.3 Other	-	-	-	-	-	-
3. Other financial liabilities: exchange rate differences	X	X	X	X	(436)	135
4. Derivative instruments	340.707	1.932.292	(316.941)	(1.927.101)	29.204	82.546
4.1 Financial derivatives	340.707	1.931.460	(316.667)	(1.927.101)	28.646	84.342
- on debt securities and interest rates	336.994	1.917.109	(312.813)	(1.897.748)	43.542	27.901
- on equity instruments and share indices	3.713	14.349	(3.854)	(29.353)	(15.145)	49.551
- on currencies and gold	X	X	X	X	247	6.888
- other	-	2	-	-	2	2
4.2 Credit derivatives	-	832	(274)	-	558	(1.796)
Total	364.637	1.947.483	(317.818)	(1.940.862)	53.251	(17.375)

Net hedging income (loss)

	30.9.2009	30.9.2008
Figures in thousands of euro		
Net hedging income (loss)	6.532	5.763

Income/expenses from disposal or repurchase

	Income	Expenses	Net income 30.9.2009	30.9.2008
Figures in thousands of euro				
Financial assets				
1. Loans to banks	-	-	-	-
2. Loans to customers	-	-	-	1
3. Available-for-sale financial assets	23.264	(710)	22.554	7.243
3.1 Debt securities	20.401	(363)	20.038	14
3.2 Equity instruments	2.863	-	2.863	7.055
3.3 Units in O.I.C.R (collective investment instruments).	-	(347)	(347)	174
3.4 Financing	-	-	-	-
4. Held-to-maturity investments	-	-	-	-
Total assets	23.264	(710)	22.554	7.244
Financial liabilities				
1. Due to banks	-	-	-	-
2. Due to customers	-	-	-	-
3. Securities issued	38.576	(295)	38.281	124
Total liabilities	38.576	(295)	38.281	124
Total	61.840	(1.005)	60.835	7.368

Net income/expenses on financial assets and liabilities at fair value

	30.9.2009	30.9.2008
Figures in thousands of euro		
Net income/expenses on financial assets and liabilities at fair value	(22.504)	(52.747)

Net income from trading, hedging and disposal/repurchase activities and from assets/liabilities at fair value

	98.114	(56.991)
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Operating costs fell by 24,5% over the first nine months of the year, compared to the period January-September 2008, amounting to 211,1 million euro.

The quarterly trend for the aggregate in 2009 shows average costs falling to approximately 70 million euro, more than 20 million euro lower than the average quarterly figure in the previous year (93 million euro).

In detail:

- *personnel expenses*, amounting to 101,9 million euro, decreased by 13,5% (-15,9 million euro), principally as a result of the variable components of employee remuneration (-12,1 million euro), but also due to lower payments for other personnel (-3,1 million euro), i.e. to personnel on secondment from other Group member companies working at UBI Banca;
- *other administrative expenses* fell by 26,9% to 84,1 million euro. The item includes 2,5 million euro of indirect taxation (practically unchanged compared to 2008), net of which current expenses totalled 81,6 million euro. The improvement by 31 million euro compared to 2008 is due to lower payments for professional and maintenance IT services following the closedown of the former IT platform (-4,7 million euro), to action taken to contain expenses for organisational and corporate advisory services (-1,7 million euro), to promotion and commercial advertising activities (-2,3 million euro), to the renegotiation of telephone and data transmission rates (-3,7 million euro), to lower amounts paid for services received from UBI.S (-7,8 million euro) and finally to new operating procedures for managing postal expenses (-9,7 million euro), now borne by the Group services company;
- *net impairment losses on property, plant and equipment and investment property and intangible assets* also halved to 25,1 million euro, (46,7 million euro in the first nine months of 2008), due principally to the absence of the components for the former IT system closed down last December.

As a result of the performance described above, **net operating income** amounted to a little more than 455 million euro (-14,7%).

Net impairment losses on other assets and liabilities were recognised in the period in question, amounting to 35,4 million euro. These included 31,3 million euro (reclassified within non-recurring items) in relation to the reduction in value, pursuant to IAS 39, of the available-for-sale interest held in Intesa Sanpaolo, which occurred in the first half of the year. The increase in the value that occurred in the third quarter (103,1 million euro gross), on the basis of the official share price – 3,032 euro – recorded on 30th September 2009, had the effect of increasing the equity reserve relating to available-for-sale financial assets.

Net provisions for risks and charges rose to 2,6 million euro (0,6 million euro in 2008) and include 2,8 million euro relating to tax litigation.

The *disposal of equity investments* recorded a loss of 2,4 million euro, compared to +18,9 million euro generated in the 2008 (+22 million euro from the disposal of UBI Pramerica SGR shares and -3,5 million euro from the disposal of UBI.S shares, performed on basis of the book value of the company as at 31st December 2007).

This result is a consequence of impairment losses amounting to 2,8 million euro (recognised within item 210 in the mandatory income statement and as a non-recurring item), relating to the interest held in Coralys Rent (previously held by Mercato Impresa). In July 2009, UBI Banca had in fact intervened to replenish the losses of the company and reconstitute the share capital. Since the investment was not the books in the accounts as at 30th June 2009, the amount had been recognised within provisions for risks and charges.

Profit on operations before tax therefore amounted to 415 million euro, compared to 551,7 million euro in 2008.

Taxes on income for the period for continuing operations – positive due to the application of the tax consolidation law, which allows structurally negative taxable income to be offset – amounted to 2,7 million euro, a reduction compared to 71,7 million euro in the comparative period. This change was basically attributable to the decrease in negative taxable income compared to the comparative period and only to a minor extent to the effects of non tax deductible items.

Finally, *integration costs* recognised to 30th September 2009 amounted to 3,5 million euro (1,3 million euro net of tax) and to 18,2 million euro (6,9 million euro net of tax) in 2008.

As concerns changes in balance sheet items, the **direct funding from customers** of UBI Banca as at 30th September 2009 amounted to 20,5 billion euro, up significantly on an annual basis (+3 billion euro; +17,5%), but basically stable over the first nine months of the year (+0,5 billion euro; +2,6%).

In detail, **securities issued** rose to 15,9 billion euro, an increase of 1,8 billion euro compared to both September and December 2008.

As the Parent gradually reduced resort to funding through the EMTN programme (total funding fell by 1,5 billion euro on an annual basis and by approximately one billion euro over nine months), it diversified its sources of funding. On the one hand it issued a series of listed bonds destined to the customers of the network banks which, starting in the fourth quarter of 2008, brought the supply of the bonds up to a nominal amount of 2,2 billion euro (including 1,7 billion euro with lower tier 2 subordination) and on the other hand, in July it issued a convertible bond for a nominal amount of 639 million euro and in September went ahead with an initial issuance of covered bonds for a nominal amount of one billion euro.

Amounts **due to customers**, amounting to 4,5 billion euro, grew on an annual basis (+1,2 billion euro), but decreased progressively over the first nine months of 2009 (-1,3 billion euro). This trend was the result of changes in repurchase agreement business with the *Cassa di Compensazione e Garanzia* (central counterparty clearing) (3,6 billion euro in September 2009 compared to 1,4 billion euro in September 2008 and 3,4 billion euro in December) and the gradual reduction in current account deposits, which include the accounts for the management of UBI Pramerica investment funds (approximately 605 million euro as at 30th September 2009), now to be disposed of with the depositary bank operations and consequently classified within liabilities held for disposal in accordance with IFRS 5.

Loans to customers totalled 11,4 billion euro compared to 10,4 billion euro in December and 9 billion euro in September 2008.

The lending activity of UBI Banca is performed mainly with Group member companies operating in the leasing and factoring sectors, which as at the reporting date had received loans amounting to 9,2 billion euro and to 1,7 billion euro respectively.

The changes in the item are therefore the result of the funding requirements of those companies.

In terms of type of loan, there was a partial change in the composition in 2009, which basically reflected changes in the operating requirements of UBI Leasing and also action to improve the structural balance of the maturities.

While total mortgages and medium-to-long term loans increased (+2,9 billion euro on an annual basis), with UBI Leasing as the main borrower, there was also an increase in reverse repurchase agreements (+2,7 billion euro over nine months), basically attributable to funding from the Parent performed by the leasing company using securities eligible as collateral created from a securitisation performed at the end of November. This completely replaced the use of very short term loans (recognised within other transactions) which, however, continue to represent the main form of funding for UBI Factor.

Financial assets/liabilities

Figures in thousands of euro	30.9.2009		30.6.2009		Changes A/B		31.12.2008		Changes A/C		30.9.2008	
	A	%	B	%	amount	%	C	%	amount	%	D	%
Financial assets held for trading	1.865.449	24,9%	1.989.724	26,0%	-124.275	-6,2%	2.424.111	33,3%	-558.662	-23,0%	1.434.756	22,9%
of which: financial derivatives contracts	1.511.079	20,2%	1.435.042	18,7%	76.037	5,3%	1.217.513	16,7%	293.566	24,1%	611.298	9,7%
Financial assets at fair value	191.583	2,5%	252.388	3,3%	-60.805	-24,1%	460.157	6,3%	-268.574	-58,4%	993.918	15,8%
Available-for-sale financial assets	3.760.468	50,2%	3.855.661	50,3%	-95.193	-2,5%	2.767.513	38,1%	992.955	35,9%	2.456.359	39,2%
Held-to-maturity investments	1.676.607	22,4%	1.566.871	20,4%	109.736	7,0%	1.620.567	22,3%	56.040	3,5%	1.385.990	22,1%
Total financial assets (A)	7.494.107	100,0%	7.664.644	100,0%	-170.537	-2,2%	7.272.348	100,0%	221.759	3,0%	6.271.023	100,0%
of which:												
- equity instruments	680.782	9,1%	569.577	7,4%	111.205	19,5%	604.022	8,3%	76.760	12,7%	844.701	13,5%
- Units in O.I.C.R. (collective investment instruments)	293.643	3,9%	364.423	4,8%	-70.780	-19,4%	594.660	8,2%	-301.017	-50,6%	775.946	12,4%
- debt securities	5.004.045	66,8%	5.290.951	69,0%	-286.906	-5,4%	4.851.321	66,7%	152.724	3,1%	4.033.834	64,3%
of which: Assets transferred not derecognised	3.671.550	49,0%	3.921.058	51,2%	-249.508	-6,4%	3.018.587	41,5%	652.963	21,6%	1.828.740	29,2%
Financial liabilities held for trading (B)	1.504.163	100,0%	1.435.370	100,0%	68.793	4,8%	1.222.187	100,0%	281.976	23,1%	633.666	100,0%
of which: financial derivatives contracts	1.498.946	99,7%	1.430.209	99,6%	68.737	4,8%	1.215.305	99,4%	283.641	23,3%	590.695	93,2%
Net financial assets (A-B)	5.989.944		6.229.274		-239.330	-3,8%	6.050.161		-60.217	-1,0%	5.637.357	

The **financial assets** of UBI Banca as at 30th September 2009 totalled 7,5 billion euro (6 billion euro net of financial liabilities held for trading), a slight increase compared to the end of the first half (-2,2%), but a significant rise on an annual basis (+19,5%).

As can be seen from the table, there was a substantial change in the composition of the different types of investment over twelve months. In terms of percentage of the total portfolio, equity instruments fell from 13,5% to 9,1% and units in O.I.C.R. (collective investment instruments) from 12,4% to 3,9%, while debt securities, accounting for close to 70%, increased by approximately one billion euro, attributable to the “assets transferred not derecognised” component (+1,8 billion euro), consisting of those securities used as collateral for repurchase agreement business.

While a full discussion is given in the “Interim management report on the consolidated financial statements” contained in this publication, the main movements that occurred in the first nine months of the year are given below:

- *financial assets held for trading*, amounting to almost 1,9 billion euro, continued the decrease in progress since the beginning of the year, mainly in relation to the sale and/or maturity of securities previously used as the underlying assets in repurchase agreements;
- *financial assets at fair value*, consisting exclusively of the item “units in O.I.C.R. (collective investment instruments)”, within which investments in hedge funds are recognised, decreased to 191,6 million euro⁴.

If the hedge funds (purchased before 30th June 2007 and still held) classified within financial assets held for trading are also considered, the total portfolio of hedge funds held by the Parent as at 30th September 2009 totalled 203,1 million euro, a reduction compared to 276,4 million euro in June and to 508,5 million euro in December 2008, as a result of action taken to progressively reduce them, in progress for twelve months now.

In the first nine months of the year, hedge funds were redeemed, net of redemption fees, for an amount of 380,7 million euro (68,2 million euro in the third quarter);

- *available-for-sale financial assets* remained more or less unchanged at 3,8 billion euro during the quarter, but increased by approximately one billion euro compared to the end of the year, the result of new investments consisting mainly of purchases of government securities for use as collateral in repurchase agreements. The item included the interest held in Intesa Sanpaolo amounting to 425 million euro⁵ (321,8 million euro in June 2009);
- *held-to-maturity investments*, amounting to almost 1,7 billion euro, recorded only partial investments and disinvestments in government securities.

Interbank market

Figures in thousands of euro	30.9.2009 A	30.6.2009 B	31.3.2009 C	31.12.2008 D	Changes A/D		30.9.2008 E	Changes A/E	
					amount	%		amount	%
Loans to banks	26.732.246	27.754.476	27.286.888	29.298.338	-2.566.092	-8,8%	29.119.495	-2.387.249	-8,2%
of which:									
- intragroup	25.796.003	26.634.134	26.626.573	27.855.529	-2.059.526	-7,4%	28.055.971	-2.259.968	-8,1%
of which: intragroup securities	12.908.459	13.242.552	13.407.207	13.450.878	-542.419	-4,0%	11.368.175	1.540.284	13,5%
Due to banks	26.241.125	27.877.881	28.174.008	28.732.515	-2.491.390	-8,7%	28.892.512	-2.651.387	-9,2%
of which:									
- intragroup	21.428.783	22.358.349	22.743.761	25.343.420	-3.914.637	-15,4%	23.538.728	-2.109.945	-9,0%
of which: subordinated deposits	1.295.273	1.300.784	1.293.343	1.293.496	1.777	0,1%	1.257.069	38.204	3,0%
Net interbank position	491.121	-123.405	-887.120	565.823	-74.702	-13,2%	226.983	264.138	116,4%
of which: intragroup	4.367.220	4.275.785	3.882.812	2.512.109	1.855.111	73,8%	4.517.243	-150.023	-3,3%

The **net interbank position** of UBI Banca as at 30th September 2009 returned to record a positive balance again of 0,5 billion euro, a slight decrease compared to the end of the year but an increase compared to twelve months previously, in a context of a progressive reduction in the volumes of intragroup transactions.

⁴ The figure as at 30th September 2008 still included 422,1 million euro of investments in capitalisation policies, totally reimbursed in the fourth quarter.

⁵ UBI Banca holds a total of 140.167.610 shares, amounting to 1,18% of the share capital with voting rights.

In detail, **funding from banks**, amounting to 26,2 billion euro, fell over nine months by 2,5 billion euro and by 2,7 billion euro annually, attributable primarily to repurchase agreements, in relation to a reduction in transactions to support network bank business with customers and also to less resort to refinancing transactions with the central bank (0,5 billion euro in September 2009 compared to 1,3 billion euro twelve months before).

Similarly, loans to banks, amounting to 26,7 billion euro, decreased both over the nine and twelve month periods. In this respect there was both a decrease in the compulsory reserve liquidity (0,1 billion euro in September 2009 compared to one billion euro at the end of 2008 and to a 0,5 billion euro in September 2008), used to contain indebtedness at the end of the period and also an increase in the reverse repurchase agreements through which the Parent acquires securities eligible for refinancing from B@nca 24-7, Banco di Brescia and IW Bank.

Separate interim mandatory financial statements as at 30th September 2009.

Balance sheet

Figures in thousands of euro	30.9.2009	31.12.2008	30.9.2008
ASSETS			
10. Cash and cash equivalents	167.225	246.460	132.865
20. Financial assets held for trading	1.865.449	2.424.111	1.434.756
30. Financial assets at fair value	191.583	460.157	993.918
40. Available-for-sale financial assets	3.760.468	2.767.513	2.456.359
50. Held-to-maturity investments	1.676.607	1.620.567	1.385.990
60. Loans to banks	26.732.246	29.298.338	29.119.495
70. Loans to customers	11.389.672	10.446.768	9.028.611
80. Hedging derivatives	111.282	72.787	51.520
100. Equity investments	11.986.854	11.909.207	11.714.899
110. Property, plant and equipment and investment property	657.912	677.218	650.909
120. Intangible assets	594.668	596.756	572.576
of which:			
- <i>goodwill</i>	569.058	569.058	569.058
130. Tax assets	452.827	593.404	327.706
a) current	218.074	343.011	179.036
b) deferred	234.753	250.393	148.670
140. Non-current assets and disposal groups held for sale	652.168	13.931	13.687
150. Other assets	652.083	856.100	1.292.782
TOTAL ASSETS	60.891.044	61.983.317	59.176.073

Figures in thousands of euro	30.9.2009	31.12.2008	30.9.2008
LIABILITIES AND EQUITY			
10. Due to banks	26.241.125	28.732.515	28.892.512
20. Due to customers	4.516.557	5.813.895	3.292.222
30. Securities issued	15.936.842	14.128.184	14.108.477
40. Financial liabilities held for trading	1.504.163	1.222.187	633.666
60. Hedging derivatives	316.535	74.820	58.604
80. Tax liabilities	397.558	411.849	446.489
a) current	284.741	291.227	319.944
b) deferred	112.817	120.622	126.545
90. Liabilities associated with disposal groups held for sale	605.324	-	-
100. Other liabilities	679.347	1.186.373	1.011.153
110. Staff severance provision	43.379	44.483	45.115
120. Provisions for risks and charges:	8.088	10.329	16.191
b) other provisions	8.088	10.329	16.191
130. Fair value reserves	170.005	12.842	-255.587
160. Reserves	1.359.659	1.623.711	1.623.711
170. Share premiums	7.100.378	7.100.378	7.100.378
180. Share capital	1.597.865	1.597.865	1.597.865
200. Profit (loss) for the period (+/-)	414.219	23.886	605.277
TOTAL LIABILITIES AND EQUITY	60.891.044	61.983.317	59.176.073

Income statement

Figures in thousands of euro		30.9.2009	30.9.2008	31.12.2008	3rd Quarter 2009	3rd Quarter 2008
10.	Interest and similar income	796.508	1.331.853	1.844.325	190.304	495.233
20.	Interest expense and similar	(888.126)	(1.517.858)	(2.095.114)	(233.016)	(568.416)
30.	Net interest income	(91.618)	(186.005)	(250.789)	(42.712)	(73.183)
40.	Commission income	28.282	27.799	37.312	9.593	8.841
50.	Commission expense	(16.453)	(18.302)	(24.138)	(5.581)	(6.093)
60.	Net commission income	11.829	9.497	13.174	4.012	2.748
70.	Dividends and similar income	551.579	903.204	904.355	1.872	1.285
80.	Net trading income (loss)	53.251	(17.374)	(83.343)	42.109	17.483
90.	Net hedging income (loss)	6.532	5.763	(7.235)	1.814	1.030
100.	Income/expenses from disposal or repurchase of:	60.835	7.368	15.770	17.140	237
	a) loans	-	1	1	-	-
	b) available-for-sale financial assets	22.554	7.243	15.395	16.795	174
	d) financial liabilities	38.281	124	374	345	63
110.	Net income/expenses on financial assets and liabilities at fair value	(22.504)	(52.748)	(118.035)	5.581	(51.128)
120.	Gross income	569.904	669.705	473.897	29.816	(101.528)
130.	Net impairment losses on:	(35.201)	(19)	(500.477)	(1.920)	6
	a) loans	185	517	(4.400)	61	357
	b) available-for-sale financial assets	(31.355)	(52)	(494.462)	(37)	-
	d) other financial transactions	(4.031)	(484)	(1.615)	(1.944)	(351)
140.	Net financial operating income	534.703	669.686	(26.580)	27.896	(101.522)
150.	Administrative expenses	(191.353)	(257.998)	(351.283)	(65.731)	(79.336)
	a) personnel expenses	(102.736)	(127.999)	(174.152)	(37.163)	(39.752)
	b) other administrative expenses	(88.617)	(129.999)	(177.131)	(28.568)	(39.584)
160.	Net provisions for risks and charges	(2.644)	(604)	(1.733)	2.981	772
170.	Net impairment losses on property, plant and equipment and investment property	(22.142)	(29.943)	(39.440)	(7.121)	(9.456)
180.	Net impairment losses on intangible assets	(2.907)	(16.617)	(22.056)	(1.008)	(5.000)
190.	Other operating income/(expense)	96.961	143.262	166.082	32.367	46.952
200.	Operating costs	(122.085)	(161.900)	(248.430)	(38.512)	(46.068)
210.	Profits (losses) of equity investments	(3.465)	18.902	17.601	(2.909)	535
240.	Profits (losses) on disposal of investments	1.073	(29)	(59)	51	(13)
250.	Profit (loss) on continuing operations before tax	410.226	526.659	(257.468)	(13.474)	(147.068)
260.	Taxes on income for the period for continuing operations	3.993	78.618	281.354	2.192	43.848
270.	Profit after tax on continuing operations	414.219	605.277	23.886	(11.282)	(103.220)
280.	Profit (loss) after tax from discontinued operations	-	-	-	-	-
290.	Net profit for the period	414.219	605.277	23.886	(11.282)	(103.220)

Statement of comprehensive income

	30.9.2009	30.9.2008	31.12.2008
Figures in thousands of euro			
10. PROFIT (LOSS) FOR THE YEAR	414.219	605.277	23.886
Other items of income net of taxes			
20. Available-for-sale financial assets	158.683	-280.015	-11.389
30. Property, plant and equipment and investment property	-	-	-
40. Intangible assets	-	-	-
50. Foreign investment hedges	-	-	-
60. Cash flow hedges	-	-	-
70. Exchange rate differences	-	-	-
80. Non current assets held for sale.	-	-	-
90. Actuarial gains (losses) on defined benefit plans	-1.431	-28	-225
100. Share of fair value reserves of equity investments valued at equity	-	-	-
110. Total other items of income net of taxes	157.252	-280.043	-11.614
120. COMPREHENSIVE INCOME (item 10 + 110)	571.471	325.234	12.272

Statement of changes in equity as at 30th September 2009

Figures in thousands of euro	Balances as at 31.12.2008	Changes in opening balances	Balances as at 1.1.2009	Allocation of prior year profit		Changes January - September 2009							Equity as at 30.9.2009	
				Reserves	Dividends and other uses	Changes in reserves	Transactions affecting equity					Comprehen- sive income		
							New share issues	Purchase of own shares	Extraordinary distribution of dividends	Change in capital instruments	Derivatives on own shares			Stock options
Share capital:	1.597.865		1.597.865	-			-	-						1.597.865
a) ordinary shares	1.597.865		1.597.865	-			-	-						1.597.865
b) other shares	-		-	-			-	-						-
Share premiums	7.100.378		7.100.378	-			-							7.100.378
Reserves	1.623.711	-	1.623.711	9.788	-273.840	-	-	-	-	-	-	-		1.359.659
a) of profits	1.391.080	-	1.391.080	9.788	-273.840		-	-	-					1.127.028
b) other	232.631	-	232.631	-			-							232.631
Fair value reserves:	12.842	-	12.842			-89							157.252	170.005
Capital instruments	-		-							-				-
Own shares:	-		-				-	-						-
a) of the Parent	-		-				-	-						-
b) of subsidiaries	-		-				-	-						-
Profit (loss) for the period	23.886	-	23.886	-9.788	-14.098								414.219	414.219
Equity	10.358.682	-	10.358.682	-	-287.938	-89	-	-	-	-	-	-	571.471	10.642.126

Statement of changes in equity for the period ended 30th September 2008

Figures in thousands of euro	Balances as at 31.12.2007	Changes in opening balances	Balances as at 1.1.2008	Allocation of prior year profit		Changes January - September 2008							Equity as at 30.9.2008	
				Reserves	Dividends and other uses	Changes in reserves	Transactions affecting equity					Comprehen- sive income		
							New share issues	Purchase of own shares	Extraordinary distribution of dividends	Change in capital instruments	Derivatives on own shares			Stock options
Share capital:	1.597.865		1.597.865	-			-	-						1.597.865
a) ordinary shares	1.597.865		1.597.865	-										1.597.865
b) other shares	-		-	-										-
Share premiums	7.100.378		7.100.378	-										7.100.378
Reserves	1.411.660	-	1.411.660	211.308	-	743	-	-	-	-	-			1.623.711
a) of profits	1.179.772	-	1.179.772	211.308										1.391.080
b) other	231.888	-	231.888	-		743								232.631
Fair value reserves:	24.456	-	24.456			-							-280.043	-255.587
Capital instruments	-		-											-
Own shares:	-		-											-
a) of the Parent	-		-											-
b) of subsidiaries	-		-											-
Profit (loss) for the period	827.781	-	827.781	-211.308	-616.473								605.277	605.277
Equity	10.962.140	-	10.962.140	-	-616.473	743	-	-	-	-	-	-	325.234	10.671.644

Statement of cash flows (indirect method)

Figures in thousands of euro	30.9.2009	30.9.2008
A. OPERATING ACTIVITIES		
1. Ordinary activities	-77.512	-17.908
- net profit for the period (+/-)	414.219	605.277
- gains/losses on financial assets held for trading and on financial assets/liabilities at fair value (+/-)	-20.711	94.943
- gains/losses on hedging activities (-/+)	-6.532	-5.763
- net impairment losses on loans (+/-)	35.201	19
- net impairment losses on property, plant and equipment and investment property and intangible fixed assets (+/-)	25.049	46.559
- net provisions for risks and charges and other expense/income (+/-)	2.644	7.153
- outstanding taxes and duties	-3.993	312.670
- other adjustments (+/-)	-523.389	-1.078.766
2. Liquidity generated/absorbed by financial assets	1.334.837	-7.658.713
- financial assets held for trading	605.876	1.284.374
- financial assets at fair value	242.220	-61.127
- available-for-sale financial assets	-554.197	-709.134
- loans to banks	2.054.192	-9.198.778
- loans to customers	-1.013.254	1.025.952
3. Liquidity generated/absorbed by financial liabilities	-1.375.197	7.761.905
- due to banks	-2.491.389	7.917.039
- due to customers	-705.667	887.892
- securities issued	1.778.225	-545.137
- financial liabilities held for trading	281.828	-208.799
- other liabilities	-238.194	-289.090
Net liquidity generated/absorbed by operating activities	-117.872	85.284
B. INVESTING ACTIVITIES		
1. Liquidity generated by	615.484	894.370
- disposals of equity investments	16.221	40.417
- dividends received on equity investments	543.114	837.679
- disposals of held-to-maturity investments	54.956	15.000
- disposals of property, plant and equipment and investment property	1.193	1.274
- disposals of intangible assets	-	-
2. Liquidity absorbed by	-288.909	-297.127
- purchases of equity investments	-172.151	-133.070
- purchases of held-to-maturity investments	-115.378	-159.546
- purchases of property, plant and equipment and investment property	-1.380	-3.355
- purchases of intangible assets	-	-1.156
- purchases of lines of business	-	-
Net liquidity generated/absorbed by investing activities	326.575	597.243
C. FUNDING ACTIVITIES		
- issues/purchases of own shares	-	-
- distribution of dividends and other uses	-287.938	-616.474
Net liquidity generated/absorbed by funding activities	-287.938	-616.474
NET LIQUIDITY GENERATED/ABSORBED DURING THE PERIOD	-79.235	66.053

Reconciliation

Figures in thousands of euro	30.9.2009	30.9.2008
Cash and cash equivalents at beginning of period	246.460	66.812
Total liquidity generated/absorbed	-79.235	66.053
Cash and cash equivalents at the end of the period	167.225	132.865

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