

Quarterly Consolidated financial report as at 30th September 2008



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 Bank of the Unione di Banche Italiane Banking Group
Share capital as at 30th September 2008: Euro 1.597.864.755,00 fully paid up

www.ubibanca.it

Contents

UBI Banca: company officers	p.	3
UBI Banca Group: principal figures and performance indicators	p.	4
UBI Banca Group: branch network.....	p.	5
UBI Banca Group: main investments as at 30 th September 2008	p.	6
The rating	p.	8
Significant events in the 3 rd Quarter of 2008.....	p.	10

DIRECTORS' INTERIM REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

▪ The macroeconomic scenario	p.	12
▪ Strategic lines of development	p.	16
▪ The distribution network and positioning.....	p.	19
▪ Human resources	p.	22
▪ The scope of consolidation	p.	26
▪ 2008 and 2007 (pro-forma) reclassified consolidated financial statements and reconciliations.....	p.	33
- Notes to the financial statements.....	p.	33
- Reclassified consolidated balance sheet	p.	36
- Reclassified consolidated income statement	p.	37
- Reclassified consolidated quarterly income statements	p.	38
- Reclassified consolidated income statement net of the most significant non recurring items	p.	39
- Reconciliation schedules	p.	40
▪ Traditional banking business	p.	41
- Direct funding	p.	41
- Indirect funding and assets under management	p.	44
- Lending	p.	45
▪ The interbank market and the liquidity situation.....	p.	50
▪ Financial activities	p.	53
▪ Exposures of the UBI Banca Group to some types of products and to some counterparties.....	p.	59
▪ Information on risks and hedging policies	p.	65
▪ Property, plant and equipment and intangible assets	p.	69
▪ Non current assets/liabilities held for disposal.....	p.	69
▪ Provisions for liabilities and charges and contingent liabilities.....	p.	69
▪ The income statement	p.	70
▪ Shareholders' equity and capital adequacy.....	p.	80
▪ Information on share capital, the share, dividends paid and earnings per share	p.	84
▪ Consolidated companies: the principal figures.....	p.	88
▪ Segment reporting.....	p.	93
▪ Transactions with related parties.....	p.	94
▪ Other information	p.	96
- Litigation	p.	96
- Branch disposals for Antitrust Authority compliance	p.	96
- Appeal against the fine imposed by the Antitrust Authority.....	p.	96
- Inspections	p.	97
- Tax litigation.....	p.	97
▪ Significant events occurring after 30 th September 2008	p.	98
▪ Business outlook.....	p.	99

QUARTERLY CONSOLIDATED FINANCIAL STATEMENTS AS AT 30TH SEPTEMBER 2008

▪ Quarterly mandatory consolidated financial statements as at 30 th September 2008.....p.	101
- Consolidated balance sheet	p. 101
- Consolidated income statement	p. 103
- Statement of changes in consolidated shareholders' equity as at 30 th September 2008	p. 104
- Statement of changes in consolidated shareholders' equity as at 30 th September 2007	p. 105
- Consolidated statement of cash flows	p. 106
▪ Illustrative notes	p. 108

STATEMENT OF THE SENIOR OFFICER RESPONSIBLE FOR PREPARING ACCOUNTING DOCUMENTS.....p.	117
---	-----

INFORMATION ON THE PERFORMANCE OF THE PARENT BANK, UBI BANCA SCPA IN THE FIRST NINE MONTHS OF 2008

▪ 2008 and 2007 (pro-forma) reclassified financial statements and reconciliations	p. 119
- Notes to the financial statements.....	p. 119
- Reclassified balance sheet	p. 121
- Reclassified income statement.....	p. 122
- Reclassified quarterly income statements	p. 123
- Reclassified income statement net of the most significant non recurring items.....	p. 125
- Reconciliation schedules	p. 125
▪ Performance in the period.....	p. 126
▪ Separate quarterly financial statements as at and for the period ended 30 th September 2008	p. 132
- Balance sheet	p. 132
- Income statement	p. 134
- Statement of changes in shareholders' equity as at 30 th September 2008.....	p. 135
- Statement of changes in shareholders' equity as at 30 th September 2007.....	p. 136
- Statement of cash flows	p. 137

CONTACTS

Key

The following abbreviations are used in the tables:

- 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
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
Deputy General Manager
Deputy General Manager

Victor Massiah
Graziano Caldiani
Francesco Iorio
Rossella Leidi
Ettore Medda
Pierangelo Rigamonti
Elvio Sonnino
Gian Cesare Toffetti

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

Elisabetta Stegher

Independent auditors

KPMG Spa

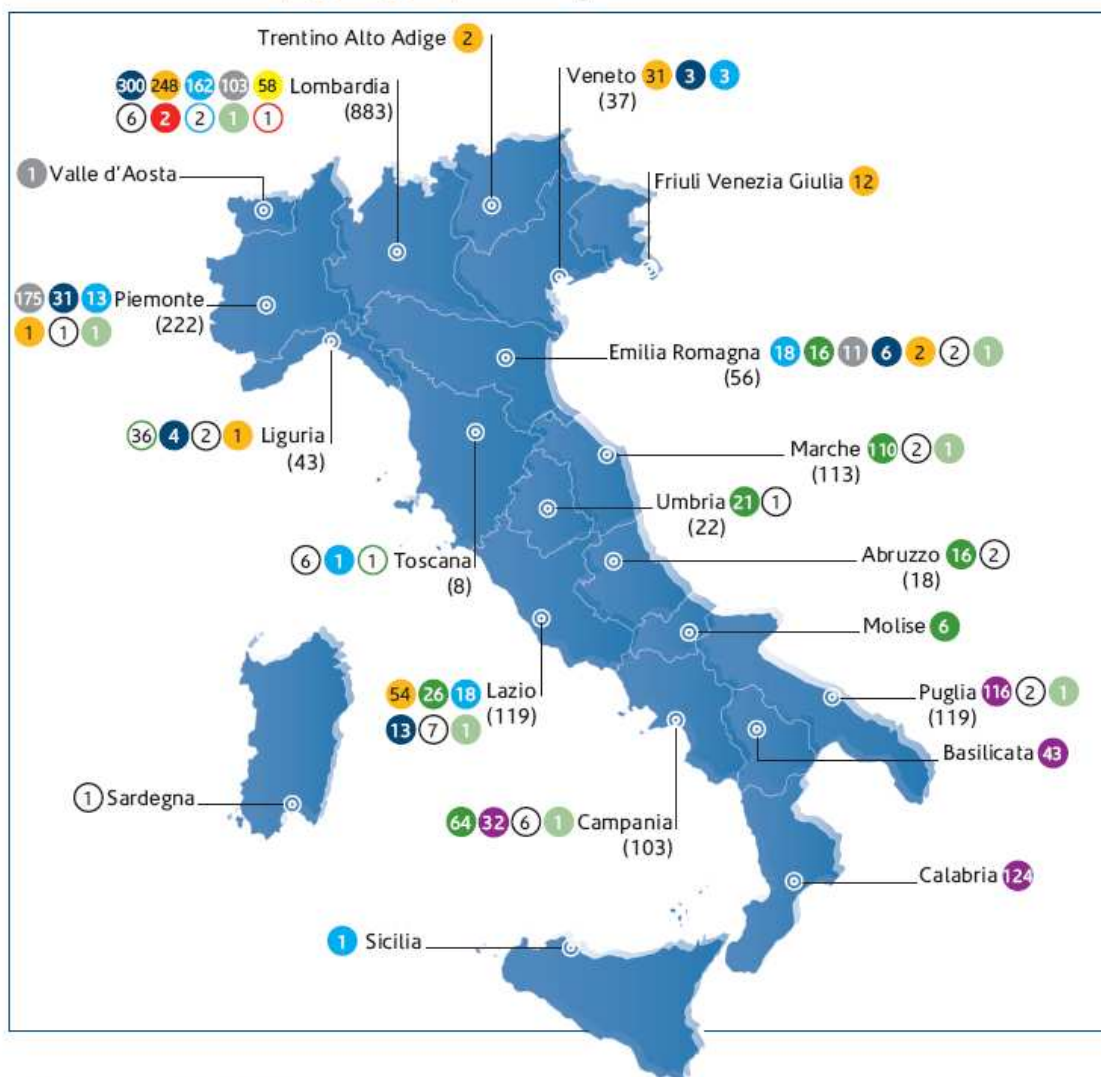
UBI Banca Group: Principal figures and indicators¹

	30.9.2008	31.12.2007 pro-forma	30.9.2007 pro-forma
STRUCTURAL INDICATORS			
Net lending to customers/total assets	80,6%	78,4%	76,5%
Funding from customers/total liabilities	77,5%	76,2%	76,1%
Net lending to customers/funding from customers	104,0%	102,9%	100,5%
Equity (including profit for the period)/total liabilities	9,4%	9,9%	9,8%
Assets under management/indirect funding from private customers	53,5%	56,5%	57,8%
PROFIT INDICATORS			
ROE (Profit for the period/equity excluding profit for the period) <i>annualised</i>	7,6%	8,7%	6,4%
ROE net of non-recurring items <i>annualised</i>	6,5%	7,1%	7,6%
ROE excluding goodwill arising from merger (net profit excluding PPA)/(equity - former BL goodwill arising from merger) <i>annualised</i>	12,5%	14,0%	10,7%
Normalised ROE excluding the Purchase Price Allocation (normalised net profit excluding PPA/equity - PPA for former BL) <i>annualised</i>	10,8%	11,6%	12,4%
ROA (Profit for the period/total assets) <i>annualised</i>	0,7%	0,8%	0,6%
The cost/income ratio (operating expenses/income) including PPA	59,7%	57,4%	56,6%
The cost/income ratio net of non-recurring items including PPA	59,9%	58,6%	58,1%
The cost/income ratio (operating expenses/income) excluding the PPA	57,0%	55,0%	54,1%
The cost/income ratio (operating expenses/income) net of non-recurring items excluding the PPA	57,1%	56,1%	55,6%
Net impairment losses on loans/net lending to customers (cost of lending) <i>annualised</i>	0,35%	0,37%	0,27%
Net impairment losses on loans net of the change in the criteria for calculating collective impairment/net lending to customers <i>annualised</i>	0,35%	0,28%	0,27%
Net interest income/operating income	68,2%	60,5%	59,7%
Staff costs/operating income	36,8%	34,6%	34,7%
RISK INDICATORS			
Net non-performing + net impaired loans/net lending to customers	1,89%	1,56%	1,52%
Net impairment losses on non-performing and impaired loans/ gross non-performing + gross impaired loans (coverage)	37,03%	40,05%	40,79%
Net non-performing loans / net loans to customers	0,79%	0,75%	0,74%
Net impairment losses on non-performing loans/gross non-performing loans (coverage for non-performing loans)	53,86%	53,99%	54,51%
CAPITAL RATIOS (June 2008 - December 2007)			
Tier 1 ratio (tier 1 capital/total risk weighted assets)	7,59%	7,44%	
Core tier 1 ratio (tier 1 capital net of preference shares/total risk weighted assets)	7,13%	6,96%	
Core tier 1 after specific deductions to tier 1 capital (tier 1 capital net of preference shares/total weighted assets)	7,02%	6,86%	
Total capital ratio (supervisory capital+tier 3/total risk weighted assets)	10,33%	10,22%	
BALANCE SHEET FIGURES (in thousands of euro), OPERATING AND STRUCTURAL			
Net loans to customers	98.020.148	92.972.478	89.295.999
<i>of which: net non-performing loans</i>	771.271	699.153	656.514
<i>net impaired loans</i>	1.081.153	754.790	700.124
Direct funding from customers	94.293.650	90.346.395	88.825.267
Indirect funding from customers	79.923.167	90.795.333	94.584.272
<i>of which: assets under management</i>	42.742.187	51.324.145	54.656.040
Total funding from customers	174.216.817	181.141.728	183.409.539
Equity (excluding profit for the period)	10.849.749	10.849.349	10.860.675
Total assets	121.595.422	118.600.857	116.651.828
Supervisory capital (June 2008 - December 2007)	10.028.311	9.869.291	
<i>of which: tier 1 capital after the application of prudential filters and specific deductions</i>	7.504.721	7.288.725	
Branches in Italy (number) - the figure for September 2007 includes branches sold at the end of year	1.931	1.908	1.963
Total human resources (employees + temps) (number) (*)	21.447	21.019	21.243
Financial advisors (number)	949	954	993

¹ The indicators have been calculated using the reclassified figures (pro-forma, as at 31st December 2007 and as at 30th September 2007) contained in the section "Reclassified consolidated financial statements and reconciliations".

(*) The figure as at 30th September 2008 includes 432 temporary staff recruited for "peak" activity in relation to summer absences and to temporary requirements for the IT migration.

UBI Banca Group geographical presence

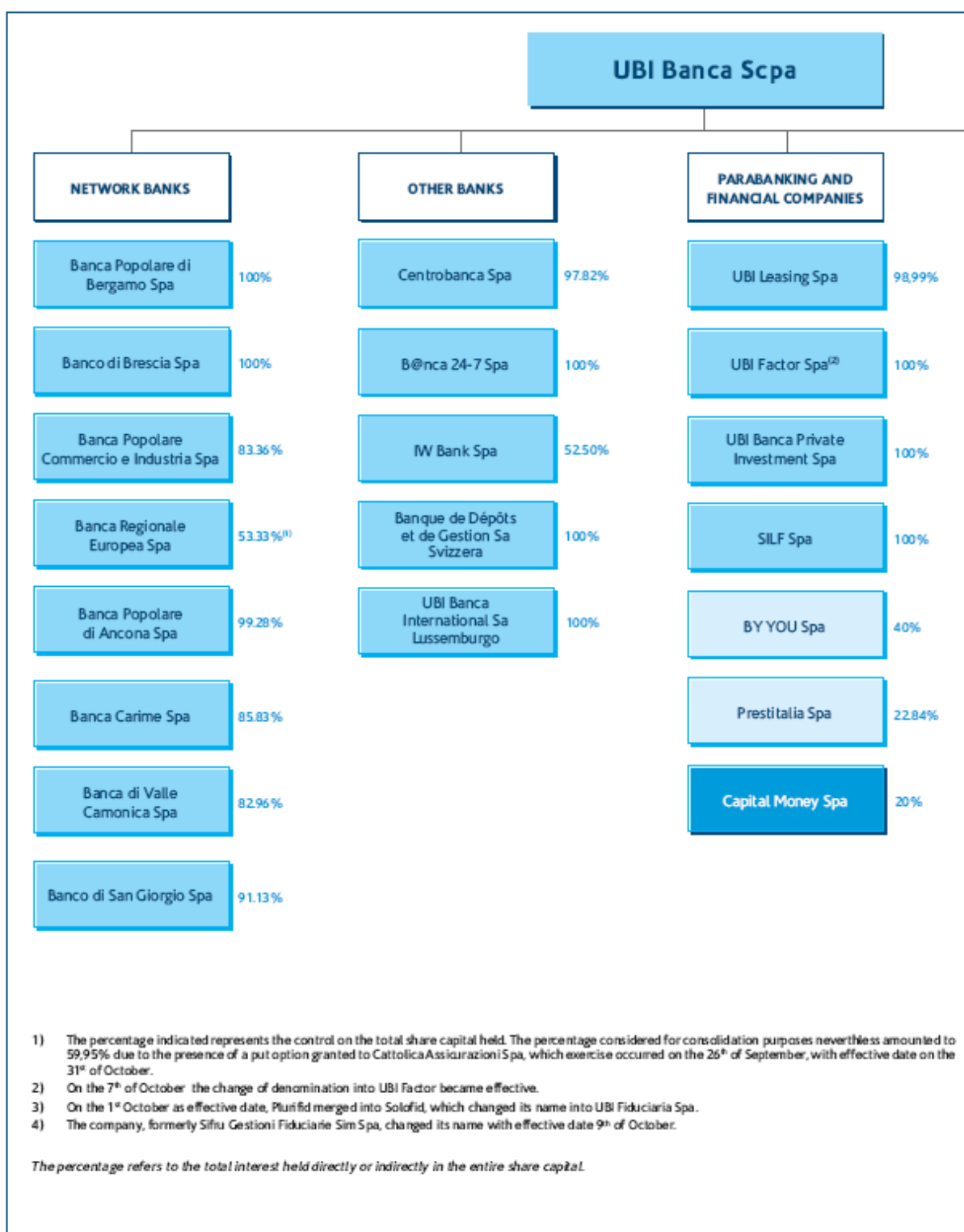


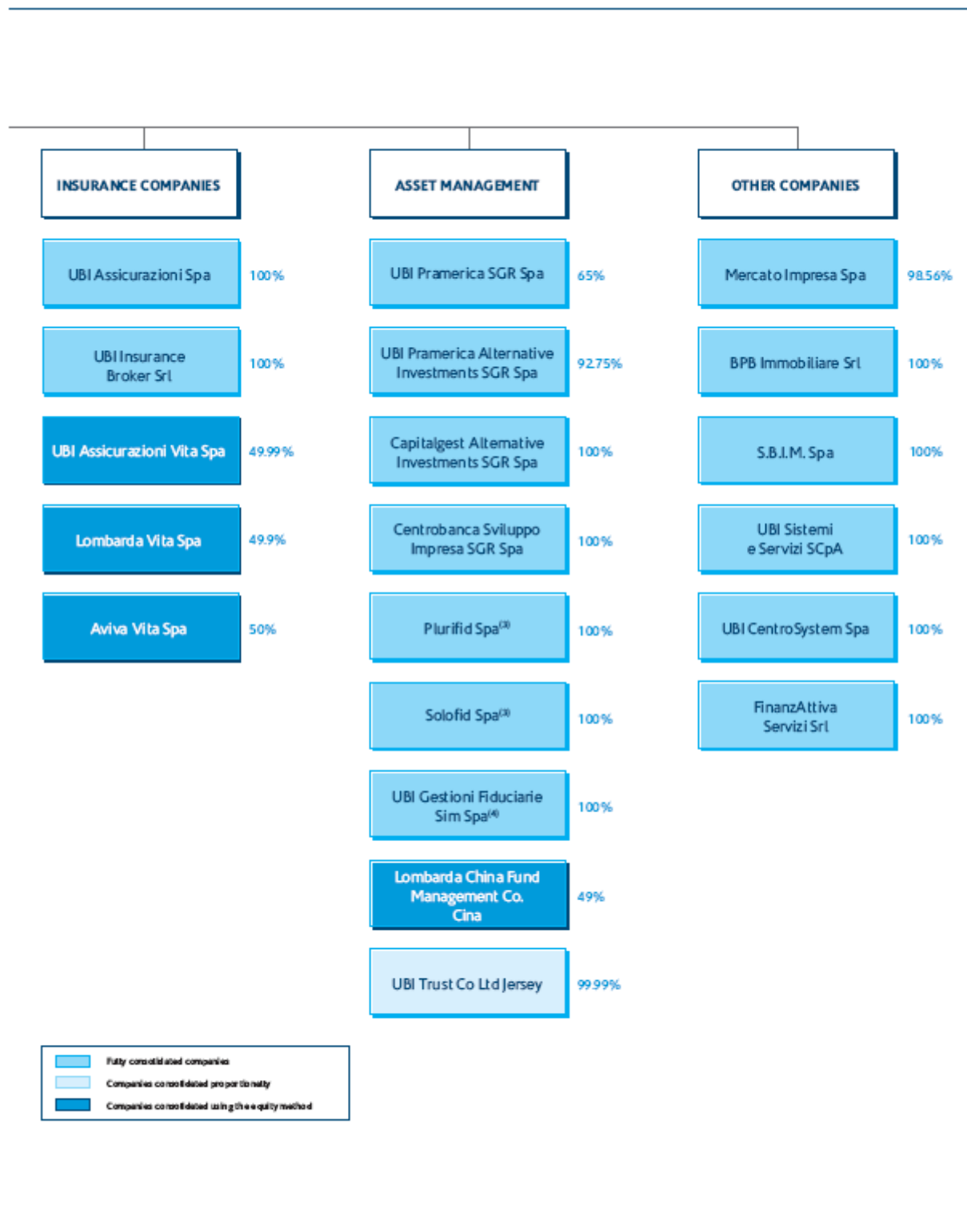
Gruppo UBI Banca

Branches in Italy	1.933	Branches abroad	9
● UBI Banca Spa	2	Banco di Brescia Spa Luxembourg	
● Banca Popolare di Bergamo Spa	357	Banca Regionale Europea Spa (France) Nice, Mentone	
● Banco di Brescia Spa	351	Banque de Dépôts et de Gestion Sa (Switzerland) Lausanne, Lugano, Neuchâtel, Mendrisio	
● Banca Popolare Commercio e Industria Spa	216	UBI Banca International Sa (Luxembourg) Monaco (Germany), Madrid (Spain)	
● Banca Regionale Europea Spa	290	International presence	
● Banca Popolare di Ancona Spa	259	Gestioni Lombarda (Suisse) Sa Lugano	
● Banca Carime Spa	315	UBI Management Company Sa Luxembourg	
● Banca di Valle Camonica Spa	58	CFE - Corporation Financière Européenne Sa Geneva (operative office)	
○ Banco di San Giorgio Spa	37	Lombarda China Fund Management Co. Sa Shenzhen (China)	
○ Ubi Banca Private Investment Spa	38	UBI Trust Co. Ltd Jersey	
● Centrobanca Spa	7	Representative offices Hong Kong, San Paolo (Brazil), Mumbai, Shanghai, Moscow, Singapur (BDG)	
○ B@nca 24-7 Spa	1		
○ IW Bank Spa	2		

Updated as at 11th November 2008

UBI Banca Group: main participations as at 30th September 2008





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**.

As a result of its constant monitoring activity which includes updates during the year on specific issues, after the end of the third quarter, **Standard & Poor's** decided not to change its outlook for UBI Banca, which remained positive.

Although the market context is one of a difficult outlook for the future, the rating agency judged the risk profile of the Group and the benefits expected from the group integration in progress appropriate to address the possible negative impacts of the current economic situation.

On 14th October 2008, the rating agency **Moody's** also published an update of its "credit opinion" on UBI Banca, maintaining both its positive outlook on deposits and its stable outlook on the bank financial strength rating unchanged.

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

- (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)	Positive
Outlook (Bank Financial Strength Rating)	Stable
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

- (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 ability to repay debt but considers the bank's intrinsic financial strength (by analysing factors such as its geographical market presence, the diversification of its activities, the financial basics) 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	Positive
RATINGS ON ISSUES	
Senior unsecured debt	A
Upper/Lower Tier II subordinated	A-
Preference shares (ex BPCI)	A-
Tier III subordinated debt	BBB+

- (1) The ability to repay debt maturing in the short term (duration of less than 13 months)
(F1: best rating – D: worst rating)
- (2) The ability to meet financial commitments in the long term, independently of the maturity of individual 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.

Significant events in the 3rd Quarter of 2008

Significant events occurring in the 3rd Quarter of 2008 are reported in detail in the relevant sections of the directors' interim report on the consolidated financial statements. The following significant aspects are mentioned here:

- **action to implement the Business Plan**, reported in detail in the section "Strategic lines of development":
 - the completion of the migrations of the network banks onto the target IT platform. Banca Carime (at the beginning of July) and Banca Popolare di Bergamo (at the beginning of October) performed the IT migrations with the appropriate adjustments to their organisational systems at the same time. By the end of the year, once the Parent Bank migration is concluded, the former (BPU) IT system will be abandoned;
 - the conclusion of the process to rationalise product companies, which led to the presence of one single specialist company at the service of Group customers in each sector of activity. Two joint ventures still remain in the life *banc assurance* sector with the partners Aviva and Cattolica. The transactions concluded during the quarter concerned leasing (merger between BPU Leasing and SBS Leasing), insurance (merger of UBI Partecipazioni Assicurative into UBI Assicurazioni) and the trust companies (merger of Plurifid Spa into Solofid Società Lombarda Fiduciaria Spa);
 - other action included the completion of the project to streamline commercial interaction between Centrobanca and the network banks and the beginning of similar action concerning UBI Factor; the commencement of operations by BDG Singapore Pte Ltd. and by the new branch of UBI Factor Spa in Krakow; the adoption of two new risk management policies.

The integration process is generally proceeding ahead of schedule: at the end of September 76% of implementation activities had been completed with the objective of achieving 85% completion by the end of the year, well ahead of Business Plan objectives.

The action performed to-date has generated synergies for the first nine months of 2008 which reached 92,1 million euro (+14% compared to 81 million euro forecast for that same period) attributable primarily to cost synergies of 72,6 million euro (+26% compared to expectations), while revenue synergies, amounting to 19,5 million euro, have been affected by the unfavourable economic and financial situations (-17% with respect to forecasts);

- **the increasingly more acute international crisis, which has now become systemic**, and its impacts on the assets of the Group and its customers, described in the section "financial activities", as well as on the consolidated results for the third quarter and the first nine months of the year commented on in the section "the income statement".

If the effect of markets is excluded – summarised by the net profit from trading, hedging, the disposal/repurchase of financial assets/liabilities and from assets/liabilities at fair value – the Group recorded growth in operating income (+2%) in the period January-September 2008 accompanied by stable operating costs, when considered in normalised terms.

**DIRECTORS' INTERIM REPORT ON
THE CONSOLIDATED FINANCIAL
STATEMENTS**

The macroeconomic scenario

The **instability on financial markets**, which has persisted, with fluctuations, since the summer of 2007, started to progressively worsen in the third quarter.

Initially the substantial losses connected with the “subprime” mortgage crisis heavily compromised the balance sheets of two American agencies which specialised in mortgage loan securitisations (Fannie Mae and Freddie Mac), requiring intervention to rescue then by the Treasury Department through the acquisition of ordinary shares in them.

The crisis in confidence which hit international finance translated into a substantially heightened perception of liquidity and counterparty risk, which determined a sharp fall in transactions on interbank markets and rapid growth in the cost of funding between banks to levels much higher than monetary policy interest rates. Together with the collapse of prices on equity markets and the broadening of credit spreads, this made it increasingly more difficult for lending institutions to acquire funding. Central banks promptly took action with massive and co-ordinated intervention to restore liquidity to markets, by increasing the volume and number of refinancing transactions, extending maturities and broadening the range of securities eligible as collateral for these transactions.

The United States and European authorities also sought to prevent the bankruptcy of major financial institutions which would have had unsustainable consequences for the financial system.

Despite this, some United States banks, including the investment bank Lehman Brothers, failed. Others, on the other hand, were acquired by financial institutions¹, while in the case of the insurance Group, AIG, the Federal Reserve intervened to support it with a loan against which the Treasury Department will acquire an equity interest in the group itself. Following these events, the US Congress approved a 700 billion dollar support plan on 3rd October.

The crisis also affected major financial institutions on the old continent².

The growing uncertainty over the economic outlook and the simultaneous reduction in the risk of inflation – attributable to the sharp and generalised fall in commodity prices – induced the Federal Reserve, the ECB and the central banks of the United Kingdom, Canada, Sweden and Switzerland to cut official interest rates simultaneously on 8th October by 50 basis points, followed by similar action, although to a lesser degree, by the Chinese central bank. On 10th October, the finance ministers and governors of the central banks of the G7 countries formally agreed to support financial institutions for which insolvency might have repercussions on financial systems and to adopt measures needed to revitalise lending and money markets. They also undertook to recapitalise banks and other financial institutions appropriately (subscription of preference shares and other instruments by governments), to fully underwrite national deposit insurance systems and to grant guarantees for new issues made by financial intermediaries. On 12th October the countries belonging to the euro area approved a jointly agreed plan, which was followed by national legislation to implement it the day afterwards. These initiatives brought the three month Euribor rate below the 5% level, having reached a maximum of 5,39% on 9th October, but their effect of calming turmoil on financial markets was only temporary as it was fuelled by expectations of recession and by a confidence crisis which had affected the whole financial system.

* * *

¹ Consolidation of the United States banking sector was triggered in the middle of September when other major banks were hit by the crisis: Merrill Lynch was acquired by Bank of America and Wachovia by Wells Fargo, while the assets of Washington Mutual, which had failed, were acquired by JPMorgan Chase, which had already acquired the investment bank Bear Stearns in the previous May. Furthermore, the investment banks, Goldman Sachs and Morgan Stanley, commenced their transformation into banking groups, since they will therefore be subject to more stringent supervision by the Federal Reserve and will have access to sources of liquidity reserved to banks.

² Intervention of various nature was performed to assist important banks such as Bradford & Bingley, Halifax Bank of Scotland, Fortis, Dexia, Hypo Real Estate and Roskilde Bank.

Given the above, according to recent estimates by the International Monetary Fund, there is a clear deceleration in progress in the **world economy** caused by a generalised slowdown in industrialised countries that has only been partly offset by the continued high growth of “emerging” countries and by Asian countries in particular. Inflationary pressures existing since the beginning of year relaxed in September after peaking over the summer, mainly as a result of the drastic reduction in commodity, energy and food prices, induced by the growing acuteness of the financial crisis and the worsening of the macroeconomic context.

After establishing a new record, trading at more than 147 dollars per barrel, the price of Brent oil fell rapidly to end the third quarter at 98,2 dollars per barrel (+4,6% compared to the end of 2007) and it then decreased further to below 70 dollars in the weeks that followed. In order to contain the fall in prices, an extraordinary meeting of OPEC held on 24th October decided to cut production by 1,5 million barrels per day with effect from 1st November.

On the basis of the first estimates, **United States** GDP fell in the third quarter by 0,3% annualised, caused by a marked fall in consumption.

After reaching a record low, trading at 1,6040 dollars per euro in July, the United States currency rapidly recovered in August and September to end the third quarter at 1,4102 dollars per euro (-3,3% compared to December) and it then fell below 1,30 in the weeks that followed.

After peaking at 5,6% in July, inflation fell back to 4,9% in September. The “core” index, however, net of foodstuffs and energy products, remained basically stable from the beginning of year at 2,5%.

The unemployment rate provides confirmation of the difficult economic situation, rising to 6,1% in August and September and to 6,5% in October from 5,5% in June (it was 5% in December).

As concerns the “twin deficits”, there was a progressive deterioration in the Federal deficit over the first nine months of the year, which rose to 348 billion dollars from 81,1 billion euro in the same period of 2007. The deficit on the balance of payments on trade also increased slightly between January and August to 478,1 billion dollars from 471 billion dollars in 2007, mainly as a result of a worsening of the balance with OPEC countries.

After four cuts in the first half, which totalled 2,25 percentage points, the federal funds rate was further reduced twice by 50 basis points each in October, to now stand at 1%. At the same time the discount rate, now at 1,75%, was reduced by the same amount.

At 9,9%, annualised growth in **Chinese** GDP in the first nine months of the year was also affected by the slowdown in the world economy (+12,2% in the same period of 2007). The constant expansion continues to be driven by fixed investments (+27%) and by consumption (+22%), while the net contribution from international trade, positive by 181 billion dollars, was partially held back by growth in imports (+29%). At the same time growth in industrial production was also more moderate (+15,2%, from +18,5% in the first nine months of 2007).

The falling trend for inflation started in May continued, reaching 4,6% in September, well below the peak in February (8,7%).

On the monetary front, the one year bank rate, now at 6,66%, was cut three times by 27 basis points, with one in September and two in October, which were accompanied by decreases in compulsory reserve requirements as a result of two cuts made in September and October. Although they occurred in a context of joint international action, the intervention made by the Chinese authorities was dictated primarily by the need to maintain stable and strong economic growth in order to absorb new entrants onto the labour market.

The quarterly change in GDP between April and June in **Japan** was negative by 0,7% (after +0,7% in the first three months) compared to the first quarter, which reflected a fall in household consumption and exports, the latter penalised by the appreciation of the Japanese currency against the dollar and the euro (by 4,8% and 7,9% respectively since the beginning of year).

The most recent figures show a fall in industrial production of 3,5% in August compared to the previous month (-6,9% the change year-on-year), an unemployment rate up to 4,2% (3,8% at the end of 2007) and a fall in inflation to 2,1% after a peak of 2,3% in July.

In order to help stabilise markets and stimulate the economy, the Bank of Japan also made a 20 basis point cut in the call rate on overnight deposits (now at 0,30%) and a 25 basis point cut in the discount rate (now at 0,50%) at the end of October, accompanying this intervention

with the introduction of temporary measures designed to increase liquidity in the financial system.

The change in quarterly GDP in the **euro area** was negative (-0,2% after +0,7% in the first three months of the year) in the second quarter of 2008 for the first time since the birth of the European Monetary Union; this summarised a general worsening of all the main components. The € coin indicator, which fell to a record low, seems to anticipate a deterioration in the economic situation that was in progress over the summer and it is also in line with the changes that occurred in industrial production which, although up in August by 1,1% compared to the previous month after three months of decreases, nevertheless fell year-on-year (-0,7%).

The unemployment rate is increasing progressively: it rose to 7,5% in September, the same level as in April 2007.

After reaching a record high of 4% in June and July, inflation, as measured by the harmonised consumer price index, fell to 3,6% in September with an estimate of 3,2% for October. Net of foodstuffs and energy products, together with alcohol and tobacco products, the index stood at 1,9% after peaking in March (2%) and then falling in April (1,6%), August and September.

On the monetary policy front, after an increase in July (+25 basis points to 4,25%), the ECB cut the principal refinancing rate by 50 basis points, as part of the co-ordinated intervention performed on 8th October 2008 already mentioned, and then cut it again by a further 50 basis points in November. After the last cut, the difference with respect to the US federal funds rate therefore returned to 2,25 percentage points again.

GDP in **Italy** also fell on a quarterly basis (-0,3%) in line with the European trend, affected by the fall in the contribution from net foreign demand and from household consumption.

Difficulties over the summer months seem to have been accentuated as shown by the industrial production index (adjusted for the number of working days) which fell on an annual basis for the fourth consecutive month in August (-5,3%, the worst result of the year). All economic sectors recorded negative performance, except for "leather and footwear" (+10,1%) and energy products (+4,5%).

According to employment statistics, the unemployment rate increased for the fourth consecutive quarter between April and June to 6,8%, the highest level since 2006.

With regard to inflation, after reaching a high in August of 4,2%, the harmonised consumer price index, fell to 3,9% in September and, according to the first estimates, to 3,6% in October. As a result of the trend for imports (+5%), which was higher than that for exports (+4,7%), the balance of trade deficit rose to 7,3 billion euro in the first eight months of the year from 6,2 billion euro in the same period of 2007. The increase in the energy deficit more than offset the increase in the surplus on plant and equipment and the reduction in the deficit on intermediate products.

As concerns public accounts, the 2008-2013 DPEF (document for economic and financial programming) presented by the Government at the end of September estimated a net deficit to GDP ratio of 2,5% for the current year (1,6% in 2007 according to the statistics revised by Eurostat) and a public debt to GDP ratio of 103,7% (104,1% in 2007 as revised by Eurostat), but these indicators obviously do not take account of the repercussions of the crisis in progress.

* * *

Equity markets were affected by the heightened perception of risk and volatility which increased greatly in September and in the first half of October it reached the highest levels since the start of the financial crisis.

The principal indices of stock markets in the first nine months of the year (in local currencies) performed as follows: -18,2% for the DJ Industrial of New York; -20,6% for the S&P 500 of New York; -21,5% for the Nasdaq Composite of New York; -24,1% for the Ftse 100 of London; -25,4% for the Topix of Tokyo; -25,7% for the Nikkei 225 of Tokyo; -27,7% for the Xetra Dax of Frankfurt; -28,2% for the Cac 40 of Paris; -33,8% for the S&P/Mib of Milan. Similarly the MSCI index for emerging markets also suffered a fall of 36,8%.

In parallel with this, the outflow from **mutual investment funds** continued. Reports furnished by Assogestioni (national association of asset management companies), showed negative net inflows for the first nine months of the year of 97,7 billion euro (-53,2 billion euro for the

whole of 2007) attributable both to Italian registered funds (-57,8 billion euro) and to foreign funds (-39,9 billion euro).

The bond sector was affected most by the contraction (-44,5 billion euro), hit particularly hard in the third quarter, followed by equities (-26,9 billion euro) and also flexible funds (-11,5 billion euro), balanced funds (-6,9 billion euro), monetary funds (-5,2 billion euro) and hedge funds (-2,7 billion euro).

The combined effect of returns and net outflows was reflected in a reduction in assets which fell to 478,3 billion euro (-22,6% compared to 618,3 billion euro as revised at the end of 2007) and in a partial change in the composition which saw monetary funds increase by 15,9% to 19,2% and equities fall from 25,5% to 19,2%, while the percentage of bonds reached 38%.

* * *

Finally, as concerns the **Italian banking sector**, the first ABI (Italian Banking Association) estimates for September show growth in *funding* (savings deposits, current accounts, certificates of deposit and bonds) of 10,3% on an annual basis, the result of continued strong performance by bonds (+19,8%), while the increase for all other types of funding was 3,3%.

The same estimates show a slowdown in annual trends for *loans* (+6,6%) especially when compared with growth rates at the beginning of the year (higher than 10%). Although decelerating progressively since March, medium-to-long term loans (+7,4%) continued to perform more dynamically than those with shorter maturities (+5,3%). In terms of the use of funding, lending to businesses remained strong (+10,7%), against a marked deceleration in lending to households (+1,6%) within which there was negative growth in residential mortgage lending (-0,5%).

From the viewpoint of risk, non performing loans gross of write downs had decreased over twelve months in August by 11,2% (-8,9% for loans to households and -12,1% for lending to businesses), while the stock of net non performing loans had decreased by 8%. Consequently the ratio of *net non performing loans to lending* improved by 1,02% (1,11% in December 2007), while the ratio of *non performing loans to supervisory capital* fell to 5,43% (5,83% in December 2007).

Again in August the *securities portfolio* increased by 35,7% on an annual basis, relating mainly to the “other certificates” component (+58%), and to bank bonds in particular, and to medium-to-long term securities (CCT and BTP, +27,1%) to a lesser extent. The ratio of securities to lending in euro therefore increased to 16,4%, from 13% at the end of 2007.

The *average rate for bank funding from customers* (which includes the yield on deposits, bonds and repurchase agreements for households and non financial companies) increased progressively in line with market trends to reach 3,34% in September, compared to 2,93% at the end of 2007, while the *average weighted interest rate on lending to households and non financial companies* rose to 6,47% from 6,18% in December after reaching a low in February and March (6,15%).

Strategic lines of development

Steps to implement the 2007-2010 Integration Business Plan

The Business plan consists of 45 currently active “business projects”³, i.e. projects with a significant impact on the achievement of the objectives contained in the plan itself. A level of priority (23 is maximum priority, 14 high priority and 8 is normal priority), a project manager and a work plan for implementation activities have been defined for each of them, along with periodical monitoring processes (monthly for maximum priority and quarterly for all the others).

As at 30th September 2008, 76% of the plan activities had been completed, ahead of schedule with respect to targets; it is expected that 85% will be completed by the end of the year.

The main results achieved at the date of this report are listed below.

- **IT MIGRATION:** migrations onto the target platform for network banks were completed during the period of this report, in line with Business Plan schedules. Activities are now focused on the migration of the Parent Bank. In detail:
 - **Banca Carime:** the migration of the IT platform took place on the weekend of 5th-6th July 2008 with appropriate alignment of the organisational model of the bank with the Group target model;
 - **Banca Popolare di Bergamo:** all the preparatory activity for the migration was performed during the third quarter, while the migration itself took place on the weekend of 4th-5th October. The operation was achieved with high download/upload data quality and immediate and excellent access to the system, guaranteed both by prior experience and by massive connection tests performed on the weekends beforehand. The migration of the IT platform was also accompanied by changes to the organisational model of BPB to align it with the target model with the relative centralisation/decentralisation operations that were planned (anti-money laundering and investigating authority investigations service and the consequent appointment of a Group officer, the human resources and planning and control service);
 - **UBI Banca:** preparatory activities for the migration commenced in October with a cycle of infra-weekly simulations from 27th – 30th October. The actual migration occurred in the week from 4th to 8th November. The roll-out of all the work stations in the central offices will be completed during December.
- **RATIONALISATION OF PRODUCT COMPANIES:**
 - **Leasing:** on 5th July 2008, UBI Leasing was formed from the merger between BPU Esaleasing and SBS Leasing. The operation was accompanied by action to standardise the IT system and credit and commercial processes;
 - **Insurance:** the reorganisation of the sector involved the merger of UBI Partecipazioni Assicurative into UBI Assicurazioni, which took effect from 30th September 2008. Contacts were initiated in October to explore the feasibility of an industrial partnership in the non life *banc assurance* sector;
 - **Trust companies:** the merger of Plurifid Spa into Solofid Società Lombarda Fiduciaria Spa took effect from 1st October with the creation of UBI Fiduciaria Spa, having been approved by extraordinary shareholders’ meetings of the two companies on 22nd May,

With the transactions reported above – which are in addition to those already completed in the first half of 2008 in relation to financial advisors, consumer finance and wealth

³ Two projects were concluded in the third quarter of the year, compared to the 47 projects existing as at 30th June 2008.

management – the process of the rationalisation of the product companies can be considered completed.

- **CORPORATE BANKING:** the project to optimise commercial interaction between Centrobanca and the network banks, designed to improve the integrated range of Centrobanca products offered to the corporate clients of the Group, has been completed. The project has led to the definition of a new organisational model for commercial interaction, to the adoption of new instruments to support commercial activities and to the activation of a focused and continuous training programme.

A similar project was set in motion in September with regard to UBI Factor and it is expected to be completed by the first half of 2009.

- **GROUP POLICY:** the following risk management policies were approved during the third quarter:
 - Reputational risk management policy: the policy is designed to identify the main areas from which events can be triggered which might affect the relationship of trust established with customers, to define procedures to manage those areas, to identify the principal phenomena to be monitored and to define guidelines for the management of reputational risk;
 - Policy to manage the validation process for the measurement of risks included in the “First pillar” of Basel 2: in compliance with Bank of Italy circular No. 263 of 27th December 2006, the policy regulates the functional controls put in place by the Group to assess the systems, models and controls adopted in the development of internal models for the measurement of credit, counterparty, market and operational risk.

* * *

Finally with regard to **international strategy**, and more particularly to the reorganisation and consolidation of the foreign presence of the Group, on 10th September 2008, the company **BDG Singapore Pte Ltd** started operations, after receiving authorisation from the Bank of Italy and the local Supervisory Authority. It is 100% controlled by the Swiss Banque de Dépôts et de Gestion Sa which closed its local representative office at the same time.

The new company provides “financial advisory” services to private customers.

Again in September, **UBI Factor Spa** opened a new branch at Krakow in Poland. This opening constitutes the first step in the development of opportunities to expand business on the international market with particular attention paid not only to Poland but also to countries such as Spain, Germany and Turkey, in line with that subsidiary’s 2007-2010 Business Plan.

Integration costs and synergies

The synergies programmed under the 2008 Business Plan amount to 100,4 million euro (compared to 431 million euro⁴ forecast on completion in 2010), of which 81 million euro relate to the first nine months of 2008. With respect to that objective, synergies of 92,1 million euro (+14% compared to the target) were achieved to 30th September composed as follows:

- **cost synergies achieved:** 72,6 million euro⁵ (+26% compared to a target of 57,6 million) as a consequence of:
 - the positive performance of personnel cost synergies (+21,9 million euro) due to the early implementation at the end of 2007 and in the first nine months of 2008 of the redundancies planned for the whole of 2008 and also to less resort made to temporary agency staff;

⁴ Inclusive of the personnel cost synergy components of the relative “stand-alone” Business Plans of the two former BPU and BL Groups amounting to: 19,7 million euro in 2008, 24,8 million euro in 2009 and 29,3 million euro in 2010.

⁵ The cost synergies consist of 34,6 million euro from personnel and of 38 million euro from other administrative expenses.

- lower synergies on administrative expenses (-6,9 million compared to the Business Plan target). More specifically, synergies were lower than forecast on IT systems, in the human resources and organisation area (mainly because of higher expenses for mobility) and for network banks, and these were only partially offset by greater synergies for logistics and product companies;
- **revenue synergies achieved:** 19,5 million euro (-17% with respect to a target of 23,4 million euro), a consequence of results that were lower than forecast for the commercialisation of certain products destined to the retail market (salary backed loans, credit cards, OTC derivatives and assets under management), which were only partly offset by good growth in mortgage loans, personal loans and bundled current accounts and by investment banking and structured finance operations on the corporate market.

The following is estimated for the full year 2008:

- **personnel cost synergies:** the improvement in the trend for average human resource numbers compared to forecasts has continued, allowing synergies greater than Business Plan forecasts to be achieved;
- **synergies on administrative and depreciation and amortisation expenses:** with account taken of the performance to 30th September and of the preliminary forecasts for end of year figures, lower results than those predicted in the Business Plan should be achieved on administrative expenses, offset by a positive impact on depreciation and amortisation;
- **revenue synergies:** the results that emerged during the first half continued with overall performance lower than budgeted in the Business Plan and with a different mix to that originally programmed, consistent with the current market situation.

The overall performance of the factors described above should lead to a performance that is better than expected (around 10%) for synergies estimated in the Business plan for the current year (100,4 million euro), even if, as reported, the composition will be different.

Integration costs of 64,7 million were recognised in the first nine months of the year (33,2 million euro in relation to personnel costs, 29,5 million euro to other administrative expenses and 2 million to depreciation and amortisation). If the 253,5 million euro incurred in 2007 are also considered, cumulative integration costs to 30th September 2008 amount to 318,2 million euro (approximately 86% of the total forecast, which was 370 million euro).

Ordinary periodic update of the Business Plan

In consideration of the climate of uncertainty and extreme volatility on financial markets and of the difficulty in identifying a scenario that is sufficiently stable to serve as the base for the construction of a multi-year strategy, the ordinary update of the Business Plan will be completed in the first part of 2009.

The distribution network and positioning

The branch network and the distribution channels

As at 30th September 2008 the Unione di Banche Italiane Group had 1.940 branches, which had risen to 1.942 at the date of publishing this quarterly consolidated financial report.

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

number of branches	30.9.2008	30.6.2008	Change	31.12.2007
UBI Banca Scpa	3	3	-	3
Banca Popolare di Bergamo Spa*	357	358	-1	357
Banco di Brescia Spa**	352	351	1	348
Banca Popolare Commercio e Industria Spa	215	213	2	208
Banca Regionale Europea Spa***	292	292	-	291
Banca Popolare di Ancona Spa	259	258	1	259
Banca Carime Spa	315	315	-	311
Banca di Valle Camonica Spa	58	58	-	58
Banco di San Giorgio Spa	36	36	-	35
UBI Banca Private Investment Spa	37	39	-2	32
B@nca 24-7 Spa	1	1	-	1
IW Bank Spa	2	2	-	2
Banque de Dépôts et de Gestion Sa - Switzerland	4	4	-	4
Centrobanca Spa	7	7	-	7
UBI Banca International Sa - Luxembourg	2	1	1	-
TOTAL	1.940	1.938	2	1.916

* The figures for June and December include the foreign Munich branch (Germany) which was contributed to UBI International Luxembourg on 1st July 2008..

** The figure includes one foreign branch.

*** The figure includes two foreign branches.

Financial advisors	949	957	-8	954
ATMs	2.539	2.357	182	2.205

The main changes that occurred with regard to the presence in Italy in the third quarter of 2008 and until the date of this report are as follows:

- **UBI BANCA** closed its Milan branch at the end of October;
- **BANCO DI BRESCIA** opened a new branch in September at Quinto di Treviso (Treviso);
- **BANCA POPOLARE COMMERCIO E INDUSTRIA** started up three branches in Rome: in Via delle Azzorre (at Ostia) in July, in Via dei Castani (at Centocelle) in August and in Via Nomentana (at Monte Sacro) in November;
- **BANCA POPOLARE DI ANCONA** started up a new branch in September at the Confcommercio (retailers' association) of Pesaro;
- **BANCO DI SAN GIORGIO** opened a new branch in October in Genoa in Via Molassana;
- **UBI BANCA PRIVATE INVESTMENT** closed two branches in September at Mestre (Venice) and Perugia while a new branch started operations in November at Cremona.

Following the opening of a new private banking centre in Florence in October by UBI Banca Private Investment, the distribution network in Italy was also able to count on 121 units dedicated to private banking customers and 124 units destined to the Group's corporate customers.

The half year interim report to 30th June 2008 may be consulted for further information on changes that occurred concerning branches in the first half of 2007 and also for details of the private banking and corporate banking units of individual banks.

The market is also covered by 949 **financial advisors** who report to the Financial Advisors Area of UBI Banca Private Investment. These are composed of:

- 416 who belong to the “integrated” network division characterised by a business model which has strong synergies with the network banks of the former BPU Group from which 75% of these financial advisors operate;
- 533 who report to the “open market” network division which has an operating model that is strongly focused on multi-brand products and non-captive customers.

In parallel with action taken with regard to the distribution network in Italy, as already reported in the previous section, “Strategic lines of development”, the UBI Banca Group also continued with the reorganisation of its international presence which at the date of this report includes the following:

- two foreign banks, Banque de Dépôts et de Gestion Sa (with four branches in Switzerland and a “financial advisory company” in Singapore) and UBI Banca International Sa (with headquarters in Luxembourg, branches in Munich and Madrid and a trust company in Jersey);
- three foreign branches in France (at Nice and Menton of Banca Regionale Europea) and in Luxembourg (Banco di Brescia);
- representative offices in San Paolo of Brazil, Hong Kong, Mumbai, Shanghai and Moscow;
- equity investments (mainly controlling interests) in six foreign companies: in addition to UBI Trust Co Ltd and BDG Singapore Private Ltd. already mentioned, also in Corporation Financière Européenne Sa, Gestioni Lombarda (Switzerland) Sa, Lombarda China Fund Management Co. Sa, and UBI Management Co. Sa;
- one Branch of UBI Factor in Krakow in Poland⁶;
- 33 commercial co-operation agreements with foreign banks (covering 37 countries) and a “product partnership” in the Middle East and in Asia with Standard Chartered Bank to guarantee effective assistance on all the principal international markets for corporate customers.

Remote channels

The Group’s market presence is reinforced by the functions provided for network bank customers on remote channels (Internet, Contact Centre, automated branches and POS terminals).

With regard to the channels available to private individual customers, in the first nine months of the year, the users of the service *QUI UBI Internet Banking* reached 457 thousand at the end of September (+8,7% compared to 420.500 at the end of 2007).

In that same period, telephone recharging and payment transactions made with that service increased by almost 25% compared to those made between January and September in 2007.

At the same time, the number of *Contact Centre* users also increased (+6,3% compared to more than 486.600 in December 2007).

Finally, the Group has more than 2.500 automated branches – more than 9% are able to received payments of cash and cheques – and approximately 60.500 POS terminals installed in retail outlets.

⁶ The branch in Krakow was opened in September.

⁷ In the first nine months of 2008, the Contact Centre received almost 900 incoming calls from customers - approximately 60% handled by the automatic telephone service and the remaining 40% by human operators – in addition to almost 70.000 emails sent/received.

During the same period the Contact Centre performed commercial activity involving approximately 120 thousand calls to customers of which around 63% resulted in the acquisition of useful contacts.

The positioning of the Group

The table summarises the market positioning of the UBI Group in terms of branches, traditional funding (excluding bonds) and lending on the basis of the latest available information from the Bank of Italy both with respect to the national market and for the main areas in which the banks in the Group operate.

It can be seen that the market share of the Group at national level is close to 6%; in the case of funding, if funding from bonds is also considered, then market share is 6,22%.

In terms of branches, the UBI Banca Group can count on a market share of more than 10% in 17 Italian provinces and also on an important presence in some major Italian provinces (approximately 10% in Milan and approximately 4% in Rome).

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

UBI Banca Group: market share ^(*)

June 2008			
	Branches	Funding (**)	Lending (***)
North Italy	6,5%	6,9%	7,4%
Lombardy	13,5%	12,0%	10,9%
<i>Prov. of Bergamo</i>	20,3%	36,0%	44,3%
<i>Prov. of Brescia</i>	22,7%	35,3%	30,8%
<i>Prov. of Como</i>	6,6%	6,7%	9,2%
<i>Prov. of Lecco</i>	5,2%	5,7%	7,6%
<i>Prov. of Mantua</i>	6,6%	4,5%	5,2%
<i>Prov. of Milan</i>	9,5%	6,0%	5,3%
<i>Prov. of Pavia</i>	16,7%	17,4%	15,4%
<i>Prov. of Varese</i>	27,4%	33,4%	24,6%
Piedmont	8,3%	5,7%	6,8%
<i>Prov. of Alessandria</i>	11,0%	8,8%	10,2%
<i>Prov. of Cuneo</i>	25,0%	24,7%	19,0%
<i>Prov. of Novara</i>	5,2%	3,6%	9,7%
Liguria	4,3%	3,5%	8,6%
<i>Prov. of Genoa</i>	4,5%	4,0%	9,3%
<i>Prov. of Imperia</i>	5,7%	3,8%	8,0%
<i>Prov. of Savona</i>	5,2%	3,5%	10,3%
Central Italy	3,7%	3,3%	2,4%
Marches	9,3%	11,6%	9,9%
<i>Prov. of Ancona</i>	11,4%	16,5%	11,9%
<i>Prov. of Macerata</i>	10,5%	13,9%	11,8%
<i>Prov. of Ascoli Piceno</i>	6,7%	8,3%	9,8%
Lazio	4,3%	3,2%	2,2%
<i>Prov. of Viterbo</i>	15,7%	13,4%	12,4%
<i>Prov. of Rome</i>	3,8%	3,1%	2,1%
South Italy	8,8%	6,7%	5,5%
Campania	6,3%	4,5%	4,2%
Calabria	23,3%	21,2%	13,9%
<i>Prov. of Catanzaro</i>	14,6%	17,9%	12,0%
<i>Prov. of Cosenza</i>	27,3%	27,9%	17,4%
<i>Prov. of Crotona</i>	18,9%	11,7%	7,6%
<i>Prov. of Reggio Calabria</i>	23,2%	15,9%	10,2%
<i>Prov. of Vibo Valentia</i>	28,6%	28,0%	18,9%
Basilicata	17,1%	11,4%	9,2%
<i>Prov. of Matera</i>	18,4%	8,7%	8,0%
<i>Prov. of Potenza</i>	16,4%	13,3%	10,0%
Puglia	8,3%	6,4%	5,1%
<i>Prov. of Brindisi</i>	12,0%	9,0%	5,8%
Total Italy	5,7%	5,7%	5,8%

(*) The financial data is taken from Bank of Italy statistics.

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

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

Human resources

The personnel of the UBI Banca Group

	30.9.2008	30.9.2007	Changes	31.12.2007	employees actually in service as at 30.9.2008 (*)	employees actually in service as at 31.12.2007	
	A	B		C	D	E	
Banca Popolare di Bergamo Spa (*)	3.674	3.720	-46	3.682	3.580	3.579	
Banco di Brescia Spa (*)	2.774	2.747	27	2.726	2.720	2.684	
Banca Carime Spa (*)	2.524	2.617	-93	2.587	2.287	2.299	
UBI Banca Scpa	2.273	2.395	-122	2.295	1.505	1.458	
Banca Regionale Europea Spa (*)	2.111	2.141	-30	2.110	2.069	2.100	
Banca Popolare Commercio e Industria Spa (*)	2.083	2.038	45	2.034	2.089	1.995	
Banca Popolare di Ancona Spa (*)	1.870	1.900	-30	1.876	1.707	1.695	
Banca di Valle Camonica Spa (*)	342	365	-23	357	339	348	
Centrobanca Spa	328	313	15	310	356	318	
Banco di San Giorgio Spa (*)	262	257	5	254	264	254	
IW Bank Spa	219	179	40	191	213	189	
UBI Banca Private Investment Spa	164	170	-6	165	167	171	
B@nca 24-7 Spa	137	124	13	129	184	179	
Banque de Dépôts et de Gestion Sa	108	106	2	105	108	105	
UBI Banca International Sa	84	71	13	69	88	70	
TOTAL FOR BANKS (*)	18.953	19.143	-190	18.890	17.676	17.444	
UBI Sistemi e Servizi consortium stock company	604	599	5	604	1.874	2.010	
UBI Leasing Spa	261	274	-13	273	272	284	
UBI Assicurazioni Spa	221	258	-37	256	206	255	
UBI Factor Spa	144	147	-3	143	146	143	
UBI CentroSystem Spa	92	77	15	77	89	71	
UBI Pramerica SGR Spa	87	95	-8	90	95	91	
Mercato Impresa Spa	58	61	-3	56	61	57	
UBI Insurance Broker Srl	39	35	4	35	40	38	
Silf Spa	35	47	-12	46	26	47	
Capitalgest SGR Spa	33	40	-7	38	2	25	
FinanzAttiva Servizi Spa	20	19	1	19	19	18	
Solofid Spa	12	12	-	12	13	13	
Gestioni Lombarda (Suisse) Sa	11	11	-	11	12	12	
BPB Immobiliare Srl	11	10	1	8	17	14	
InvestNet Italia Spa	10	8	2	8	10	9	
Plurifid Spa	7	7	-	7	7	7	
UBI Pramerica Alternative Investments SGR Spa	5	1	4	1	3	1	
UBI Gestioni Fiduciarie Sim Spa	4	4	-	4	7	6	
UBI Management Company Sa	2	2	-	2	2	2	
Centrobanca Sviluppo Impresa SGR Spa	2	1	1	1	6	5	
Capitalgest Alternative Investments SGR Spa	1	1	-	1	9	7	
Coralis Rent Srl	-	-	-	-	7	5	
Coralis Travel Srl	-	-	-	-	1	-	
S.B.I.M. Spa	-	-	-	-	1	1	
TOTAL EMPLOYEES (*)	20.612	20.852	-240	20.582			
<i>of which</i>							
- permanent	19.661	20.283	-622	20.121			
- temporary contracts (*)	951	569	382	461			
TEMPORARY AGENCY STAFF (*)	835	391	444	437			
TOTAL PERSONNEL (*)	21.447	21.243	204	21.019			
On secondment outside the Group							
- out	12	30	-18	18			
- in	1	1	-	1			
TOTAL WORKFORCE (*)	21.436	21.214	222	21.002			
					TOTAL ACTUAL EMPLOYEES (*)	20.601	20.565
					On secondment outside the Group (balance)	11	17
					TOTAL EMPLOYEES (*)	20.612	20.582

(*) The figures as at 30th September 2008 include the use of temporary staff for peak activities in some Group member companies totalling 432 staff, including 369 in relation to the IT migration now completed, 60 for extended use of some of the staff employed for summer absences and 3 "seasonal" staff at BPB Immobiliare.

The table above gives details for each company of the employees of the Group as at 30th September 2008 (column A) compared with the situation at the end of September 2007 (column B) and with that at the end of 2007 (column C), both reconstructed on a uniform basis with respect to 30th September 2008. In order to show the actual distribution of employees within the Group, the figures for employees as they are actually employed (excluding agency staff) are also given, adjusted to take account of secondments from one entity of the Group to another or outside the Group itself both for 30th September 2008 (column D) and the end of December 2007 (column E).

The notes that follow give details of the changes in human resources as at 30th September 2008 (column A of the table) compared to the situations as at 30th September 2007 (column B) and as at 31st December 2007 (column C), both reconstructed on a uniform basis with respect to September 2008.

Temporary staff for peak activity as at 30th September 2008

	Employees on temporary contracts	Temporary agency staff	TOTAL
IT Migration Programme	138	231	369
<i>of which: Banca Popolare Commercio e Industria Spa</i>	<i>41</i>	<i>71</i>	<i>112</i>
<i>Banco di Brescia Spa</i>	<i>26</i>	<i>49</i>	<i>75</i>
<i>Banca Regionale Europea Spa</i>	<i>71</i>	<i>-</i>	<i>71</i>
<i>Banca Carime Spa</i>	<i>-</i>	<i>63</i>	<i>63</i>
<i>Banca Popolare di Ancona Spa</i>	<i>-</i>	<i>22</i>	<i>22</i>
<i>Banca Popolare di Bergamo Spa</i>	<i>-</i>	<i>13</i>	<i>13</i>
<i>Banca di Valle Camonica Spa</i>	<i>-</i>	<i>11</i>	<i>11</i>
<i>Banco di San Giorgio Spa</i>	<i>-</i>	<i>2</i>	<i>2</i>
Replacements team		60	60
<i>of which: Banca Popolare Commercio e Industria Spa</i>	<i>-</i>	<i>22</i>	<i>22</i>
<i>Banca Carime Spa</i>	<i>-</i>	<i>19</i>	<i>19</i>
<i>Banca Popolare di Ancona Spa</i>	<i>-</i>	<i>8</i>	<i>8</i>
<i>Banca Popolare di Bergamo Spa</i>	<i>-</i>	<i>11</i>	<i>11</i>
Seasonal workers at BPB Property	3		3
TOTAL PERSONNEL FOR PEAK ACTIVITIES	141	291	432

At the end of September the human resources of the UBI Banca Group totalled 21.447, an increase of 204 compared to 21.243 in September 2007⁸.

It must nevertheless be considered that at the end of the first half, the labour force included 432 temporary staff for periods of peak activity as follows:

- 369 recruited on the basis of the Trade Union Agreement of 14th August 2007, to furnish

support for IT migration requirements;

- 60 for extended use of the “summer replacements team” (1 person as at 30th September 2007);
- 3 “seasonal” workers at BPB Immobiliare (2 persons at the end of September 2007).

If those staff temporary staff employed for periods of peak activity were not considered, the work force of the Group would have decreased by 225 on an annual basis.

In detail there was a reduction of 622 staff on permanent contracts over the twelve month period balanced by an increase in both temporary agency staff (+444 including 290 extra staff recruited for periods of peak activity) and workers on temporary contracts (+382, including 139 in relation to the staff employed just mentioned).

⁸ The situation as at 30th September 2007 was reconstructed as follows:

- the personnel of UBI Banca Scpa includes the staff of UBI Mercati Finanziari Sim Spa, merged with effect from 1st January 2008 (7 at the end of September 2007);
- the Personnel of Banca Popolare di Bergamo were stated net of the 46 staff who at that date were working in the branches disposed of at the end of 2007 for Antitrust Authority compliance and of the 45 staff who as at 30th September 2007 were working in the branches involved in the Intragroup branch switching operations at the beginning of December 2007;
- the personnel of Banco di Brescia are stated net of the 91 staff who at that date were working in the branches disposed of at the end of 2007 for Antitrust Authority compliance;
- the personnel of Banca Popolare Commercio e Industria were stated net of the 82 staff who at that date were working in the branches disposed of at the end of 2007 for Antitrust Authority compliance. The figure was increased by the 45 staff who on 30th September 2007 were working in the branches involved in the intragroup branch switching operations that took effect on 1st December 2007;
- the personnel of IW Bank were increased by the 21 staff who were still working on that date at Investnet Italia;
- the personnel of UBI Banca Private Investment Spa includes the staff of UBI Sim Spa, merged with effect from 1st January 2008 (39 at the end of September 2007);
- the personnel of B@nca 24-7 includes the 71 staff of Silf Spa who were working in the part of the company disposed of with effect from 1st January 2008;
- the personnel of UBI Banca International includes the 16 staff who were working at the end of September 2007 at BPU Banca International, merged with effect from 1st October 2007 and the 8 staff who on that same date were working at Financiera Veneta Sa, wound up with a deed of 16th July 2008;
- the personnel of UBI Leasing Spa includes 171 staff who at the end of September 2007 were working at SBS Leasing Spa and 103 staff who were working on that same date at BPU Esaleasing Spa;
- the personnel of UBI Assicurazioni Spa includes the 84 staff who at the end of September 2007 were working at UBI Partecipazioni Assicurative Spa, merged with effect from 30th September 2008;
- the personnel of UBI Pramerica SGR Spa includes the 24 staff of Capitalgest SGR Spa employed with effect from 1st January 2008.

Finally the figures for the employees of some companies as at 30th September 2007 have been subject to some reclassifications with respect to the data already published: UBI Banca (-1), Banco di Brescia (+1), Centrobanca (+1), UBI Banca International (+2), UBI Pramerica SGR (-1).

Numbers of staff on normal employee labour contracts fell on aggregate by 240. That decrease was the result of 1.545 staff leaving, including 276 on early retirement schemes and 476 from use of the 'solidarity fund', against 1.305 new appointments, including 339 on permanent contracts and 966 on temporary contracts (including staff employed for "peak activity"). Intragroup transfers affected a total of 204 staff.

The synergies already scheduled under the Integration Business Plan mainly affected the Parent Bank (-122 staff) and the network banks (-145 staff, or -283 net of temporary staff recruited to support the ICT migration), although UBI Banca Private Investment (-6) was also affected. There was, on the other hand an increase in personnel at IW Bank (+40), Centrobanca (+15), B@nca 24-7 (+13) and UBI Banca International Sa (+13), in line with Business Plan forecasts.

Staff numbers for the non banking Group member companies fell on aggregate by 50 to which the decrease of 37 staff at UBI Assicurazioni contributed in particular.

* * *

The workforce of the Group considered net of the 432 staff recruited for periods of peak activity was practically unchanged compared to the situation at the end of 2007 (-4 staff).

* * *

The average age of Group employees as at 30th September 2008 was 42 years and 2 months, while the average length of service was 15 years and 6 months, both lower than as at 30th September 2007 as a result of the generation turnover in progress. The percentage of part time employees was 6,6%, unchanged compared to twelve months previously. Female personnel accounted for 35,4% of the total, compared to 34,3% in September 2007.

Finally, as concerns staff by rank, it can be seen from the table, which gives the composition of the employees of the banks in the Group by rank, that there have been no significant changes. Redundancies planned for the year will be concentrated in the last quarter in line with Business Plan forecasts, once the IT migrations have been completed.

Composition of staff in Group Banks by rank

	30.9.2008	%	30.9.2007	%	31.12.2007	%
Senior managers	475	2,5%	498	2,6%	461	2,4%
Middle managers 3rd and 4th level	3.244	17,1%	3.299	17,2%	3.262	17,3%
Middle managers 1st and 2nd level	3.803	20,1%	3.798	19,8%	3.776	20,0%
3rd Professional Area (office staff)	11.052	58,3%	11.196	58,5%	11.028	58,4%
1st and 2nd Professional Area (other personnel)	379	2,0%	352	1,9%	363	1,9%
TOTAL FOR BANKS	18.953	100,0%	19.143	100,0%	18.890	100,0%

Developments in redundancy plans and the employment programme

The redundancy plan, implemented by UBI Banca on the basis of the trade union agreement of 14th August 2007, resulted in 516 staff leaving during the first nine months of the year which, added to the 116 staff that had already left in 2007, brought the total number of staff that had left as at 30th September 2008 to 632. The redundancy plan will also continue in the remaining part of the year with 84 staff expected to leave.

A total of 230 temporary contracts were converted to permanent contracts by the end of the third quarter of 2008 out of 425 planned by the end of the second half of 2009 under the trade union agreement already mentioned, subject to reaching set dimension objectives.

Trade union relations

Since 2008 is a crucial year for the implementation of the integration process, significant trade union and labour contract events occurred in the first nine months of the year.

While the half year report for the period ended 30th June 2008 may be consulted for a summary of events in the first six months of the year, labour contract negotiations were commenced and concluded at Group level in the period 1st July- 30th September concerning company reorganisation as follows:

- on 3rd July 2008, labour contract negotiations started on 9th May 2008 were concluded when a trade union memorandum of intent was signed with Group trade union representatives in relation to the merger of BPU Esaleasing Spa into SBS Leasing Spa, which is now UBI Leasing Spa;
- labour contract negotiations over the merger of UBI Partecipazioni Assicurative Spa into UBI Assicurazioni Spa were also commenced and concluded in July with a negotiated agreement signed on 25th July 2008;
- on 18th September 2008 the labour contract negotiations started on 28th July 2008 over the merger of Plurifid Spa Società Fiduciaria into Solofid Spa Società Lombarda Fiduciaria were concluded.

The scope of consolidation

The companies that formed part of the consolidation area as at 30th September 2008 are listed below, divided into subsidiaries (fully consolidated), companies subject to joint control (proportionally consolidated) and associates (consolidated using the equity method). The percentage of control or ownership attributable to the Group (direct or indirect), their headquarters (registered address or operating headquarters) and the share capital is also indicated for each of them.

Fully consolidated companies (control is by the Parent Bank of the Group where no other indication is given):

1. **Unione di Banche Italiane Scpa – UBI Banca (Parent Bank)**
registered address: Bergamo, Piazza Vittorio Veneto, 8 – share capital: 1.597.864.755 euro
2. Banca Popolare di Bergamo Spa (100% controlled)
registered address: Bergamo, Piazza Vittorio Veneto, 8 – share capital: 1.256.300.000 euro
3. Banco di Brescia San Paolo CAB Spa (100% controlled)
registered address: Brescia, Corso Martiri delle Libertà, 13 – share capital: 593.300.000 euro
4. Banca Popolare Commercio e Industria Spa (83,3610% controlled)
registered address: Milano, Via della Moscova, 33 – share capital: 682.500.000 euro
5. Banca Regionale Europea Spa (53,3311% controlled)⁹
registered address: Cuneo, Via Roma, 13 – share capital: 442.000.000 euro
6. Banca Popolare di Ancona Spa (99,2814% controlled)
registered address: Jesi (Ancona), Via Don A. Battistoni, 4 – share capital: 122.343.580 euro
7. Banca Carime Spa (85,8286% controlled)
registered address: Cosenza, Viale Crati snc – share capital: 1.468.208.505,92 euro
8. Banca di Valle Camonica Spa (74,2439% controlled and Banco di Brescia holds an 8,7156% interest)
registered address: Breno (Brescia), Piazza Repubblica, 2 – share capital: 2.738.693 euro
9. Banco di San Giorgio Spa (34,7968% held and 56,3323% controlled by BRE)
registered address: Genova, Via Ceccardi, 1 – share capital: 66.926.667 euro
10. Banque de Dépôts et de Gestion Sa (100% controlled)
registered address: Avenue du Théâtre, 14 - Lausanne (Switzerland) – share capital: 10.000.000 Swiss francs
11. Gestioni Lombarda (Switzerland) Sa (100% controlled by Banque de Dépôts et de Gestion)
registered address: Riva Caccia, 1 – Lugano (Switzerland) – share capital: 1.000.000 Swiss francs
12. BDG Singapore Pte Ltd (100% controlled by Banque de Dépôts et de Gestion)
registered address: 391B Orchard Road # 15-01 Ngee Ann City Tower B Singapore – share capital: 325.000 Singapore dollars¹⁰

⁹ The percentage indicated represents the control over the total share capital held. The Group does in fact possess 55,4779% of the ordinary shares, 26,4147% of the privileged shares and 59,1205% of the savings shares. The percentage considered for consolidation purposes nevertheless amounted to 59,9521% due to the existence of a put option granted to Società Cattolica di Assicurazione Spa on a total of 6,621% of the shares (7,656% of the ordinary shares).

After an agreement was signed on 11th September 2008 to amend the shareholders agreement, the time limits were brought forward both for the exercise of the put option by Cattolica (to 26th September 2008), and for the completion of the sale and purchase of the shares (to 31st October 2008) with payment of a balance on the price set at approximately 4,4 million euro. Since Cattolica has already exercised its option, UBI Banca will pay the agreed consideration of 173,1 million euro with value date 31st October 2008 and as a consequence the percentage of control held by UBI Banca on the ordinary share capital of BRE will rise from 55,4779% to 63,1339% (without any change, however, to the amount considered for consolidation purposes).

13. UBI Banca International Sa (92,0265% controlled, BPB holds 4,4014%, Banco di Brescia holds 3,3467% and Banco di San Giorgio holds 0, 2254%)
registered address: 47, Boulevard du Prince Henry - Luxembourg – share capital: 45.259.440 euro
14. B@nca 24-7 Spa (100% controlled)
operating headquarters: Bergamo, Via A. Moretti, 11 – share capital: 264.300.000 euro
15. IW Bank Spa (33,8318% held by Centrobanca and 18,6698% by the Parent Bank)
registered address: Milano, Via Cavriana, 20 – share capital: 18.404.795 euro
16. InvestNet International Sa (100% controlled by IW Bank)
registered address: 8, Boulevard Royal - Luxembourg – share capital: 5.478.465 euro
17. InvestNet Italia Spa (100% controlled by InvestNet International)
registered address: Milano, Via F. Conte Confalonieri, 29 – share capital: 212.000 euro
18. InvestNet Work Iberica Spa (100% controlled by InvestNet Italia)
registered address: Milano, Via F. Conte Confalonieri, 29 – share capital: 1.000.000 euro
19. UBI Banca Private Investment Spa (100% controlled)
registered address: Brescia, Via Cefalonia, 74 – share capital: 67.950.000 euro
20. UBI Management Company Sa (99% controlled by UBI Banca Private Investment and 1% held by UBI Banca International)
registered address: 291, Route d'Arlon Prince Henry - Luxembourg – share capital: 125.000 euro
21. Centrobanca Spa (92,3515% controlled and 5,4712% held by BPA)
registered address: Milano, Corso Europa, 16 – share capital: 369.600.000 euro
22. Centrobanca Sviluppo Impresa SGR Spa (100% controlled by Centrobanca)
registered address: Milano, Corso Europa, 16 – share capital: 2.000.000 euro
23. FinanzAttiva Servizi Srl (100% controlled)
operating headquarters: Milano, Piazzale f.lli Zavattari, 12 – share capital: 5.660.000 euro
24. UBI Pramerica SGR Spa (34,0795% held by the Parent Bank and 30,9205% by Capitalgest)
operating headquarters: Milano, Piazzale f.lli Zavattari, 12 – share capital: 19.955.465 euro
25. UBI Pramerica Alternative Investments SGR Spa (92,75% controlled by UBI Pramerica SGR)
operating headquarters: Milano, Piazzale f.lli Zavattari, 12 – share capital: 5.000.000 euro
26. Capitalgest Alternative Investments SGR Spa (100% controlled by UBI Pramerica SGR)
registered address: Brescia, Via Cefalonia, 74 – share capital: 1.500.000 euro
27. Capitalgest Spa¹¹ (100% controlled)
registered address: Brescia, Via Cefalonia, 74 – share capital: 15.244.038 euro
28. UBI Assicurazioni Spa (85% controlled and 15% held by BPA)
registered address: Milano, Piazzale f.lli Zavattari, 12 – share capital: 32.812.000 euro
29. UBI Insurance Broker Srl (100% controlled)
registered address: Bergamo, Via f.lli Calvi, 15 – share capital: 3.760.000 euro
30. UBI Leasing Spa (79,9962% and 18,9965% held by BPA)
registered address: Brescia, Via Cefalonia, 74 – share capital: 196.557.810 euro
31. Silf Società Italiana Leasing e Finanziamenti Spa (100% controlled)
registered address: Cuneo, Via Roma, 13 – share capital: 2.000.000 euro
32. Unione di Banche Italiane per il Factoring Spa - UBI Factor Spa¹² (100% controlled)
registered address: Milano, Via f.lli Gabba, 1/a – share capital: 36.115.820 euro
33. BPB Immobiliare Srl (100% controlled)

¹⁰ The company increased its share capital by a total of 300.000 Singapore dollars.

¹¹ In accordance with the guidelines contained in the Business Plan and given the 100% control exercised by the Parent Bank, on 29th July 2008 the Management Board of UBI Banca approved a project to merge Capitalgest Spa by absorption, a company which to all effects and purposes has become a financial investment company. Authorisation was granted by the Bank of Italy on 21st October 2008; the governing bodies of the company concerned will approve the merger after the necessary thirty days have lapsed following the deposit of documents in accordance with Art. 2501-*septies* of the Italian Civil Code.

¹² On 24th September 2008, an extraordinary shareholders' meeting of CBI Factor resolved to change the registered name of the company with effect from 7th October 2008.

- registered address: Bergamo, Piazza Vittorio Veneto, 8 – share capital: 185.680.000 euro
34. Società Bresciana Immobiliare – Mobiliare S.B.I.M. Spa (100% controlled)
registered address: Brescia, Via A. Moro, 13 – share capital: 35.000.000 euro
35. Società Lombarda Immobiliare Srl - SOLIMM¹³ (100% controlled)
registered address: Brescia, Via Cefalonia, 74 – share capital: 100.000 euro
36. BPB Funding Llc (100% controlled)
registered address: One Rodney Square, 10th floor, Tenth and King Streets, Wilmington, New Castle County, Delaware, USA – share capital: 1.000.000 euro
37. BPB Capital Trust (100% controlled by BPB Funding Llc)
registered address: One Rodney Square, 10th floor, Tenth and King Streets, Wilmington, New Castle County, Delaware, USA – share capital: 1.000 euro
38. Banca Lombarda Preferred Capital Company Llc (100% controlled)
registered address: 1209, Orange Street the Corp. Trust Center, Wilmington, New Castle County, Delaware, USA – share capital: 1.000 euro
39. Banca Lombarda Preferred Securities Trust (100% controlled)
registered address: 1209, Orange Street the Corp. Trust Center, Wilmington, New Castle County, Delaware, USA – share capital: 1.000 euro
40. BPCI Funding Llc (100% controlled)
registered address: One Rodney Square, 10th floor, Tenth and King Streets, Wilmington, New Castle County, Delaware, USA – share capital: 1.000.000 euro
41. BPCI Capital Trust (100% controlled by BPCI Funding Llc)
registered address: One Rodney Square, 10th floor, Tenth and King Streets, Wilmington, New Castle County, Delaware, USA – share capital: 1.000 euro
42. Plurifid Spa¹⁴ (100% controlled)
registered address: Torino, Via V. Alfieri, 17 – share capital: 390.000 euro
43. Solofid - Società Lombarda Fiduciaria Spa⁶ (100% controlled)
registered address: Brescia, Via Cefalonia, 70 – share capital: 1.508.000 euro
44. UBI Gestioni Fiduciarie Società di intermediazione mobiliare Spa – UBI Gestioni Fiduciarie Sim Spa¹⁵ (100% controlled by Solofid)
registered address: Brescia, Via Cefalonia, 70 – share capital: 1.040.000 euro
45. Mercato Impresa Spa (98,557% controlled)
registered address: Milano, Via G. Verdi, 6 – share capital: 3.500.000 euro
46. Coralis Rent Srl (100% controlled by Mercato Impresa)
registered address: Milano, Via G. Verdi, 6 – share capital: 400.000 euro
47. Coralis Travel Srl (100% controlled by Mercato Impresa)
registered address: Milano, Via G. Verdi, 6 – share capital: 110.000 euro
48. UBI Sistemi e Servizi SCpA – Consortium Stock Company (68% controlled and 4% held by: Banca Popolare di Bergamo, Banco di Brescia, Banca Popolare Commercio e Industria, Banca Popolare di Ancona, Banca Carime e Banca Regionale Europea; 2% held by: Banco di San Giorgio, Banca di Valle Camonica and UBI Banca Private Investment; 1% held by Centrobanca and UBI Factor)¹⁶
registered address: Brescia, Via Cefalonia, 62 – share capital: 26.000.000 euro

¹³ The company change its legal status on 10th July 2008 from an Spa (joint stock, share, company) to an Srl (limited liability quota company), reducing its proprietary capital to 100.000 euro.

¹⁴ The merger of Plurifid Spa into Solofid Spa took place with effect from 1st October 2008, on the basis of a share exchange ratio of 25 new shares of the merging bank for every 13 shares of Plurifid, while the merging bank assumed the new name of UBI Fiduciaria Spa at the same time. The share capital of the company was increased to 1.898.000 euro by the issue of 750.000 new shares. The transaction will take effect from 1st January 2008 for accounting and tax purposes.

¹⁵ A shareholders' meeting of 6th October 2008 passed resolutions to make additions to the business purpose of the company and also to change its former name (Sifru Gestioni Fiduciarie Sim Spa). The resolution was filed with the company registrar subsequent to 9th October 2008.

¹⁶ The company changed its legal status into that of a joint stock consortium with effect from 1st July 2008.

49. UBI CentroSystem Spa (100% controlled)
registered address: Milano, Viale Monza, 265 – share capital: 14.016.600 euro¹⁷
50. UBI Finance Srl (60% held)
registered address: Milano, Foro Buonaparte, 74 – share capital: 10.000 euro
51. Albenza 2 Srl¹⁸
52. Albenza 3 Srl¹⁰
53. Orio Finance Nr. 2 Plc¹⁰
54. Orio Finance Nr. 3 Plc¹⁰
55. Sintonia Finance Srl¹⁰
56. 24-7 Finance Srl¹⁹
57. Lombarda Lease Finance 2 Srl²⁰
58. Lombarda Lease Finance 3 Srl¹²
59. Lombarda Lease Finance 4 Srl¹²
60. Lombarda Mortgage Finance 1 Srl¹²

Companies consolidated using the proportionate method (*the investment is by the Parent Bank where no other indication is given*):

1. UBI Trust Company Ltd (99,9980% controlled by UBI Banca International)
registered address: Esplanade, 44 – St. Helier, Jersey (Great Britain) – share capital: 50.000 pounds sterling
2. BY YOU Spa²¹ (formerly Rete Mutui Italia Spa, 40% interest held)
registered address: Milano, Corso Venezia, 37 – share capital: 650.000 euro
3. Barberini Sa (33,3333% interest held)
registered address: Avenue de Tervueren 237 – Brussels (Belgium) – share capital: 3.000.000 euro
4. Prestitalia Spa (68,5185% controlled by Barberini Sa; UBI Banca holds a 22,8395% indirect interest)

¹⁷ In order to improve the structural balance of the company and its ratio of investments to capital in particular, an increase in the share capital for a total of 7,5 million euro was completed on 25th July 2008, which brought the share capital up from 6.516.600 euro in June 2008 to 14.016.600 euro at the end of September.

¹⁸ Special purpose entities formed in compliance with Law No. 130/1999 for the securitisations performed between 1999 and 2003 by the former BPB-CV Srl (Albenza Srl, Albenza 2 Srl, Albenza 3 Srl), by BPU International Finance Plc Ireland, now closed down, (Orio Finance Nr.1 Plc, Orio Finance Nr. 2 Plc, Orio Finance Nr. 3 Plc) and by Centrobanca (Sintonia Finance Srl). They were included in the consolidated accounts because these companies are in reality controlled, since their assets and liabilities were originated by Group member companies. The consolidation only concerns those assets subject to securitisation and the relative liabilities issued. As concerns Sintonia Finance, given that the securitisation was multioriginator, only those assets and liabilities relating to the operation originated by Centrobanca were consolidated.

On 16th July 2008 Orio Finance Nr.1 Plc communicated to markets that it was calling the class A securities (370 million euro the amount issued, with approximately 23,5 million euro to be redeemed) and the class B securities (20 million euro the amount issued and to be redeemed), following the decision to exercise the call options due to expire on 15th August 2008. In addition to these, Orio Finance Nr.1 Plc also called the junior security held by UBI Banca for redemption (28 million euro the amount issued and 26,9 million euro redeemed).

It will be recalled that the Orio Finance Nr.1 securitisation, which involved the issue of notes by the entity in June 2000, is linked to a previous securitisation, performed in 1999, by which the former BPB-CV transferred mortgage loans to the special purpose entity Albenza Srl. The securities issued by Albenza – in a single class of notes – had been purchased in full by BPB International Finance (put into liquidation in the meantime) and together with other assets – now fully redeemed – were subjected to securitisation with the formation of the entity Orio Finance Nr.1. The redemptions that took place resulted in the exclusion of both Albenza Srl and Orio Finance Nr.1 Plc. from the consolidation.

¹⁹ A special purpose entity (formerly Lombarda Lease Finance 1 Srl) used in accordance with Law No. 130/1999 for B@nca 24-7 securitisations. It was included in the consolidated accounts because this company is in reality controlled, since its assets and liabilities were originated by a Group member company. UBI Banca holds a 10% stake in the company.

²⁰ Special purpose entities formed in compliance with Law No. 130/1999 for the securitisations performed in 2001 by Banco di Brescia (Lombarda Mortgage Finance 1) and in the years running from 2002 to 2005 by SBS Leasing (Lombarda Lease Finance 2, Lombarda Lease Finance 3 and Lombarda Lease Finance 4). They were included in the consolidated financial statements because these companies are in reality controlled, since their assets and liabilities were originated by Group member companies.

In this respect, UBI Banca holds an interest of 10% in each company.

²¹ The company has 100% control of: By You Piemonte Srl, By You Liguria Srl, By You Mutui Srl, By YouAdriatica Srl, By You Nord Srl (which merged its subsidiary Area Mutui Srl into it), By You Centro Srl and By You SudSrl, all proportionately consolidated in the Group accounts.

registered address: Roma, Salita San Nicola da Tolentino, 1/b, Sc. B – share capital: 9.385.200 euro

5. Polis Fondi SGRpA (9,8% interest held)²²

registered address: Milano, Via Mercato, 5 – share capital: 5.200.000 interest held

Companies consolidated using the equity method (the investment is by the Parent Bank where no other indication is given):

1. Aviva Vita Spa (50% interest held)
registered address: Milano, Viale Abruzzi, 94 – share capital: 65.000.000 euro²³
2. UBI Assicurazioni Vita Spa (49,9999% held by UBI Assicurazioni)
registered address: Milano, Piazzale f.lli Zavattari, 12 – share capital: 49.721.776 euro
3. Lombarda Vita Spa (49,9% interest held)
registered address: Brescia, Corso Martiri della Libertà, 13 – share capital: 185.300.000 euro
4. Lombarda China Fund Management Company (49% interest held)
registered address: 45, Fl. Saige Plaza Huachiang Road, Shenzhen (China) – share capital: 120.000.000 yuan/renminbi
5. Secur Broker Srl (10% interest held by the Parent Bank and 30% by UBI Insurance Broker)
registered address: Bergamo, Via f.lli Calvi, 15 – share capital: 46.800 euro
6. SF Consulting Srl (35% interest held)
operating headquarters: Mantova, Via P.F. Calvi, 40 – share capital: 93.600 euro
7. Sofipo Fiduciaire Sa (30% interest held by Banque de Dépôts et de Gestion)
registered address: Via Balestra, 22B - Lugano (Switzerland) – share capital: 2.000.000 Swiss francs
8. CFE Corporation Financière Européenne Sa (63,75% controlled)
registered address: 47, Boulevard du Prince Henry B.P.308 – Luxembourg
operating headquarters: 3, Rue du Marché – 1204 Geneva (Switzerland) – share capital: 1.300.000 euro
9. Arca SGR Spa (23,1240% interest held by the Parent Bank and 3,5840% by BPA)
registered address: Milano, Via M. Bianchi, 6 – share capital: 50.000.000 euro
10. SPF Studio Progetti Finanziari Srl (25% interest held by BPA)
registered address: Roma, Via Nazionale, 243 – share capital: 92.960 euro
11. Group Srl (22,5% interest held by Centrobanca Spa)
registered address: Milano, Via Borgonuovo, 27 – share capital: 80.000 euro
12. Prisma Srl (20% interest held)
registered address: Milano, Via S. Tecla, 5 – share capital: 120.000 euro
13. Sider Factor Spa (27% held by UBI Factor)
registered address: Milano, Corso Matteotti, 12 – share capital: 1.200.000 euro
14. Tex Factor Spa (20% held by UBI Factor)
registered address: Milano, Corso Matteotti, 12 – share capital: 1.033.000 euro

²² Polis was included in the consolidation using the proportionate method because joint control emerged following the signing on 18th October 2005 of both a shareholders' agreement to stabilise the ownership structure and a shareholders' syndicate agreement accounting for 51% of the share capital to which the parties are bound for three years. The shareholders are Sopaf (49%) and five "Popular" co-operative banks (UBI Banca, Banco Popolare, BPER, Banca Popolare di Sondrio and Banca Popolare di Vicenza) and Unione Fiduciaria. The company manages the fund Polis, listed on the stock exchange since April 2001 with assets under management as at 30th September 2008 of approximately 317 million euro.

In accordance with a resolution of the Management Board, an agreement was signed on 8th October 2008 for the sale of the entire interest held to Sopaf Spa, which was already the relative majority shareholder and which will purchase – subject to the necessary authorisations – the 50.960 shares held by UBI Banca for valuable consideration of approximately 1,8 million euro. In order to acquire 100% of the share capital, at the same time, Sopaf will purchase the other four equal interests in the share capital along with the 2% held by Unione Fiduciaria under the same conditions.

The agreement signed also involved the termination of the shareholders' agreement which had been entered into between the shareholder banks and Unione Fiduciaria.

²³ On 15th October 2008, UBI Banca paid the second and last tranche of its share (5 million euro) of the increase in the share capital, as resolved by an extraordinary shareholders' meeting of the company on 14th April 2008. The share capital was therefore raised to 75 million euro.

15. Capital Money Spa (20% interest held)
registered address: Milano, Via Losanna, 16 – share capital: 1.600.000 euro²⁴
16. Ge.Se.Ri. – Gestione Servizi di Riscossione Spa in liquidation (95% controlled by BRE)
registered address: Cuneo, Via Roma, 13 – share capital: 323.520 euro

Changes in the scope of consolidation

There have been no changes to the scope of consolidation compared to 30th June 2008²⁵ except for a few changes in the percentage of shares owned and some further interventions to rationalise the portfolio.

The **changes in the percentages** of shares owned were as follows:

- **Banca Popolare di Ancona Spa:** during the third quarter of the year the Parent Bank purchased a small fraction of the shares totalling 0,0457% of the share capital, increasing its controlling interest from 99,2357% as at 30th June 2008 to 99,2814% as at 30th September 2008.
- **Banco di San Giorgio Spa:** the Parent Bank purchased 0,0234% of the share capital from minority shareholders, to bring its investment up from 34,7734% at the end of June to 34,7968% at the end of September. The bank is 91,1291% controlled by the Group as a whole;
- **IW Bank Spa:** in order to consolidate its control over the company, UBI Banca proceeded to purchase, during the quarter, 936.008 shares on the market (1,2715% of the share capital). The interest held therefore rose from 17,3983% as at 30th June to 18,6698% as at 30th September 2008. At the end of the third quarter the Group held 52,5016% control of this Internet bank;
- **UBI Banca International Sa:** following the contribution made to this Luxembourg bank by Banca Popolare di Bergamo (which received 3.906 shares of UBI Banca International Sa in return with a value of 3,5 million euro) of its Munich branch in Bavaria, the ownership structure of this bank broadened from 1st July 2008 as follows: 92,0265% control held by the Parent Bank, 4,4014% held by BPB, 3,3467% held by Banco di Brescia and 0,2254% by Banco di San Giorgio.
The share capital of this foreign subsidiary rose accordingly to 45.259.400 euro from 43.267.380 euro at the end of first half of the year. It will be recalled that on that date UBI Banca International was controlled by UBI Banca (96,2635%), while Banco di Brescia (3,5008%) and Banco di San Giorgio (0,2357%) also held interests.

Intervention to **streamline the equity investment portfolio** based on the guidelines contained in Business Integration Plan involved the following:

- **SBS Leasing Spa and BPU Esaleasing Spa:** on 30th June 2008 the deed for the merger of BPU Esaleasing into SBS leasing was signed with the subsequent change of the latter's name to UBI leasing.
The share exchange ratio, based on an expert appraisal, was set at 2 new shares of the merging bank for every 11 shares of BPU Esaleasing and it involved a reserved increase in the share capital totalling 97.557.810 euro. Following the merger, the share capital of the company amounted to 196.557.810 euro, consisting of 79,9962% held by UBI Banca and 18,9965% by Banca Popolare di Ancona.

²⁴ On 4th July 2008 an extraordinary shareholders' meeting approved a resolution to increase the share capital by a total of 400.000 euro (80.000 euro attributable to UBI Banca). As a result of that operation the approved share capital amounted to 1.600.000 euro (1.200.000 euro as at 30th June 2008).

²⁵ See the Consolidated Half Year Report as at 30th June 2008 for comment on changes in the composition of the consolidation with respect to 31st December 2007.

The transaction will take effect from 5th July 2008, but with effect for accounting and tax purposes from 1st January 2008;

- **UBI Partecipazioni Assicurative Spa and UBI Assicurazioni Spa:** the merger of UBI Partecipazioni Assicurative into UBI Assicurazioni Spa took effect on 30th September 2008 (it was a reverse merger where the parent company was merged into its wholly owned subsidiary). The merging entity did not perform any increase in its share capital and the entire share capital of UBI Assicurazioni was assigned directly to the shareholders of UBI Partecipazioni Assicurative. UBI Assicurazioni is therefore currently 85% controlled by the Parent Bank with the remaining 15% of the share capital held by Banca Popolare di Ancona. The transaction will take effect from 1st January 2008 for accounting and tax purposes.

Following the merger, UBI Assicurazioni holds a direct interest in UBI Assicurazioni Vita (49,9999%);

- **Financiera Veneta E.F.C. (Establecimiento Financiero de Credito) Sa – in liquidation:** this company was wound up as part of the Group's international strategy (the liquidation deed was signed on 16th July 2008). Its operations were transferred to the Madrid branch of UBI Banca International, which was formed in the first quarter of the year and started operations on 2nd June 2008.

The 2008 and 2007 (pro-forma) reclassified consolidated financial statements and reconciliations

Notes on the financial statements

The mandatory financial statements prepared on the basis of Bank of Italy Circular No. 262 of 22nd December 2005 and subsequent amendments and additions incorporate the balance sheet and income statement figures for the former Banca Lombarda e Piemontese Group from 1st April 2007, the date on which the merger took effect.

Pro-forma reclassified financial statements as at 30th September 2007 and as at 31st December 2007 have therefore been prepared which include the figures relating to the former BLP Group for the full first nine months of 2007 and for the full year 2007, in order to allow a uniform comparison of the performance of Group. These consequently take account of the balance sheet and income statement items of the former BLP Group for the first three months of the year and also of the PPA as illustrated below.

In compliance with the international standard IFRS 3, the cost of acquisition (at the date of acquisition itself, amounting to 4,2 billion euro) was recognised in both the *reclassified* and the interim consolidated *balance sheets* by allocating it to the fair value of the assets and liabilities of the merged bank, while maintaining the residual components within goodwill¹.

The *pro-forma reclassified income statements* include, in turn, the impact of the *purchase price allocation*, which was negative by 63,5 million euro in the first nine months of 2008. That effect – recalculated for all the previous comparative periods – amounted to 62,8 million in the same period of 2007 (the amount was not recognised in the mandatory statements for the period January-September 2007 because the purchase price allocation process had not yet been completed at that time).

The reclassified income statement figures to 30th September 2007 also incorporate, on an accruals basis, the amendments to Art. 52 of the Corporate By-Laws of UBI Banca and Art. 31 of the Corporate By-Laws of BPB, decided when the financial statements for the year ended 31st December 2007 were approved, concerning the allocation of a share of net profit to *staff pensions and social security*, to be charged directly to staff costs (16,7 million euro the impact on staff costs in the first nine months of 2007)².

Following the partial disposal of UBI Assicurazioni Vita (50% of the share capital + 1 share), concluded on 18th June 2008, which meant that the consolidation method was changed from full consolidation to consolidation using the equity method, further pro-forma changes were made to the reclassified income statements to 30th September 2007 and for the full year 2007 in order to back-date the new consolidation criterion to 1st January 2007. This, however, did not affect the final net results.

The change in the consolidation also affected the balance sheets for the two comparative periods, with changes in particular to direct funding from customers, resulting from the absence of UBI Assicurazioni Vita financial funding, and to the portfolio of financial assets, resulting from the absence of the related investments.

¹ An analysis of the method adopted and details of the purchase price allocation to the assets and liabilities of the merged bank is given in the 2007 financial statements in the Notes to the Consolidated Financial Statements, Part G – Business combination transactions concerning companies or lines of business, which may be consulted. In this respect the indistinct goodwill was immediately tested for impairment in the 2007 financial year with results which confirmed the values recognised for the purchase price allocation.

² See in this respect the 2007 financial statements, Notes to the Consolidated Financial Statements, Part A – Accounting Policies.

Finally, the balance sheets as at 30th September 2007 and 31st December 2007 were affected by the reclassification of *repurchase and reverse repurchase agreements with an institutional counterparty* from the items “Loans to banks” and “Due to banks” to the item “amounts due to/from customers”, which affected the related items in the income statements. This reclassification was necessary in order to align the classification of this counterparty in the former BL and BPU IT systems.

The following rules have been applied to the reclassified 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), profit from trading activities and net profit/loss from insurance operations and other (items 160 and 220 in the mandatory financial statements);
- the tax recoveries recognised under item 220 of the mandatory financial statements (other operating income/expenses) were reclassified as a reduction in indirect taxes included in 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 under item 240 in the mandatory financial statements;
- the item net impairment losses on property, plant and equipment 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 under 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 scheme expenses, consultancy costs and promotional expenses 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**.

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 pro-forma reclassified statements for the comparison periods, and the tables providing details included in the subsequent sections of this interim 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** – the relative effects on capital and cash flow not being significant, because they are closely linked – which are summarised as follows³:

January-September 2008

- integration costs resulting from the merger transaction;
- gain on the disposal of a part of the interest in UBI Pramerica, of a part of the interest in UBI Assicurazioni Vita and of the interest held in Key Client (formerly CIM Italia);
- write down of the interest held in Hopa;
- change in the method of calculating collective impairment losses on guarantees issued;
- price adjustment for disposal of branches;
- tax redemption on differences between statutory accounting values and values for tax purposes as at 31st December 2007;

January-September 2007

- reform of supplementary pensions;
- integration costs resulting from the merger transaction (including an estimate of the costs of writing-off software and hardware to be abandoned);
- the disposal of shares in the subsidiary IW Bank for the listing of that bank and the disposal of 15 branches by Banca Carime;

³ In order to refine accounting policies and processes, a new method was formulated for the definition of non-recurring items in the first annual financial statements of the UBI Banca Group. They are now also selected on the basis of them reaching a certain percentage threshold of pre-tax profit (the significance of a single event, as well as a general assessment of items excluded after the procedure).

- the non recoverability of the prior year tax losses of the former Banca Lombarda e Piemontese Spa relating to the first quarter of 2007, following the negative reply received from the tax authorities to the appeal presented concerning the method of applying the UBI tax consolidation;
- impairment losses considered permanent on minority shareholdings (HRS and Hopa).

Reclassified consolidated balance sheet

Figures in thousands of euro		30.9.2008 A	31.12.2007 pro-forma B	Changes A-B	% change A/B	30.9.2007 pro-forma C	Changes A-C	% change A/C
ASSETS								
10.	Cash and cash equivalents	556.927	643.108	-86.181	-13,4%	462.236	94.691	20,5%
20	Financial assets held for trading	1.915.381	3.256.841	-1.341.460	-41,2%	4.128.315	-2.212.934	-53,6%
30.	Financial assets at fair value	1.014.669	1.333.586	-318.917	-23,9%	1.639.985	-625.316	-38,1%
40.	Available-for-sale financial assets	4.060.565	3.537.133	523.432	14,8%	2.909.938	1.150.627	39,5%
50.	Held-to-maturity financial assets	1.396.121	1.254.520	141.601	11,3%	1.257.021	139.100	11,1%
60.	Loans to banks	2.748.587	3.691.901	-943.314	-25,6%	3.702.398	-953.811	-25,8%
70.	Loans to customers	98.020.148	92.972.478	5.047.670	5,4%	89.295.999	8.724.149	9,8%
80.	Hedging derivatives	188.926	261.479	-72.553	-27,7%	379.819	-190.893	-50,3%
90.	Fair value change of hedged financial assets (+/-)	8.685	-7.685	-16.370	n.s.	-6.924	-15.609	-225,4%
100.	Equity investments	249.561	267.340	-17.779	-6,7%	226.318	23.243	10,3%
110.	Technical reserves of reinsurers	85.462	91.434	-5.972	-6,5%	89.453	-3.991	-4,5%
120.	Property, plant and equipment	2.118.217	2.154.133	-35.916	-1,7%	2.146.022	-27.805	-1,3%
130.	Intangible assets	5.549.111	5.613.656	-64.545	-1,1%	5.642.587	-93.476	-1,7%
	<i>of which: goodwill</i>	4.360.612	4.352.160	8.452	0,2%	4.411.638	-51.026	-1,2%
140.	Tax assets	1.077.604	1.201.850	-124.246	-10,3%	1.042.357	35.247	3,4%
150.	Non-current assets and disposal groups held for sale	19.803	13.205	6.598	50,0%	963.784	-943.981	-97,9%
160.	Other assets	2.585.655	2.315.878	269.777	11,6%	2.772.520	-186.865	-6,7%
	Total assets	121.595.422	118.600.857	2.994.565	2,5%	116.651.828	4.943.594	4,2%
LIABILITIES AND SHAREHOLDERS' EQUITY								
10.	Due to banks	7.071.811	7.736.405	-664.594	-8,6%	6.461.373	610.438	9,4%
20.	Due to customers	50.464.444	49.475.322	989.122	2,0%	47.966.798	2.497.646	5,2%
30.	Securities issued	43.829.206	40.871.073	2.958.133	7,2%	40.858.469	2.970.737	7,3%
40.	Financial liabilities held for trading	477.339	865.207	-387.868	-44,8%	931.161	-453.822	-48,7%
60.	Hedging derivatives	337.193	351.723	-14.530	-4,1%	376.361	-39.168	-10,4%
80.	Tax liabilities	1.528.496	1.773.057	-244.561	-13,8%	1.639.688	-111.192	-6,8%
90.	Liabilities associated with disposal groups held for sale	6.609	-	6.609	-	495.815	-489.206	-
100.	Other liabilities	4.111.175	3.487.042	624.133	17,9%	4.134.273	-23.098	-0,6%
110.	Staff severance provisions	424.990	469.715	-44.725	-9,5%	474.754	-49.764	-10,5%
120.	Provisions for liabilities and charges:	375.015	321.695	53.320	16,6%	525.547	-150.532	-28,6%
	a) pension and similar obligations	81.149	84.139	-2.990	-3,6%	88.523	-7.374	-8,3%
	b) other provisions	293.866	237.556	56.310	23,7%	437.024	-143.158	-32,8%
130.	Technical reserves	385.463	373.859	11.604	3,1%	370.018	15.445	4,2%
140.+170. +180.+190.	Share capital, share premiums and reserves	10.849.749	10.849.349	400	0,0%	10.860.675	-10.926	-0,1%
210.	Minority interests	1.113.892	1.085.839	28.053	2,6%	1.032.513	81.379	7,9%
220.	Profit for the period	620.040	940.571	n.s.	n.s.	524.383	95.657	18,2%
	Total liabilities and shareholders' equity	121.595.422	118.600.857	2.994.565	2,5%	116.651.828	4.943.594	4,2%

Reclassified consolidated income statement

	30.9.2008 A	30.9.2007 pro-forma B	Change A-B	% change A/B	3rd Quarter 2008 C	3rd Quarter 2007 pro- forma D	Change C-D	% change C/D	31.12.2007 pro-forma
Figures in thousands of euro									
10.-20. Net interest income <i>of which: effects of the purchase price allocation</i>	2.203.603 (58.470)	1.966.473 (69.536)	237.130 (11.066)	12,1% (15,9%)	740.671 (15.172)	670.824 (20.367)	69.847 (5.195)	10,4% (25,5%)	2.685.791 (87.808)
Net interest income excluding the effects of the PPA	2.262.073	2.036.009	226.064	11,1%	755.843	691.191	64.652	9,4%	2.773.599
70. Dividends and similar income	69.994	80.312	(10.318)	(12,8%)	1.519	568	951	167,4%	83.539
Profit (loss) of equity investments valued using the equity method	14.574	24.038	(9.464)	(39,4%)	374	8.484	(8.110)	(95,6%)	32.529
40.-50. Net commission income	899.041	1.005.751	(106.710)	(10,6%)	277.372	324.800	(47.428)	(14,6%)	1.348.754
80.+90. + 100. +110. Net income from trading, hedging and disposal/repurchase activities and from assets/liabilities at fair value	(49.704)	79.443	(129.147)	n.s.	(60.596)	5.612	(66.208)	n.s.	101.919
150.+160. Net income from insurance operations	16.554	27.933	(11.379)	(40,7%)	2.743	7.539	(4.796)	(63,6%)	39.878
220. Other net operating income/(expense)	75.166	109.152	(33.986)	(31,1%)	20.638	33.512	(12.874)	(38,4%)	146.903
Operating income	3.229.228	3.293.102	(63.874)	(1,9%)	982.721	1.051.339	(68.618)	(6,5%)	4.439.313
Operating income excluding the effects of the PPA	3.287.698	3.362.638	(74.940)	(2,2%)	997.893	1.071.706	(73.813)	(6,9%)	4.527.121
180.a Staff costs	(1.188.666)	(1.141.862)	46.804	4,1%	(379.413)	(386.286)	(6.873)	(1,8%)	(1.537.002)
180.b Other administrative expenses	(539.568)	(541.955)	(2.387)	(0,4%)	(165.970)	(172.874)	(6.904)	(4,0%)	(767.967)
200.+ 210. Net impairment losses on property, plant and equipment and intangible assets <i>of which: effects of the purchase price allocation</i>	(200.443) (54.701)	(181.467) (46.215)	18.976 8.486	10,5% 18,4%	(66.949) (18.237)	(61.570) (15.405)	5.379 2.832	8,7% 18,4%	(244.807) (61.620)
Net impairment losses on property, plant and equipment and intangible assets excluding the effects of PPA	(145.742)	(135.252)	10.490	7,8%	(48.712)	(46.165)	2.547	5,5%	(183.187)
Operating costs	(1.928.677)	(1.865.284)	63.393	3,4%	(612.332)	(620.730)	(8.398)	(1,4%)	(2.549.776)
Operating costs excluding the effects of the PPA	(1.873.976)	(1.819.069)	54.907	3,0%	(594.095)	(605.325)	(11.230)	(1,9%)	(2.488.156)
Net operating income	1.300.551	1.427.818	(127.267)	(8,9%)	370.389	430.609	(60.220)	(14,0%)	1.889.537
Net operating income excluding the effects of the PPA	1.413.722	1.543.569	(129.847)	(8,4%)	403.798	466.381	(62.583)	(13,4%)	2.038.965
130.a Net impairment losses on loans	(255.824)	(179.139)	76.685	42,8%	(102.868)	(65.703)	37.165	56,6%	(342.921)
130.b+ c+d Net impairment losses on other assets and liabilities	5.629	(8.335)	(13.964)	n.s.	2.122	(2.437)	4.559	n.s.	(28.571)
190. Net provisions for liabilities and charges	(39.020)	(19.576)	19.444	99,3%	(13.100)	(5.973)	7.127	119,3%	(37.955)
240.+ 270. Profit (loss) from disposal of equity investments	80.286	21.756	58.530	269,0%	1.196	211	985	n.s.	22.796
Profit (loss) on continuing operations before tax	1.091.622	1.242.524	(150.902)	(12,1%)	257.739	356.707	(98.968)	(27,7%)	1.502.886
Profit (loss) on continuing operations before tax excluding the effects of the PPA	1.204.793	1.358.275	(153.482)	(11,3%)	291.148	392.479	(101.331)	(25,8%)	1.652.314
290. Taxes on income for the period for continuing operations <i>of which: effects of the purchase price allocation</i>	(347.108) 36.938	(526.737) 44.274	(179.629) (7.336)	(34,1%) (16,6%)	(120.023) 11.123	(163.646) 13.683	(43.623) (2.560)	(26,7%) (18,7%)	(597.263) 57.157
Integration costs <i>of which: staff costs</i> <i>other administrative expenses</i> <i>net impairment losses on property plant and equipment and intangible assets</i> <i>taxes</i>	(45.411) (33.258) (29.478) (1.991) 19.316	(152.477) (190.771) (13.085) (26.850) 78.229	(107.066) (157.513) 16.393 (24.859) (58.913)	(70,2%) (82,6%) 125,3% (92,6%) (75,3%)	(16.954) (14.735) (8.288) (951) 7.020	(6.176) (2.676) (6.125) (973) 3.598	10.778 12.059 (2.163) (22) 3.422	174,5% n.s. 35,3% (2,3%) 95,1%	(166.721) (193.517) (32.817) (27.207) 86.820
310. After tax profit (loss) from discontinued operations	(11.029)	16.622	(27.651)	n.s.	-	38	(38)	(100,0%)	308.547
330. Profit (loss) for the period attributable to minority interests <i>of which: effects of the purchase price allocation</i>	(68.034) 12.716	(55.549) 8.709	12.485 4.007	22,5% 46,0%	(19.908) 3.646	(22.654) 2.796	(2.746) 850	(12,1%) 30,4%	(106.878) 11.505
<i>Profit (loss) for the period attributable to the shareholders of the Parent Bank excluding the effects of the PPA</i>	683.557	587.151	96.406	16,4%	119.494	183.562	(64.068)	(34,9%)	1.021.337
Profit (loss) for the period attributable to the shareholders of the Parent Bank	620.040	524.383	95.657	18,2%	100.854	164.269	(63.415)	(38,6%)	940.571
<i>Total impact of the purchase price allocation on the income statement</i>	(63.517)	(62.768)	749	1,2%	(18.640)	(19.293)	(653)	(3,4%)	(80.766)

Some items in the income statement relating to prior comparative periods have been subject to reclassification to take account of the alignment of the policies of some companies that were merged with Group accounting policies.

The item "Net impairment losses on loans" to 31st December 2007 includes the impact of the change in the method for calculating collective impairment losses on performing loans, amounting to 85,1 million euro.

Reclassified consolidated quarterly income statements

Figures in thousands of euro		2008			2007			
		3rd Quarter	2nd Quarter	1st quarter pro-forma	4th Quarter pro-forma	3rd Quarter pro-forma	2nd Quarter pro-forma	1st Quarter pro-forma
10.-20.	Net interest income	740.671	731.909	731.023	719.318	670.824	653.231	642.418
	<i>of which: effects of the purchase price allocation</i>	(15.172)	(24.079)	(19.219)	(18.272)	(20.367)	(26.874)	(22.295)
	Net interest income excluding the effects of the PPA	755.843	755.988	750.242	737.590	691.191	680.105	664.713
70.	Dividends and similar income	1.519	66.839	1.636	3.227	568	74.488	5.256
	Profit (loss) of equity investments valued using the equity method	374	5.470	8.730	8.491	8.484	7.289	8.265
40.-50.	Net commission income	277.372	303.425	318.244	343.003	324.800	348.527	332.424
80.+90.+100.+110.	Net income from trading, hedging and disposal/repurchase activities and from assets/liabilities at fair value	(60.596)	37.980	(27.088)	22.476	5.612	23.966	49.865
150.+160.	Net income from insurance operations	2.743	9.700	4.111	11.945	7.539	11.637	8.757
220.	Other net operating income/(expense)	20.638	23.115	31.413	37.751	33.512	36.645	38.995
	Operating income	982.721	1.178.438	1.068.069	1.146.211	1.051.339	1.155.783	1.085.980
	Operating income excluding the effects of the PPA	997.893	1.202.517	1.087.288	1.164.483	1.071.706	1.182.657	1.108.275
180.a	Staff costs	(379.413)	(414.609)	(394.644)	(395.140)	(386.286)	(357.931)	(397.645)
180.b	Other administrative expenses	(165.970)	(199.084)	(174.514)	(226.012)	(172.874)	(190.171)	(178.910)
200.+210.	Net impairment losses on property, plant and equipment and intangible assets	(66.949)	(66.942)	(66.552)	(63.340)	(61.570)	(62.286)	(57.611)
	<i>of which: effects of the purchase price allocation</i>	(18.237)	(18.237)	(18.227)	(15.405)	(15.405)	(15.405)	(15.405)
	Net impairment losses on property, plant and equipment and intangible assets excluding the effects of the PPA	(48.712)	(48.705)	(48.325)	(47.935)	(46.165)	(46.881)	(42.206)
	Operating costs	(612.332)	(680.635)	(635.710)	(684.492)	(620.730)	(610.388)	(634.166)
	Operating costs excluding the effects of the PPA	(594.095)	(662.398)	(617.483)	(669.087)	(605.325)	(594.983)	(618.761)
	Net operating income	370.389	497.803	432.359	461.719	430.609	545.395	451.814
	Net operating income excluding the effects of the PPA	403.798	540.119	469.805	495.396	466.381	587.674	489.514
130.a	Net impairment losses on loans	(102.868)	(93.299)	(59.657)	(163.782)	(65.703)	(51.602)	(61.834)
130.b+c+d	Net impairment losses on other assets and liabilities	2.122	3.517	(10)	(20.236)	(2.437)	(4.802)	(1.096)
190.	Net provisions for liabilities and charges	(13.100)	(17.431)	(8.489)	(18.379)	(5.973)	(2.853)	(10.750)
240.+270.	Profit (loss) from disposal of equity investments	1.196	21.708	57.382	1.040	211	21.217	328
	Profit (loss) on continuing operations before tax	257.739	412.298	421.585	260.362	356.707	507.355	378.462
	Profit (loss) on continuing operations before tax excluding the effects of the PPA	291.148	454.614	459.031	294.039	392.479	549.634	416.162
290.	Taxes on income for the period for continuing operations	(120.023)	(66.345)	(160.740)	(70.526)	(163.646)	(195.653)	(167.438)
	<i>of which: effects of the purchase price allocation</i>	11.123	13.782	12.033	12.883	13.683	16.171	14.420
	Integration costs	(16.954)	(14.037)	(14.420)	(14.244)	(6.176)	(146.301)	-
	<i>of which: staff costs</i>	(14.735)	(8.634)	(9.889)	(2.746)	(2.676)	(188.095)	-
	<i>other administrative expenses</i>	(8.288)	(10.788)	(10.402)	(19.732)	(6.125)	(6.960)	-
	<i>net impairment losses on property, plant and equipment and intangible assets</i>	(951)	(718)	(322)	(357)	(973)	(25.877)	-
	<i>taxes</i>	7.020	6.103	6.193	8.591	3.598	74.631	-
310.	After tax profit (loss) from discontinued operations	-	(11.029)	-	291.925	38	16.868	(284)
330.	Profit (loss) for the period attributable to minority interests	(19.908)	(20.971)	(27.155)	(51.329)	(22.654)	(15.468)	(17.427)
	<i>of which: effects of the purchase price allocation</i>	3.646	4.942	4.128	2.796	2.796	3.036	2.877
	<i>Profit (loss) for the period attributable to the shareholders of the Parent Bank excluding the effects of the PPA</i>	119.494	323.508	240.555	434.186	183.562	189.873	213.716
	Profit (loss) for the period attributable to the shareholders of the Parent Bank	100.854	299.916	219.270	416.188	164.269	166.801	193.313
	<i>Total impact of the purchase price allocation on the income statement</i>	<i>(18.640)</i>	<i>(23.592)</i>	<i>(21.285)</i>	<i>(17.998)</i>	<i>(19.293)</i>	<i>(23.072)</i>	<i>(20.403)</i>

Some items in the income statement relating to prior comparative periods have been subject to reclassification to take account of the alignment of the policies of some companies that were merged with Group accounting policies.

The item "Net impairment losses on loans" in the fourth quarter of 2007 includes the impact of the change in the method for calculating collective impairment losses on performing loans, amounting to 85,1 million euro.

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

	30.9.2008							30.9.2008 net of non-recurring items A	30.9.2007						30.9.2007 pro-forma net of non-recurring items B	Changes A-B	% changes A/B
	30.9.2008	non-recurring items					30.9.2008		30.9.2007 pro-forma	non-recurring items				30.9.2007 pro-forma			
		Integration costs	Impairment of equity investments	Tax redemption EC section	Disposal of equity investments	Branch disposal price adjustment	Net impairment losses on guarantees	A	B	Integration costs	Effect of supplementary pension reform	Disposal of investments and Banca Carime branches	Impairment of equity investments and other items	B			
Figures in thousands of euro																	
Net interest income (including the effects of PPA)	2.203.603							2.203.603	1.966.473					1.966.473	237.130	12,1%	
Dividends and similar income	69.994							69.994	80.312					80.312	(10.318)	(12,8%)	
Profits/losses on equity investments valued using the equity method	14.574							14.574	24.038					24.038	(9.464)	(39,4%)	
Net commission income	899.041							899.041	1.005.751					1.005.751	(106.710)	(10,6%)	
Net income from trading, hedging and disposal/repurchase activities and from assets/liabilities at fair value	(49.704)				(7.055)			(56.759)	79.443					79.443	(136.202)	n.s.	
Net income from insurance operations	16.554							16.554	27.933					27.933	(11.379)	(40,7%)	
Other net operating income/(expense)	75.166							75.166	109.152					109.152	(33.986)	(31,1%)	
Operating income (including the effects of PPA)	3.229.228	-	-	-	(7.055)	-	-	3.222.173	3.293.102	-	-	-	-	3.293.102	(70.929)	(2,2%)	
Staff costs	(1.188.666)							(1.188.666)	(1.141.862)		(49.396)			(1.191.258)	(2.592)	(0,2%)	
Other administrative expenses	(539.568)							(539.568)	(541.955)					(541.955)	(2.387)	(0,4%)	
Net impairment losses on property, plant and equipment and intangible assets (including the effects of PPA)	(200.443)							(200.443)	(181.467)					(181.467)	18.976	10,5%	
Operating costs (including the effects of PPA)	(1.928.677)	-	-	-	-	-	-	(1.928.677)	(1.865.284)	-	-	(49.396)	-	-	(1.914.680)	13.997	0,7%
Net operating income (including the effects of PPA)	1.300.551	-	-	-	(7.055)	-	-	1.293.496	1.427.818	-	-	(49.396)	-	-	1.378.422	(84.926)	(6,2%)
Net impairment losses on loans	(255.824)							(255.824)	(179.139)				11.610	(167.529)	88.295	52,7%	
Net impairment losses on other assets and liabilities	5.629		6.432					(8.524)	(8.335)				5.085	(3.250)	6.787	n.s.	
Net provisions for liabilities and charges	(39.020)							(39.020)	(19.576)					(19.576)	19.444	99,3%	
Profit/loss on disposal of equity investments	80.286				(78.808)			1.478	21.756			(21.246)		510	968	189,8%	
Profit (loss) on continuing operations before tax (incl. PPA)	1.091.622	-	6.432	-	(85.863)	-	(8.524)	1.003.667	1.242.524	-	-	(49.396)	(21.246)	16.695	1.188.577	(184.910)	(15,6%)
Taxes on income for the period for continuing operations	(347.108)				(73.832)	7.545	2.344	(411.051)	(526.737)		16.301	554	3.169	(506.713)	(95.662)	(18,9%)	
Integration costs	(45.411)	45.411						-	(152.477)	126.461	26.016			-	-	-	
of which: staff costs	(33.258)	33.258						-	(190.771)	188.747	2.024			-	-	-	
other administrative expenses	(29.478)	29.478						-	(13.085)		13.085			-	-	-	
net impairment losses on property, plant and equipment and intangible assets	(1.991)		1.991					-	(26.850)		26.850			-	-	-	
taxes	19.316	(19.316)						-	78.229	(62.286)	(15.943)			-	-	-	
After tax profit (loss) from discontinued operations	(11.029)						11.029	-	16.622			(16.646)		(24)	24	100,0%	
Profit/loss for the period attributable to minority interests	(68.034)	(2.566)		6.115	554	(1.831)	900	(64.862)	(55.549)	(9.858)	(33)	1.725	2.214	(81)	(61.582)	3.280	5,3%
Profit (loss) for the period attributable to the shareholders of the Parent Bank	620.040	42.845	6.432	(67.717)	(77.764)	9.198	(5.280)	527.754	524.383	116.603	25.983	(31.370)	(35.124)	19.783	620.258	(92.504)	(14,9%)
ROE (annualised)	7,6%							6,5%	6,4%					7,6%			
Cost / Income ratio (including the effects of PPA)	59,7%							59,9%	56,6%					58,1%			
Cost / Income ratio (excluding the effects of PPA)	57,0%							57,1%	54,1%					55,6%			

Reconciliation schedule to 30th September 2008

Items	RECLASSIFIED INCOME STATEMENT Figures in thousands of euro	30th September 2008 mandatory consolidated financial statements	reclassifications					30th September 2008 reclassified consolidated financial statements
			integration costs	net income from insurance operations	tax recoveries	profit of equity investments valued at equity	Deprec. for improvement s to leased assets	
10.-20. Net interest income		2.213.862		(10.259)				2.203.603
70. Dividends and similar income		69.994						69.994
Profit (loss) of equity investments valued using the equity method		-			14.574			14.574
40.-50. Net commission income		899.041						899.041
80.+90.+ 100.+110. Net income from trading, hedging and disposal/repurchase activities and from assets/liabilities at fair value		(49.704)						(49.704)
150.+160. Net income from insurance operations		5.678		10.876				16.554
220. Other net operating income/(expense)		185.763		(617)	(117.181)		7.201	75.166
Operating income		3.324.634		-	(117.181)	14.574	7.201	3.229.228
180.a Staff costs		(1.221.924)		33.258				(1.188.666)
180.b Other administrative expenses		(686.227)		29.478	117.181			(539.568)
Net impairment losses on property, plant and equipment and intangible assets		(195.233)		1.991			(7.201)	(200.443)
Operating costs		(2.103.384)		64.727	-	117.181	-	(1.928.677)
Net operating income		1.221.250		64.727	-	-	14.574	1.300.551
130.a Net impairment losses on loans		(255.824)						(255.824)
130.b+c+d Net impairment losses on other assets and liabilities		5.629						5.629
190. Net provisions for liabilities and charges		(39.020)						(39.020)
240.+270. Profit (loss) from disposal of equity investments		94.860				(14.574)		80.286
Profit (loss) on continuing operations before tax		1.026.895		64.727	-	-	-	1.091.622
290. Taxes on income for the period for continuing operations		(327.792)		(19.316)				(347.108)
Integration costs		-		(45.411)				(45.411)
310. After tax profit (loss) from discontinued operations		(11.029)						(11.029)
330. Profit (loss) for the period attributable to minority interests		(68.034)						(68.034)
Profit (loss) for the period attributable to the shareholders of the Parent Bank		620.040		-	-	-	-	620.040

Reconciliation statement to 30th September 2007

Items	RECLASSIFIED INCOME STATEMENT Figures in thousands of euro	30th September 2007 mandatory consolidated financial statements	pro-forma effect				reclassifications					30th September 2007 pro- forma reclassified consolidated financial statements
			1st Quarter 2007 BLP Group	PPA impact Jan Sept 2007	UBI Assicurazioni Vita - effect of consolidation by equity method	Amendments to corporate by-laws concerning staff pensions and social security	Integration costs	net income from insurance operations	tax recoveries	profit of equity investments valued at equity	Deprec. for improvement s to leased assets	
10.-20. Net interest income		1.878.695	234.392	(69.536)	(68.624)		(8.454)					1.966.473
70. Dividends and similar income		80.022	290									80.312
Profit (loss) of equity investments valued using the equity method		-	-	6.829				17.209				24.038
40.-50. Net commission income		876.464	122.399		6.888							1.005.751
80.+90.+ 100.+110. Net income from trading, hedging and disposal/repurchase activities and from assets/liabilities at fair value		60.888	18.597		(42)							79.443
150.+160. Net income from insurance operations		(20.867)	-	40.348			8.452					27.933
220. Other net operating income/(expense)		184.801	35.265		4.274			2	(123.625)		8.435	109.152
Operating income		3.060.003	410.943	(69.536)	(10.327)	-	-	-	(123.625)	17.209	8.435	3.293.102
180.a Staff costs		(1.186.505)	(131.209)		1.737	(16.656)		190.771				(1.141.862)
180.b Other administrative expenses		(598.520)	(84.015)		3.870			13.085	123.625			(541.955)
Net impairment losses on property, plant and equipment and intangible assets		(139.854)	(14.246)	(46.215)	433		26.850			(8.435)		(181.467)
Operating costs		(1.924.879)	(229.470)	(46.215)	6.040	(16.656)	230.706	-	123.625	-	(8.435)	(1.865.284)
Net operating income		1.135.124	181.473	(115.751)	(4.287)	(16.656)	230.706	-	-	17.209	-	1.427.818
130.a Net impairment losses on loans		(164.111)	(15.028)									(179.139)
130.b+c+ d+260 Net impairment losses on other assets and liabilities		(8.256)	(79)									(8.335)
190. Net provisions for liabilities and charges		(10.837)	(8.739)									(19.576)
240.+270 Profit (loss) from disposal of equity investments		34.377	4.588						(17.209)			21.756
Profit (loss) on continuing operations before tax		986.297	162.215	(115.751)	(4.287)	(16.656)	230.706	-	-	-	-	1.242.524
290. Taxes on income for the period for continuing operations		(426.447)	(70.622)	44.274	4.287			(78.229)				(526.737)
Integration costs		-	-					(152.477)				(152.477)
310. After tax profit (loss) from discontinued operations		16.622	-									16.622
330. Profit (loss) for the period attributable to minority interests		(54.920)	(9.338)	8.709								(55.549)
Profit (loss) for the period attributable to the shareholders of the Parent Bank		521.552	82.255	(62.768)	-	(16.656)	-	-	-	-	-	524.383

Traditional banking business

The comments that follow are based on the consolidated balance sheet items contained in the pro-forma reclassified consolidated financial statements and on the relative tables providing details.

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 2008, consisting of total amounts administered on behalf of customers, amounted to 174,2 billion euro compared to 183,4 billion euro in September 2007, a decrease of 5% as a result of negative performance by indirect funding – especially by assets under management – only partially offset by the growth in direct funding.

Total funding from customers

Figures in thousands of euro	30.9.2008		31.12.2007 pro-forma		30.9.2007 pro-forma		Changes A/C	
	A	%	B	%	C	%	amount	%
Direct funding	94.293.650	54,1%	90.346.395	49,9%	88.825.267	48,4%	5.468.383	6,2%
Indirect funding	79.923.167	45,9%	90.795.333	50,1%	94.584.272	51,6%	-14.661.105	-15,5%
of which: assets under management	42.742.187	24,5%	51.324.145	28,3%	54.656.040	29,8%	-11.913.853	-21,8%
TOTAL FUNDING	174.216.817	100,0%	181.141.728	100,0%	183.409.539	100,0%	-9.192.722	-5,0%

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 94,3 billion euro, with year-on-year growth of 6,2% (+5,9% net of institutional funding).

Direct funding from customers

Figures in thousands of euro	30.9.2008		31.12.2007 pro-forma		30.9.2007 pro-forma		Changes A/C	
	A	%	B	%	C	%	amount	%
Due to customers (liabilities item 20)	50.464.444	53,5%	49.475.322	54,8%	47.966.798	54,0%	2.497.646	5,2%
Securities issued (liabilities item 30)	43.829.206	46,5%	40.871.073	45,2%	40.858.469	46,0%	2.970.737	7,3%
of which: network bank bonds purchased by customers	19.328.446	20,5%	18.612.236	20,6%	18.098.757	20,4%	1.229.689	6,8%
of which: purchased by institutional customers:	15.479.131	16,4%	14.077.197	15,6%	14.387.314	16,2%	1.091.817	7,6%
- EMTN (*)	12.914.653	13,7%	13.470.457	14,9%	13.796.532	15,5%	-881.879	-6,4%
- French certificates of deposit	384.622	0,4%	-	-	-	-	384.622	-
- Euro Commercial Paper	1.588.549	1,7%	-	-	-	-	1.588.549	-
- Preference shares (**)	591.307	0,6%	606.740	0,7%	590.782	0,7%	525	0,1%
TOTAL DIRECT FUNDING	94.293.650	100,0%	90.346.395	100,0%	88.825.267	100,0%	5.468.383	6,2%
of which: - subordinated liabilities	3.611.572	3,8%	3.847.684	4,3%	3.809.483	4,3%	-197.911	-5,2%
of which: - preference shares (**)	591.307	0,6%	606.740	0,7%	590.782	0,7%	525	0,1%
- EMTN (subordinated securities) (*)	2.024.261	2,1%	2.239.636	2,5%	2.227.383	2,5%	-203.122	-9,1%

(*) The corresponding nominal values were 12.823 million euro as at 30th September 2008 (of which 2.000 million euro subordinated), 13.378 million euro as at 31st December 2007 (of which 2.200 million euro subordinated) and 13.717 million euro as at 30th September 2007 (of which 2.450 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.

In terms of the *types of funding*, the growth in direct funding (+5,5 billion euro) consisted of 3 billion euro from securities issued and of 2,5 billion euro from all other types of funding taken

together. The latter included a driving role played by repurchase agreements (+4,1 billion euro over twelve months) with a progressively greater preference than in the past (up from 2 to 8,7 billion euro) given to the use of intragroup securities. These more than compensated for the reduction by 1,8 billion euro in current accounts which nevertheless continued to constitute the principal form of funding.

Composition of direct funding from customers

Figures in thousands of euro	30.9.2008		31.12.2007 pro-forma		30.9.2007 pro-forma		Changes A/C	
	A	%	B	%	C	%	amount	%
Current accounts and deposits	38.708.769	41,0%	40.367.312	44,7%	40.491.461	45,6%	-1.782.692	-4,4%
Term deposits	1.379.460	1,4%	1.661.489	1,9%	1.394.760	1,6%	-15.300	-1,1%
Funds administered on behalf of public bodies	3.270	0,0%	3.785	0,0%	4.113	0,0%	-843	-20,5%
Financing	8.741.173	9,3%	3.917.735	4,3%	2.075.081	2,3%	6.666.092	321,2%
- finance leases	955	0,0%	1.772	0,0%	1.880	0,0%	-925	-49,2%
- repurchase agreements	8.736.931	9,3%	3.705.651	4,1%	2.024.403	2,3%	6.712.528	331,6%
- other	3.287	0,0%	210.312	0,2%	48.798	0,1%	-45.511	-93,3%
Amounts due for commitments to repurchase own equity instruments	174.617	0,2%	175.611	0,2%	175.240	0,2%	-623	-0,4%
Liabilities relating to assets transferred not derecognised	447.856	0,5%	2.357.428	2,6%	3.054.563	3,4%	-2.606.707	-85,3%
- repurchase agreements	447.856	0,5%	2.357.428	2,6%	3.054.563	3,4%	-2.606.707	-85,3%
- other	-	-	-	-	-	-	-	-
Other payables	1.009.299	1,1%	991.962	1,1%	771.580	0,9%	237.719	30,8%
Total amounts due to customers	50.464.444	53,5%	49.475.322	54,8%	47.966.798	54,0%	2.497.646	5,2%
Bonds	36.430.483	38,6%	36.900.497	40,8%	36.989.238	41,6%	-558.755	-1,5%
Other certificates	7.398.723	7,9%	3.970.576	4,4%	3.869.231	4,4%	3.529.492	91,2%
Total securities issued	43.829.206	46,5%	40.871.073	45,2%	40.858.469	46,0%	2.970.737	7,3%
TOTAL DIRECT FUNDING	94.293.650	100,0%	90.346.395	100,0%	88.825.267	100,0%	5.468.383	6,2%

Securities issued, increased by 3 billion euro to 43,8 billion euro. The slight reduction in funding from bonds (-0,5 billion), attributable principally to issues maturing, was offset by an increase in "other certificates" (+3,5 billion), the result, amongst other things, of new issues of Euro Commercial Paper and of French certificates of deposit performed since last June.

The performance of the item "bonds" was the result of opposing trends for the different items within it, with growth in bonds purchased by customers of the network banks up on an annual basis by 1,2 billion euro (+6,8%), against a progressive reduction in securities issued as part of EMTN institutional funding (-0,9 billion euro).

Institutional funding as at 30th September 2008 totalled 15,5 billion euro, accounting for 16,4% of direct funding, below the maximum target of 20% which the Group has set itself. It was composed as follows:

- **French certificates of deposit** for 0,4 billion euro, consisting of 8 issues in euro with an average maturity of three months, all issued in the third quarter by the Luxembourg branch of Banco di Brescia Spa as part of a programme for a maximum issue of two billion euro. Securities maturing in the same period amounted to approximately 1,1 billion euro;
- **Euro Commercial Paper** for 1,6 billion euro, consisting of 25 issues, mainly in euro, with average maturity of a little longer than 4 months, issued by the Luxembourg branch of Banco di Brescia Spa as part of a programme for a maximum issue of 3 billion euro;
- **EMTN securities** (Euro Medium Term Notes) for 12,9 billion, issued by UBI Banca as part of a programme for a maximum issuance of 15 billion euro (13,5 billion at the end of the year, 13,8 billion in September 2007);
- **Preference shares** for 591 million euro, consisting of innovative lower tier 1 capital instruments for a total nominal amount of 570 million euro issued by: BPB Capital Trust (300 million euro), Banca Lombarda Preferred Securities (155 million euro) and BPCI Capital Trust (115 million euro).

As concerns the **EMTN programme** in particular, only two issues were performed over the last twelve months, in May and June 2008, for a total nominal amount of 260 million euro. The low level of resort to this market reflects the liquidity crisis which has affected markets for

more than a year now, with a consequent broadening of the credit spread requested by investors which induced the Group to seek greater diversification in its sources of funding. Over the same period of time, nine securities were called early/redeemed, two of which with lower tier 2 and 3 subordination, for a nominal amount of 1.154 million euro. Maturities in the third quarter of 2008 involved three securities for a nominal amount of 490 million euro. Securities for a nominal amount of approximately 600 million euro will mature before the end of 2008, while a further 3,6 billion euro of securities will reach maturity in 2009.

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

On 17th September 2008, the London listing authority authorised the renewal of the EMTN programme up to the same maximum amount of 15 billion euro, with effect from 22nd September.

* * *

Two programmes for the issue of securities destined to customers were prepared as part of the Group's ordinary funding activities:

- On 30th September 2008, the CONSOB (Italian securities market authority) authorised UBI Banca to publish notes and summaries concerning a detailed programme to sell and list subordinate lower tier 2 bonds of the following type: fixed rate with early redemption, fix to float (first at a fixed rate and then at a floating rate) with early redemption, at a floating rate with early redemption and at a floating rate with amortisation. On 26th September, Borsa Italiana Spa issued authorisation for admission to the listing.

As part of that programme, the issue of the bond "UBI Subordinato Lower Tier II a tasso variabile con ammortamento 28.11.2008-2015" (subordinated floating rate with amortisation) commenced on 30th October 2008 for a maximum nominal value of 600 million euro. At the date of publishing this report, securities of more than 300 million euro had already been purchased by the customers of network banks;

- on 8th October, the CONSOB (Italian securities market authority) authorised Centrobanca to publish a base prospectus for a detailed programme for the sale to the public of bonds of the following types: fixed rate and fixed rate callable, step up and step up callable, step down rate and step down callable; floating rate, floating rate with cap and/or floor and mixed rate.

Geographical distribution of direct funding from customers by region of location of the branch
(excluding repurchase agreements and bonds)⁽¹⁾

Percentage of total	30.9.2008	31.12.2007
Lombardy	60,53%	59,94%
Latium	8,11%	7,98%
Piedmont	6,79%	7,41%
Marches	5,26%	4,82%
Calabria	4,52%	4,89%
Campania	4,17%	4,07%
Puglia	3,98%	4,20%
Liguria	1,60%	1,49%
Veneto	1,15%	1,03%
Emilia Romagna	1,09%	1,46%
Basilicata	0,87%	0,91%
Umbria	0,64%	0,63%
Abruzzo	0,57%	0,46%
Molise	0,27%	0,24%
Friuli Venezia Giulia	0,25%	0,27%
Tuscany	0,15%	0,14%
Trentino Alto Adige	0,02%	0,02%
Sicily	0,01%	0,02%
Valle d'Aosta	0,01%	0,01%
Sardinia	0,01%	0,01%
Total	100,00%	100,00%

* The aggregates relate to banks only

* * *

The *geographical distribution* of traditional funding in Italy (consisting of current accounts, savings deposits and certificates of deposit) shows, in line with the local "historical" roots of the Group, a strong concentration of funding in northern regions (71,4%), - particularly in the North West (68,9%) - compared to both southern regions (14,4%) and central Italy (14,2%).

As concerns *customer market segmentation*, management accounting figures for the average volumes of direct funding for the network banks¹ and for UBI Banca Private Investment show that in September 2008, 73,1% of funding from customers came from the retail market, approximately 18% came from the private banking market and the remaining 8,9% from the corporate market.

¹ Banca Carime was excluded in relation to the IT migration which took place on the first weekend of July.

In terms of trends, those same management figures show changes on an annual basis² of +10,2 for the retail market, +33,3% for the private banking market and -10,1% for the corporate market, within which the core segment remained stable (-1,1%) against a marked fall (-34,2%) in the large corporate segment, a consequence of the general liquidity situation and, indirectly, of the credit policy pursued with regard to that segment.

* * *

Funding increased compared to 31st December 2007 by almost 4 billion euro, driven by securities issued (+3 billion euro), which benefited from positive growth both in bonds issued by network banks and purchased by customers (+0,7 billion euro), and in securities purchased by institutional customers (+1,4 billion euro), consisting of Euro Commercial Paper (1,6 billion euro) and French certificates of deposit (0,4 billion euro), which more than offset the reduction in EMTN funding (-0,6 billion euro).

The trend for funding from customers was also positive, although not as strong as before, with an increase of one billion euro in the first nine months of 2008 due to growth in repurchase agreement transactions (+3,1 billion euro), which more than offset the fall in current accounts (-1,7 billion euro).

Indirect funding and assets under management

Indirect funding from ordinary customers as at 30th September 2008 amounted to 79,9 billion euro, a decrease of 15,5% on an annual basis (-14,7% on a like-for-like basis).

Indirect funding from ordinary customers

Figures in thousands of euro	30.9.2008 A	%	30.6.2008	%	31.12.2007 pro-forma B	%	Changes A/B amount	%	30.9.2007 pro-forma C	%	Changes A/C amount	%
Assets under custody	37.180.980	46,5%	37.482.667	45,2%	39.471.188	43,5%	-2.290.208	-5,8%	39.928.232	42,2%	-2.747.252	-6,9%
Assets under management	42.742.187	53,5%	45.370.082	54,8%	51.324.145	56,5%	-8.581.958	-16,7%	54.656.040	57,8%	-11.913.853	-21,8%
Customer portfolio management	9.712.965	12,2%	11.020.938	13,3%	14.763.135	16,2%	-5.050.170	-34,2%	15.816.047	16,7%	-6.103.082	-38,6%
<i>of which: fund based instruments</i>	<i>2.578.196</i>	<i>3,2%</i>	<i>3.134.144</i>	<i>3,8%</i>	<i>5.317.634</i>	<i>5,9%</i>	<i>-2.739.438</i>	<i>-51,5%</i>	<i>6.029.837</i>	<i>6,4%</i>	<i>-3.451.641</i>	<i>-57,2%</i>
Mutual investment funds and SICAV's	21.532.309	26,9%	22.657.454	27,4%	24.715.447	27,2%	-3.183.138	-12,9%	26.547.047	28,1%	-5.014.738	-18,9%
Insurance policies and pension funds	11.496.913	14,4%	11.691.690	14,1%	11.845.563	13,1%	-348.650	-2,9%	12.292.946	13,0%	-796.033	-6,5%
<i>of which: Insurance policies</i>	<i>11.315.813</i>	<i>14,2%</i>	<i>11.502.999</i>	<i>13,9%</i>	<i>11.845.563</i>	<i>13,1%</i>	<i>-529.750</i>	<i>-4,5%</i>	<i>12.211.229</i>	<i>12,9%</i>	<i>-895.416</i>	<i>-7,3%</i>
Total ordinary customers	79.923.167	100,0%	82.852.749	100,0%	90.795.333	100,0%	-10.872.166	-12,0%	94.584.272	100,0%	-14.661.105	-15,5%
INDIRECT FUNDING <i>restated as at 30th September 2007 excluding amounts relating to the 61 branches sold to Banca Popolare di Vicenza</i>	30.9.2008 A		30.6.2008		31.12.2007 B				30.9.2007 pro-forma D		Changes A/D amount	%
Assets under custody	37.180.980		37.482.667		39.471.188				39.605.443		-2.424.463	-6,1%
Assets under management	42.742.187		45.370.082		51.324.145				54.105.116		-11.362.929	-21,0%
Total ordinary customers	79.923.167		82.852.749		90.795.333				93.710.559		-13.787.392	-14,7%

The continued unfavourable conditions experienced by financial markets since July 2007 and the recent worsening of the crisis at system level has affected both the main items, although to differing extents: assets under custody (-2,7 billion euro over twelve months) and assets under management (-11,9 billion euro), the latter penalised by the impairment of the value of assets and also by outflows due to disinvestment in funds.

As a result of that trend, assets under management as a percentage of total indirect funding progressively decreased over the twelve month period by more than four percentage points to 53,5%.

All components of assets under management recorded negative performance. Only insurance policies and pension funds succeeded in recording a more contained decrease of 6,5%.

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

* * *

As can be seen from the table, indirect funding fell by 10,9 billion euro over the first nine months of 2008, with assets under management falling by 8,6 billion euro and assets under custody falling, concentrated above all in the first six months of the year, by 2,3 billion euro.

* * *

According to the latest figures released by Assogestioni (national association of asset management companies), at the end of second quarter, the UBI Banca Group was positioned in fourth place among operators in the sector in terms of assets under management, with a market share of 3,81%, basically unchanged compared to the end of March (3,86%).

* * *

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

- net negative inflows of 3.057 million euro, corresponding to 11,7% of assets under management (the fall for the sector nationally was 97,7 billion euro, accounting for 15,8% of assets under management);
- a reduction in assets under management amounting to 4.082 million euro (-15,6%), lower in percentage terms both than that for the sector (-22,6%) and that that for all the main competitors of the Group.

Lending

Composition of loans to customers

Figures in thousands of euro	30.9.2008		31.12.2007 pro-forma		30.9.2007 pro-forma		Changes A/C	
	A	%	B	%	C	%	amount	%
Current account overdrafts	16.687.780	17,0%	16.366.825	17,6%	16.228.735	18,2%	459.045	2,8%
Reverse repurchase agreements	35.490	0,0%	553.663	0,6%	141.013	0,2%	-105.523	-74,8%
Mortgage loans and other medium-to-long term financing	42.005.468	42,9%	43.207.011	46,5%	41.685.596	46,7%	319.872	0,8%
Credit cards, personal loans and salary backed loans	4.614.338	4,7%	4.238.521	4,6%	4.007.179	4,5%	607.159	15,2%
Finance leases	8.132.098	8,3%	7.349.794	7,9%	6.827.743	7,6%	1.304.355	19,1%
Factoring	1.842.931	1,9%	2.094.787	2,2%	1.705.581	1,9%	137.350	8,1%
Debt securities	156.908	0,2%	141.604	0,1%	136.814	0,1%	20.094	14,7%
Other transactions	16.641.553	17,0%	16.613.103	17,9%	16.190.871	18,1%	450.682	2,8%
Assets transferred not derecognised	5.808.253	5,9%	735.443	0,8%	792.441	0,9%	5.015.812	n.s.
Impaired assets	2.095.329	2,1%	1.671.727	1,8%	1.580.026	1,8%	515.303	32,6%
TOTAL	98.020.148	100,0%	92.972.478	100,0%	89.295.999	100,0%	8.724.149	9,8%

At the end of September 2008 lending to customers had exceeded 98 billion euro, an increase of 9,8% on an annual basis compared to 89,3 billion euro in September 2007, a better performance than the average for the sector as a whole (+6,6%).

The rate of growth is even greater, at +11,9%, if lending to the large Corporate segment is excluded, for which a policy was pursued to rationalise exposures with marginal profitability, as part of action taken by the Group to manage its liquidity position.

When network bank business only is considered, inclusive of loans granted by them through B@nca 24-7 and Centrobanca, management figures show growth in loans over twelve months of 7,7% (+10,1% net of the large corporate segment).

As a result of the different trends which characterised the two aggregates, the ratio of lending to funding of 104% recorded a progressive increase compared to both December (102,9%) and September 2007 (100,5%).

Almost all *types of lending* contributed to the growth in the total stock over twelve months. In detail:

- finance leasing increased by 1,3 billion euro to 8,1 billion euro (+19,1%);
- the various types of consumer credit reached 4,6 billion euro (+15,2%). In this respect B@nca 24-7 disbursed loans between January and September originated by the network banks of the Group amounting to 977 million euro (+43,9% compared to the first nine months of 2007);
- lending through factoring exceeded 1,8 billion euro (+8,1% compared to September 2007);
- “other transactions” – including loans for advances, portfolio lending and import/export advances – totalled 16,6 billion euro, an improvement year-on-year of 2,8%;
- mortgages and other medium-to-long term lending amounted to 42 billion euro, and, while it remained the principal form of lending (42,9% of the total), its rate of growth slowed.

This performance must in reality be interpreted in combination with the item “assets transferred not derecognised” which amounted to 5,8 billion euro (+5 billion euro over twelve months) as a result of recognising the following securitised assets:

- performing residential mortgages and salary backed loans of B@nca 24-7, against the issue of securities eligible for refinancing with the European Central Bank, amounting to 3.311 million euro³;
- residential mortgages of Banco di Brescia amounting to 1.344 million euro and of Banca Regionale Europea, amounting to 574 million euro against the issue of covered bonds.

Taken together the two items increased to 47,8 billion euro from 42,5 billion euro twelve months previously, an increase of 5,3 billion euro (+12,6%).

Within the aggregate, home purchase mortgages exceeded 16 billion euro, a modest increase on an annual basis against a trend for the sector nationally which is now negative.

Finally, with regard to medium-to-long term lending, the stock of “convention” loans, i.e. loans provided on the basis of agreements with guarantee bodies, amounted to 2,6 billion euro, an increase of 5% compared to the end of 2007. New loans disbursed in the third quarter amounted to approximately 240 million euro (0,5 billion euro in the first six months of the year).

At the same time activity continued in preparation for the standardisation of the commercial range of products for guarantee bodies located in the main areas in which Banca Popolare di Ancona and Banca Carime operate. This also includes revision of pricing based on risk-yield profiles in compliance with Basel 2 and is scheduled for completion by the end of the year.

* * *

The lending portfolio increased by more than 5 billion euro (+5,4%) compared to December, primarily attributable to the combined aggregate of the items “mortgage loans and other medium-to-long term lending” and “assets transferred not derecognised”, within which the securitised assets of B@nca 24-7, Banco di Brescia and Banca Regionale Europea are recognised. With regard to other types of lending, the good performance of current account overdrafts, forms of consumer credit and leasing partly offset the fall in reverse repurchase agreements and factoring.

³ On 1st June 2008, B@nca 24-7 transferred assets, consisting of 21.573 performing residential mortgage loans, for a nominal amount of 2.505 million euro to the special purpose entity 24-7 Finance Srl. The special purpose entity issued two mortgage backed securities in relation to that transfer:

- the first was Class A for a nominal amount of 2.279.250.000 euro, with a Moody's Aaa rating, listed on the Dublin stock exchange and eligible for refinancing with the European Central Bank;
- the second was Class B for a nominal amount of 225.416.196, with no rating.

On 1st July, B@nca 24-7 then transferred 54.627 salary backed loans for a nominal amount of 836.178.307 euro to that special purpose entity. The special purpose entity issued mortgage backed securities in relation to that transfer:

- the first was Class A for a nominal amount of 728.350.000 euro, with a Moody's Aaa rating, listed on the Dublin stock exchange and eligible for refinancing with the European Central Bank, with maturity in March 2023;
- the second was Class B for a nominal amount of 107.828.307 euro, with no rating.

* * *

As concerns *customer market segmentation*, management figures for average amounts of lending by network banks⁴ and by UBI Banca Private Investment show that in September 2008, 52% was destined to the retail market, 47% to the corporate market and the remaining 1% to the private banking market.

In terms of trends, those same management figures show that change on an annual basis⁵ was negative on aggregate for the corporate market (-1,2%), within which the core segment increased by +6% compared to -11,7% for the large corporate segment, in accordance with the policy to contain exposures already mentioned. Lending to the retail market on the other hand increased by 7,3%, including +9% for the “small business” segment.

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

- in terms of the *category of debtor*, a little less than 90% of lending was to production companies and to household consumers, which confirms the traditional vocation of the Group to support the local economies it serves (in detail 64,4% was to production companies and the remaining 24,8% to household consumers);
- 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 (41,7% considered together) followed by the construction sector (15,2%), energy products (5%) and metal products (4,1%), while textiles and foodstuffs accounted for 3,4% and 3,2% respectively.

From the viewpoint of *concentration*, the situation as at 30th September 2008 recorded a slight improvement compared to December for the 40 largest and 50 largest customers, against a relative greater concentration for the smaller customer groupings in the scale.

A concentration risk policy is pursued in this respect for

Geographical distribution of loans to customers by region of location of the branch (*)

Percentage of total	30.9.2008	31.12.2007
Lombardy	70,24%	69,96%
Piedmont	6,28%	6,56%
Latium	4,56%	4,81%
Marches	4,08%	4,27%
Liguria	2,68%	2,46%
Emilia Romagna	2,28%	2,10%
Campania	2,01%	2,08%
Puglia	1,90%	1,87%
Veneto	1,80%	1,78%
Calabria	1,69%	1,63%
Umbria	0,61%	0,61%
Abruzzo	0,61%	0,62%
Basilicata	0,40%	0,39%
Friuli Venezia Giulia	0,37%	0,39%
Molise	0,27%	0,27%
Tuscany	0,16%	0,14%
Sicily	0,04%	0,04%
Valle d'Aosta	0,02%	0,02%
Trentino Alto Adige	0,00%	0,00%
Sardinia	0,00%	0,00%
Totale	100,00%	100,00%

* The aggregates relate to banks only

Concentration of risk

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

Customers or Groups	30.9.2008	31.12.2007
Largest 10	5,3%	5,0%
Largest 20	7,8%	7,7%
Largest 30	9,7%	9,6%
Largest 40	10,9%	11,0%
Largest 50	11,9%	12,1%

exposures at Group level, with a complex system of limits based on the dimension of the

total credit authorised, on supervisory capital and on internal ratings. Action to revise and reduce authorised limits was taken in October, as part of the related monitoring activity.

As concerns “*large exposures*”, on the other hand (positions greater than 10% of consolidated supervisory capital), at the end of September the Group had two positions for a total amount of 2,2 billion euro:

- the first, amounting to 1,1 billion euro, is primarily attributable to the investment held in Banca Intesa (considered gross of the relative valuation reserve), while the remaining part consists of ordinary lending business and positions in securities and derivatives;
- the second, also amounting to 1,1 billion euro, relates to a major banking group and consists mainly of ordinary lending business.

Details are given of the *geographical distribution* of lending in the table “geographical distribution of loans to customers by region of location of the branch”.

⁴ Banca Carime was excluded in relation to the IT migration which took place on the first weekend of July.

⁵ The changes relate to average balances in the month of September.

The total share of loans to northern regions amounted to 83,7% of the total, (of which 79,2% to the North-West) while that to central regions constituted 9,9%. The remaining 6,9% was to southern regions.

* * *

Finally with regard to **risk**, the progressive increase in net deteriorated assets, which had been in progress since the third quarter of 2007, intensified over the summer: it reached almost 2,1 billion euro at the end of September, an increase of 0,5 billion euro (+32,6%) over twelve months and of approximately 0,3 billion euro (+15,5%) compared to June.

This performance – which correlates with the deterioration in the economic situation that has recently become more serious and also, however, with specific action taken to standardise operations – regards non-performing loans, positions past due and in arrears and, to a greater degree, impaired loans, against a slight reduction on an annual basis for restructured loans.

In detail:

- net non-performing loans rose over twelve months from 657 million euro to 771 million euro, with a total increase of 114 million euro (+17,5%), including 31 million euro attributable to the third quarter of 2008.

That performance was also accompanied by a parallel increase in impairment losses, which rose to 900 million euro, mainly in the first half of 2008, partly as a result of the standardisation of the valuation criteria employed for the non-performing loans and impaired loans of the network banks following centralisation of management for these in the Parent Bank.

Consequently there were no significant changes in the coverage for non-performing loans (ratio of impairment to gross exposure), which in September (53,86%) stood at the same level as at the end of 2007, just slightly lower than in June 2008 (54,62%) and in September 2007 (54,51%)⁶.

In percentage terms, the ratio of net non-performing loans to net lending was 0,79%, more or less unchanged compared to December (0,75%) and September 2007 (0,74%), but nevertheless lower than the average for the Italian banking sector (1,02% in August 2008).

An analysis of quarterly deterioration rates continues to show rates for the UBI Banca Group that are more or less unchanged on average and constantly lower than the figure for the banking sector as a whole (the latest available comparison with the sector is that for June)⁷.

- net impaired loans rose over twelve months from 700 million euro to 1.081 million euro, a total increase of 381 million euro (+54,4%), of which 219 million euro relates to the third quarter 2008. The trend for the aggregate is attributable in part to the introduction in the first quarter of 2008 of the rule to automatically reclassify “past due and in arrears” positions as impaired loans once 60 days have lapsed (144 million euro gross in the first nine months of 2008) for the banks of the former BPU Group.⁸

As a consequence, the ratio of net impaired loans to net lending had reached 1,10% at the end of the September, an increase compared to both December (0,81%) and one year before (0,78%).

The coverage for impaired loans stood at 14,89% compared to 16,66% at the end of 2007 and to 17,44% in September 2007.

⁶ For a proper evaluation of that ratio, however, it should be considered that once an account is subject to proceedings by creditors (bankruptcy, prior arrangements with creditors, extraordinary administration, etc.), the part of the positions considered uncollectable are written off and the relative value adjustments are made.

⁷ The rate of deterioration is given by the ratio of performing loans or deteriorated loans other than non performing loans existing in the period t-1 which are reclassified as non performing in the period t, to lending in existence in the period t-1 (performing loans + deteriorated loans excluding non performing loans).

The analysis considers only counterparties, not classified as non performing, which have authorised credit or actual borrowing of greater than 75.000 euro.

For the UBI Banca Group, the analysis regards uses by network banks+Centrobanca and is based on the use of gross non performing loans. The figures for the banking system, on the other hand, are based on “adjusted non performing loans” (Bank of Italy classification).

⁸ In parallel with the IT migrations.

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%
of which: Unguaranteed loans to countries at risk	(0,02%)	22.643	298	(0,02%)	22.345	
TOTAL		99.480.863	1.460.715		98.020.148	

The figures in brackets show each item's share of the total

Loans to customers as at 30th June 2008

Figures in thousands of euro	Gross exposure		Impairment	Carrying amount		Coverage (*)
Deteriorated loans	(2,96%)	2.900.885	1.086.049	(1,88%)	1.814.836	37,44%
- Non-performing loans	(1,67%)	1.630.440	890.473	(0,77%)	739.967	54,62%
- Impaired loans	(1,05%)	1.029.356	167.025	(0,89%)	862.331	16,23%
- Restructured loans	(0,11%)	110.477	21.221	(0,09%)	89.256	19,21%
- Past due loans	(0,13%)	130.612	7.330	(0,13%)	123.282	5,61%
Performing loans	(97,04%)	95.022.124	330.846	(98,12%)	94.691.278	0,35%
of which: Unguaranteed loans to countries at risk	(0,01%)	6.741	228	(0,01%)	6.513	
TOTAL		97.923.009	1.416.895		96.506.114	

The figures in brackets show each item's share of the total

Loans to customers as at 31st December 2007 pro-forma

Figures in thousands of euro	Gross exposure		Impairment	Carrying amount		Coverage (*)
Deteriorated loans	(2,83%)	2.672.596	1.000.869	(1,80%)	1.671.727	37,45%
- Non-performing loans	(1,61%)	1.519.694	820.541	(0,75%)	699.153	53,99%
- Impaired loans	(0,96%)	905.690	150.900	(0,81%)	754.790	16,66%
- Restructured loans	(0,10%)	97.597	16.023	(0,09%)	81.574	16,42%
- Past due loans	(0,16%)	149.615	13.405	(0,15%)	136.210	8,96%
Performing loans	(97,17%)	91.626.172	325.421	(98,20%)	91.300.751	0,36%
of which: Unguaranteed loans to countries at risk	(0,01%)	10.086	269	(0,01%)	9.817	
TOTAL		94.298.768	1.326.290		92.972.478	

The figures in brackets show each item's share of the total

Loans to customers as at 30th September 2007 pro-forma

Figures in thousands of euro	Gross exposure		Impairment	Carrying amount		Coverage (*)
Doubtful loans	(2,81%)	2.545.394	965.368	(1,77%)	1.580.026	37,93%
- Non-performing loans	(1,59%)	1.443.309	786.795	(0,74%)	656.514	54,51%
- Impaired loans	(0,94%)	847.994	147.870	(0,78%)	700.124	17,44%
- Restructured loans	(0,12%)	110.023	17.352	(0,10%)	92.671	15,77%
- Past due loans	(0,16%)	144.068	13.351	(0,15%)	130.717	9,27%
Performing loans	(97,19%)	87.955.255	239.282	(98,23%)	87.715.973	0,27%
of which: Unguaranteed loans to countries at risk	(0,01%)	9.630	124	(0,01%)	9.506	
TOTAL		90.500.649	1.204.650		89.295.999	

The figures in brackets show each item's share of the total

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

The interbank market and the liquidity situation

Net interbank position

	30.9.2008 A	30.6.2008 B	31.3.2008 pro-forma C	31.12.2007 pro-forma D	Changes A/D amount	%	30.9.2007 pro-forma E
Figures in thousands of euro							
Loans to banks	2.748.587	3.221.741	3.200.893	3.691.901	-943.314	-25,6%	3.702.398
Due to banks	7.071.811	6.179.055	8.205.228	7.736.405	-664.594	-8,6%	6.461.373
NET INTERBANK POSITION	-4.323.224	-2.957.314	-5.004.335	-4.044.504	278.720	-6,9%	-2.758.975

As at 30th September 2008, the net interbank balance of the UBI Group was negative by 4,3 billion euro, compared to approximately 3 billion euro at the end of first half and more than 4 billion euro at the end of year.

On that same date the treasury position, which summarises short term banking indebtedness, consisted of a negative balance of 3,3 billion euro, of which 1,3 billion euro resulting from refinancing transactions with the central bank, against an “early warning” threshold of 6 billion euro.

During the year the UBI Group formulated and implemented a co-ordinated policy which took the form of a series of actions undertaken with the dual objective of:

- maintaining net short term interbank indebtedness constantly below “early warning” thresholds and within the limits set by internal policies;
- reaching a level of assets eligible for refinancing with the central bank equal to 150% of the “early warning” limit (6 billion euro) for net short term interbank indebtedness.

In detail the action taken in 2008 designed to achieve those objectives can be summarised as follows:

- and increase in the items eligible, through the securitisation of Group assets and participation in the ABACO¹ project, with a year-end objective of greater than 9 billion euro;
- disinvestment in non strategic assets, by reimbursement of capitalisation policies and sale of some of the investments in hedge funds, for a total of 1,2 billion euro by the end of the year;
- the implementation of balanced growth in lending and funding, commencing in particular in the fourth quarter.

This set of manoeuvres described above, together with the diversification of the sources of funding through both the issue of short term certificates of deposit reserved to the French market and the issue of commercial paper, has allowed the Group on the one hand to avoid resort to the medium-to-long term institutional market, difficult to access without incurring penalising costs, and on the other hand to maintain interbank indebtedness under control and also below “early warning” thresholds.

With regard to *eligible assets*, these amounted as at 30th September 2008 to approximately 3,4 billion euro, and were composed as follows:

- securities classified as AFS and HTM for a nominal amount of 1,4 billion euro (amount eligible: approximately 1,3 billion euro net of haircuts);

¹ ABACO (bank assets eligible as collateral) is the name given to instructions recommended by the Bank of Italy for the management of bank loans eligible for refinancing.

- securitisation of Banca 24-7 residential mortgages for a nominal amount of 2,3 billion euro (amount eligible: approximately 1,9 billion euro net of haircuts²);
- loans eligible³ as a result of participation in “ABACO” for a nominal amount of 180 million euro (amount eligible: approximately 155 million euro net of haircuts).

Securities have become available as of 10th October 2008 from the securitisation of additional assets of Banca 24-7 (salary backed loan transactions) amounting to approximately 600 million euro already net of haircuts⁴, which brought total assets eligible for refinancing up to approximately 4 billion euro.

A process is currently underway to generate further eligible assets by 30th November 2008, amounting to approximately 5 billion euro, by means of the following securitisations:

- UBI Leasing assets able to generate eligible assets of approximately 3 billion euro net of haircuts;
- Banca 24-7 assets (personal loans and consumer loans) able to generate eligible assets of approximately 2 billion euro net of haircuts.

These assets – together with approximately 450 million euro⁵ (net of haircuts) of additional assets identified as eligible partly on the basis of a temporary broadening of the criteria employed by the ECB for eligibility which expires at the end of November – will bring the level of assets eligible for refinancing with the central bank up to more than 9 billion euro by the end of the current year.

With a view to further increasing that level and to approaching the threshold of 12 billion euro (corresponding to 200% of the “early warning” limit already mentioned) by January 2009, further operations have been set in motion to generate eligible assets of between 2 and 3 billion euro net of the relative haircuts.

It is forecast that taken together, the operations mentioned above will result in expenses (arrangers, rating agencies, legal advice, etc.) totalling approximately 4 million euro, not included in the 2008 budget, as follows:

- 1 million euro already recognised to 30th September 2008;
- 2 million euro attributable to the fourth quarter;
- 1 million euro presumably to be recognised in the first quarter of 2009.

² The “haircut” applied to assets resulting from own securitisations already takes account of the amendments made to European Central Bank regulations which will come into force in February 2009. More specifically, the total haircut applied will be 16,4% compared to the current 2% applied for asset backed securities with variable coupons.

³ 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 supranational institutions), high credit rating (single “A-” credit quality level, equivalent to a default probability of 0,10 percent) and a minimum amount (1 million euro for national use until 2011).

⁴ See note 2.

⁵ The 450 million euro of additional assets identified include 150 million euro in relation to the temporary broadening of criteria for eligibility employed by the ECB.

Lending to banks: composition

Figures in thousands of euro	30.9.2008 A	%	31.12.2007 pro-forma B	%	Changes A/B amount %		30.9.2007 pro-forma C
A. Loans to Central Banks	495.644	18,0%	223.057	6,0%	272.587	122,2%	447.426
1. Term deposits	-	-	-	-	-	-	-
2. Compulsory reserve requirement	495.644	18,0%	222.568	6,0%	273.076	122,7%	447.295
3. Reverse repurchase agreements	-	-	-	-	-	-	-
4. Other	-	-	489	0,0%	-489	-100,0%	131
B. Loans to banks	2.252.943	82,0%	3.468.844	94,0%	-1.215.901	-35,1%	3.254.972
1. Current accounts and deposits	846.517	30,8%	1.445.997	39,2%	-599.480	-41,5%	1.219.693
2. Term deposits	336.948	12,3%	554.443	15,0%	-217.495	-39,2%	655.809
3. Other loans	1.068.487	38,9%	1.468.343	39,8%	-399.856	-27,2%	1.379.408
3.1 reverse repurchase agreements	6.042	0,2%	703.223	19,1%	-697.181	-99,1%	683.078
3.2 finance leases	3.582	0,2%	3.402	0,1%	180	5,3%	3.816
3.3 other	1.058.863	38,5%	761.718	20,6%	297.145	39,0%	692.514
4. Debt securities	-	-	-	-	-	-	-
5. Impaired assets	991	0,0%	61	0,0%	930	n.s.	62
6. Assets transferred not derecognised	-	-	-	-	-	-	-
TOTAL	2.748.587	100,0%	3.691.901	100,0%	-943.314	-25,6%	3.702.398

Amounts due to banks: composition

Figures in thousands of euro	30.9.2008 A	%	31.12.2007 pro-forma B	%	Changes A/B amount %		30.9.2007 pro-forma C
1. Due to central banks	1.301.930	18,4%	561.675	7,3%	740.255	131,8%	4.802
1.1 Repurchase agreements	1.300.005	18,4%	352.316	4,6%	947.689	269,0%	-
1.2 Other	1.925	0,0%	209.359	2,7%	-207.434	-99,1%	4.802
2. Due to banks	5.769.881	81,6%	7.174.730	92,7%	-1.404.849	-19,6%	6.456.571
2.1 1. Current accounts and deposits	1.159.462	16,4%	2.611.363	33,8%	-1.451.901	-55,6%	3.897.856
2.2 Term deposits	2.021.245	28,6%	2.164.905	28,0%	-143.660	-6,6%	522.940
2.3 Financing	1.113.946	15,8%	1.654.232	21,4%	-540.286	-32,7%	1.179.578
2.3.1 finance leases	-	-	-	-	-	-	-
2.3.2 other	1.113.946	15,8%	1.654.232	21,4%	-540.286	-32,7%	1.179.578
2.5 Liabilities relating to assets transferred not derecognised in the financial statements	996.184	14,1%	352.653	4,5%	643.531	182,5%	685.535
2.5.1 Repurchase agreements	996.184	14,1%	352.653	4,5%	643.531	182,5%	685.535
2.6 Other payables	479.044	6,7%	391.577	5,0%	87.467	22,3%	170.662
TOTAL	7.071.811	100,0%	7.736.405	100,0%	-664.594	-8,6%	6.461.373

Financial activities

The UBI Banca Group decided not to use the option granted by the recent amendments to IAS 39 and it has therefore not performed any reclassification of financial assets currently held in portfolio (see the notes to the half year consolidated financial statements).

Total financial assets of the Group as at 30th September 2008 amounted to 8,4 billion euro, a decrease of 10,6% compared to 9,4 billion at the end of 2007 and of 15,6% compared to 9,9 billion euro in September 2007 (the comparison figures have been restated to take account of the absence of the assets of UBI Assicurazioni Vita¹, partially disposed of in June and consequently no longer fully consolidated).

Net of financial liabilities held for trading, consisting mainly of financial derivatives, the aggregate amounted to 7,9 billion euro compared to 8,5 billion euro at the end of 2007 and 9 billion euro in September 2007.

The main causes of the decrease in financial assets that occurred over the twelve months period are as follows:

- early reimbursements of capitalisation policies in relation to the progressive reduction in their profitability and the need to optimise liquidity;
- the disinvestments in debt securities classified within financial assets held for trading decided under liquidity management policies, which were only partially offset by similar reinvestments in other classes of financial assets (AFS and HTM).

Financial assets/liabilities of the Group

Figures in thousands of euro	30.9.2008	30.6.2008	Changes (a/b)		31.12.2007	Changes (a/c)		30.9.2007
	(a)	(b)	amount	%	pro-forma (c)	amount	%	pro-forma
Financial assets held for trading	1.915.381	2.275.860	-360.479	-15,8%	3.256.841	-1.341.460	-41,2%	4.128.315
Financial assets at fair value	1.014.669	1.254.337	-239.668	-19,1%	1.333.586	-318.917	-23,9%	1.639.985
Available-for-sale financial assets	4.060.565	3.678.806	381.759	10,4%	3.537.133	523.432	14,8%	2.909.938
Held-to-maturity financial assets	1.396.121	1.401.857	-5.736	-0,4%	1.254.520	141.601	11,3%	1.257.021
TOTAL FINANCIAL ASSETS	8.386.736	8.610.860	-224.124	-2,6%	9.382.080	-995.344	-10,6%	9.935.259
Financial liabilities held for trading	477.339	794.656	-317.317	-39,9%	865.207	-387.868	-44,8%	931.161
Total net of financial liabilities	7.909.397	7.816.204	93.193	1,2%	8.516.873	-607.476	-7,1%	9.004.098

Management figures² as at 30th September show that:

- in terms of *type of financial instrument*, the securities portfolio of the Group was composed as follows: 45,6% of government securities, 30,1% of corporate securities (of which 78% issued by major Italian, European and American banks), 10,2% of hedge funds, 6,1% of capitalisation certificates and the remainder consisting of funds, equities and other instruments;
- from a *financial viewpoint*, in addition to the proportion of capitalisation certificates present already mentioned, fixed rate securities accounted for 38,2% of the portfolio and variable rate securities for approximately 28%, 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 12,6%, with the remainder composed of equities, funds and convertible bonds;
- as concerns the *reference currency*, approximately 95% of the securities were denominated in euro, while from the viewpoint of geographical distribution, approximately 91% of the investments were located in the euro area and 6% in USA securities;
- finally, an analysis by *rating* (for the bond portfolio only) shows that approximately 96% of the portfolio consisted of "investment grade" securities with an average rating of A2.

¹ The change in the method of consolidation for UBI Assicurazioni Vita, now valued at shareholders' equity, had an impact on the pro-forma figures for financial assets as at 30th September and as at 31st December 2007, which was negative by approximately 2,7 billion euro, including 2,2 billion euro relating to AFS financial assets (mainly invested in government and supranational securities) with the remainder in assets held for trading.

² The management accounting figures exclude equity investments, hedging derivatives and derivative business with customers and some minor portfolios.

Financial instruments held for trading

Financial assets held for trading (asset item 20)

The item “Financial assets held for trading” (asset item 20) 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	30.9.2008			30.6.2008			Changes (a/b) amount	31.12.2007 pro-forma			Changes (a/c) amount	30.9.2007 pro-forma Total (d)
	Listed	Unlisted	Total (a)	Listed	Unlisted	Total (b)		Listed	Unlisted	Total (c)		
A. On-balance sheet assets												
Debt securities	534.152	210.988	745.140	880.155	244.681	1.124.836	-379.696	1.541.735	332.865	1.874.600	-1.129.460	2.723.721
<i>of which: Assets transferred not derecognised</i>	222.233	-	222.233	545.241	-	545.241	-323.008	1.148.482	-	1.148.482	-926.249	1.761.256
Equity instruments	187.624	86.498	274.122	190.055	89.331	279.386	-5.264	36.555	112.917	149.472	124.650	145.102
Units of O.I.C.R. (collective investment instruments)	112.119	-	112.119	160.217	-	160.217	-48.098	564.083	1	564.084	-451.965	631.185
Financing	-	11.774	11.774	-	8.953	8.953	2.821	-	12.942	12.942	-1.168	-
Impaired assets	-	14.285	14.285	-	-	-	14.285	-	-	-	14.285	-
Total A	835.770	321.670	1.157.440	1.230.427	342.965	1.573.392	-415.952	2.142.373	458.725	2.601.098	-1.443.658	3.500.008
B. Derivative instruments												
Financial derivatives	6.422	751.519	757.941	10.896	691.572	702.468	55.473	171	655.572	655.743	102.198	628.307
Credit derivatives	-	-	-	-	-	-	-	-	-	-	-	-
Total B	6.422	751.519	757.941	10.896	691.572	702.468	55.473	171	655.572	655.743	102.198	628.307
Total (A+B)	842.192	1.073.189	1.915.381	1.241.323	1.034.537	2.275.860	-360.479	2.142.544	1.114.297	3.256.841	-1.341.460	4.128.315

As at 30th September 2008 financial assets held for trading amounted to 1.915 million euro, compared to 3.257 million euro at the end of the year (-41,2%). The reduction was partially offset by new investments classified within other classes of financial assets.

On the one hand, there was in fact an increase in assets eligible for refinancing with the central bank, some of which were included within available-for-sale and held-to-maturity financial assets (see in this respect the section “The interbank market and the liquidity situation”) and on the other hand, the change in the composition of investments in hedge funds continued with new purchases designated under the fair value option.

It will be recalled that assets held for trading also include the Parent Bank portfolio managed by the Group’s asset management company, under the management mandate granted to it, which has a maximum investment ceiling on it for 2008 of 1,6 billion for the UBI Banca portfolio 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 96,84%, and involves investments of approximately 10%-15% of the assets granted for management in asset instruments (mainly equities), while the remainder is managed by the use of derivative and monetary instruments. Investments amounting to approximately 164 million euro existed at the end of September in European equities, along with open positions in futures and options on futures on equity and bond indices.

At the end of September *debt securities*, inclusive of “assets transferred not derecognised” (i.e. debt securities used as the underlying assets for repurchase agreements), amounted to 745 million euro, a reduction compared to 1.875 million euro at the end of 2007, the result of securities maturing or sold, which were replaced to a large extent with securities eligible for refinancing with the central bank and recognised within other classes of assets.

Securities sold and matured were used mainly to support repurchase agreement business with customers of the network banks; this activity is now performed with recourse to intragroup securities.

Debt securities also included investments in securities of the “Asset Backed Security” type (ABS – financial instruments issued as part of securitisation operations), amounting to 49,6 million euro (72,7 million euro at the end of December), and in other structured credit instruments amounting to 21,7 million euro (see in this respect the section “Exposures of the UBI Banca Group to some types of products and to some counterparties”).

As concerns *equity instruments*, these rose from 149,5 million euro to 274,1 million euro as a result of new investments in European equities made by the Group’s asset management company (approximately 164 million euro) under the mandate granted to it.

These also include 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. At the end of September these amounted to 91,4 million euro, a reduction compared to 116,4 million euro at the end of 2007, basically attributable to the disposal of the interest held in Radici Film (with a fair value of more than 30 million euro), which occurred at the end of June.

Investments in *OICR units* (collective investment instruments) amounted to 112 million euro compared to 564 million euro in December 2007 and related almost entirely to hedge funds purchased prior to 30th June 2007. The disinvestments made during the first nine months of the year were offset by purchases made using the fair value option. The following section “financial assets at fair value” may therefore be consulted for a full picture of investments in these financial instruments.

Financial assets held for trading also included *impaired assets* amounting to 14,3 million euro, all relating to the position with Lehman Brothers, consisting of 1,9 million euro relating to bonds (valued on the basis of the presumed realisable value) and the remaining 12,4 million euro to expired differentials on derivatives contracts.

Financial liabilities held for trading (liability item 40)

Financial liabilities amounted to 477 million euro as at 30th September 2008, compared to 865 million euro at the end of 2007 (-44,8%). They consisted of financial derivatives amounting to 422 million (-32,2%), amounts due to customers amounting to 41 million (-83,3%), the latter relating to uncovered short positions for which commitments to purchase are recognised here, and amounts due to banks amounting to 13 million euro, relating to expired differentials on derivative contracts with Lehman.

Financial liabilities held for trading: composition

Figures in thousands of euro	30.9.2008			30.6.2008			Changes (a/b) amount	31.12.2007			Changes (a/c) amount	30.9.2007 Total
	Listed	Unlisted	Total (a)	Listed	Unlisted	Total (b)		Listed	Unlisted	Total (c)		
A. On-balance sheet liabilities												
1. Due to banks	-	13.206	13.206	-	-	-	13.206	-	-	-	13.206	-
2. Due to customers	40.623	-	40.623	66.500	-	66.500	-25.877	242.728	-	242.728	-202.105	271.830
3. Debt securities	-	-	-	-	-	-	-	-	-	-	-	-
Total A	40.623	13.206	53.829	66.500	-	66.500	-12.671	242.728	-	242.728	-188.899	271.830
B. Derivative instruments												
0												
1. Financial derivatives	2.597	419.233	421.830	6.840	721.122	727.962	-306.132	1.233	621.199	622.432	-200.602	659.229
2. Credit Derivatives	-	1.680	1.680	-	194	194	1.486	-	47	47	1.633	102
Total B	2.597	420.913	423.510	6.840	721.316	728.156	-304.646	1.233	621.246	622.479	-198.969	659.331
Total (A+B)	43.220	434.119	477.339	73.340	721.316	794.656	-317.317	243.961	621.246	865.207	-387.868	931.161

Financial assets at fair value (asset item 30)

The item “financial assets at fair value” (asset item 30) includes financial instruments designated as such in application of the fair value option (FVO).

The item mainly consists of units in hedge funds purchased since 1st July 2007 and investments in capitalisation policies, that are subject to the fair value option because they contain embedded derivatives which significantly alter the cash flow otherwise generated by the contract.

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

Financial assets at fair value: composition

Figures in thousands of euro	30.9.2008			30.6.2008			Changes (a/b) amount	31.12.2007			Changes (a/c) amount	30.9.2007 Total
	Listed	Unlisted	Total (a)	Listed	Unlisted	Total (b)		Listed	Unlisted	Total (c)		
Debt securities	-	422.090	422.090	-	665.882	665.882	-243.792	-	1.175.680	1.175.680	-753.590	1.530.575
Units of O.I.C.R. (collective investment instruments)	592.579	-	592.579	588.455	-	588.455	4.124	157.906	-	157.906	434.673	109.410
Total	592.579	422.090	1.014.669	588.455	665.882	1.254.337	-239.668	157.906	1.175.680	1.333.586	-318.917	1.639.985

As at 30th September 2008, financial assets at fair value amounted to 1.015 million euro compared to 1.334 million at the end of 2007 (-23,9%).

The *debt securities* component, consisting entirely of capitalisation insurance certificates, fell from 1.176 million in December 2007 (with a nominal value of 1.030 million euro + interest capitalised and matured) to 422 million euro (350 million euro the nominal value) a decrease of 64,1%.

The change is attributable to a policy of disinvestment in these policies already started at the end of last year due to the progressive reduction in the profitability on them and to a new liquidity management policy pursued in response to the recent financial crisis.

In detail, 26 policies for a nominal amount of 655 million euro (20 policies amounting to 345 million euro held by the Parent Bank and the remainder held by Centrobanca) were subject to early reimbursement in the first nine months of the year. Two policies held by the Parent bank also reached maturity for a nominal amount of 25 million euro.

Only three policies therefore remained at the end of September held by the Parent Bank with CDS hedges on them for 358 million euro. Two of these were subject to early reimbursement in October for a total nominal amount of 300 million euro. Only one policy remained at the date of this quarterly consolidated financial report for a nominal amount of 50 million euro.

On the other hand, *units in O.I.C.R.* (collective investment instruments) amounted to 593 million euro, compared to 158 million euro in December 2007. These consisted principally of investments in hedge funds, amounting to 572 million euro, made since 1st July 2007. It will be recalled that in addition to the hedge funds recognised within this item, the 111 million euro of investments classified within financial assets held for trading reported in the previous section must also be considered (563 million euro at the end of 2007).

The total **investment of the Group in hedge funds** at the end of the quarter therefore amounted to 683 million euro compared to 721 million at the end of the year, a total decrease of 5,3%.

Investments in hedge funds are regulated by a specific policy by which a detailed system of qualitative and quantitative limits is designed to guarantee an adequate degree of diversification and liquidity, to set the maximum acceptable loss and to measure the risk profile implicit in the portfolio.

The hedge fund portfolio was affected by the turbulence recorded on markets in recent months, but nevertheless the guidelines dictated by internal policy helped to guarantee

diversification on several levels: in terms of the strategy for investment in a single fund (both as a percentage of the assets managed by the fund itself and in absolute terms) and for investment in a single management company. The section “Information on risks and hedging policies” may be consulted for further information in this respect.

No cases of default for single hedge funds within the portfolio were recorded, although four funds suspended redemptions temporarily, as allowed for in their respective regulations (Group investment in the four funds totalled 19,4 million euro), while two funds, corresponding to an investment of 37,3 million euro, declared that they were implementing a deferred repayment plan.

As a consequence of the worsening of tensions on financial markets, action has been commenced to progressively reduce the hedge fund portfolio in order to contain risk (Var) for this type of investment.

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

These assets are measured at fair value with the recognition of changes in a special valuation reserve in shareholders' equity.

It will be recalled that the comparative figures presented here have been restated to take account of the change in the method of consolidation for Assicurazioni Vita, which had a negative impact on the pro-forma figures for available-for-sale financial assets as at 30th September and as at 31st December 2007 amounting to approximately 2,2 billion euro.

Available-for-sale financial assets: composition

Figures in thousands of euro	30.9.2008			30.6.2008			Changes (a/b) amount	31.12.2007 pro-forma			Changes (a/c) amount	30.9.2007 pro-forma Total
	Listed	Unlisted	Total (a)	Listed	Unlisted	Total (b)		Listed	Unlisted	Total (c)		
Debt securities	1.634.131	1.583.006	3.217.137	1.248.111	1.606.142	2.854.253	362.884	1.194.594	1.207.829	2.402.423	814.714	1.773.639
<i>of which: Assets transferred not derecognised</i>	<i>547.950</i>	<i>91.345</i>	<i>639.295</i>	<i>3.204</i>	<i>48.408</i>	<i>51.612</i>	<i>587.683</i>	<i>105.953</i>	<i>246.363</i>	<i>352.316</i>	<i>286.979</i>	<i>146.013</i>
Equity instruments Units or U.I.C.R.	599.715	109.425	709.140	580.133	117.287	697.420	11.720	871.529	126.979	998.508	-289.368	1.001.363
(collective investment instruments)	18.963	113.785	132.748	21.347	104.246	125.593	7.155	25.842	108.820	134.662	-1.914	133.396
Financing	-	1.446	1.446	-	1.446	1.446	-	-	1.446	1.446	-	1.446
Impaired assets	-	94	94	-	94	94	-	-	94	94	-	94
Total	2.252.809	1.807.756	4.060.565	1.849.591	1.829.215	3.678.806	381.759	2.091.965	1.445.168	3.537.133	523.432	2.909.938

At the end of September available-for-sale financial assets rose to 4.061 million euro from 3.537 million euro at the end of 2007 (+14,8%).

They were composed primarily of the following:

- the UBI Banca AFS portfolio amounting to 2.456 million euro (2.061 million euro in December);
- the corporate portfolio of Centrobanca, which constitutes activity complementary to and consistent with the credit approach of that bank, amounting to approximately 508 million euro (444 million euro in December);
- the IW Bank portfolio, held to stabilise that bank's net interest income, given the particular nature of its typical operations, amounting to 617 million euro (646 million euro in December).
- the portfolio of UBI Assicurazioni, which operates in the non-life sector, amounting to 361 million euro, (284 million euro at the end of the year);
- the minor portfolios of other companies in the Group.

The increase recorded in the AFS portfolio in the first nine months of the year was the result of opposing trends for debt securities and equity instruments.

Debt securities – inclusive of securities classified as “assets transferred not derecognised”, because they are used as underlying assets for repurchase agreements, performed mainly with institutional customers – amounted to 3.217 million euro compared to 2.402 million euro at the end of 2007 (+33,9%).

The higher investments in debt securities are attributable to the purchase of the following:

- securities eligible for refinancing with the ECB, considering the tensions that continue to exist on the interbank monetary market, to which part of the liquidity generated by disinvestments in assets held for trading and assets at fair value reported in the preceding sub-sections were channelled;
- ABS type securities, also eligible for refinancing, from INPS (national insurance institute) securitisations, which rose from 59,7 million euro to 129,1 million euro and banking securitisations amounting to 47 million euro (new investment in the first quarter). See also in this respect the section “Exposures of the UBI Banca Group to some types of products and to some counterparties”;

Equity instruments amounted to 709 million euro, compared to 999 million euro in December 2007. The change recorded for equity instruments is mainly attributable to the performance of equity markets and the exceptional circumstances that they have experienced as a whole, and, as a consequence, to the reduction in the fair value of listed equity investments recognised here (shareholdings that are not classified as companies subject to control, joint control and significant influence and that are not held for merchant banking and private equity activities).

These included the investments in Intesa Sanpaolo amounting to 553,7 million euro at the end of September (535,2 million euro by UBI Banca and 18,5 million by Banco di Brescia) compared to 782,7 million euro as at 31st December 2007, in the London Stock Exchange, formerly Borsa Italiana (17,4 million euro compared to 42,9 million in December) and in A2A (19,8 million euro compared to 34,7 million at the end of 2007).

Unlisted equity instruments also include recognition of the investment by Banco di Brescia in Hopa Spa which, after a write down of 19 million euro recognised in the financial statements for 2007 and a further 6,4 million euro written down in the period January-September 2008, continues to be recognised at 2,7 million euro.

The investment in *O.I.C.R. units* (collective investment instruments), amounting to 133 million euro, remains virtually unchanged compared to the amount at the end of year.

Held-to-maturity financial assets (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 financial assets: composition

Figures in thousands of euro	30.9.2008 (a)	30.6.2008 (b)	Changes (a/b) amount	31.12.2007 (c)	Changes (a/c) amount	30.9.2007
Debt securities	1.396.121	1.401.857	-5.736	1.254.520	141.601	1.257.021
of which: Assets transferred and not derecognised	967.212	1.027.647	-60.435	1.058.000	-90.788	831.334
Financing	-	-	-	-	-	-
Impaired assets	-	-	-	-	-	-
TOTAL	1.396.121	1.401.857	-5.736	1.254.520	141.601	1.257.021

Held-to-maturity financial assets amounted to 1.396 million euro, an increase of 11,3% compared to 1.255 at the end of the year due to the purchase of government securities.

These assets consist of 1.386 million euro held by the Parent Bank, while the remaining assets are held by the company UBI Factor.

The investment, which consists mainly of Italian government securities, also includes, however, bonds issued by major banking counterparties for a total nominal amount of 350 million euro, that are “Constant Maturity Swap” (CMS) indexed with variable annual coupons indexed to the 10 year swap rate.

Exposures of the UBI Banca Group to some types of products and to some counterparties

A summary of these exposures of the UBI Group is given below.

Special purpose entities (SPEs)

Exposures of the UBI Group to SPEs relate exclusively to entities formed for Group securitisations and with a view to the issue of covered bonds, all falling within the scope of the consolidation³.

Ordinary lines of liquidity existed as at 30th September 2008 granted by the Parent Bank to the special purpose entities Orio Finance Nr.2 Plc and Orio Finance Nr.3 Plc for a total of 10,8 million euro, but had never drawn on (17,3 million euro as at 30th June 2008). Ordinary lines of liquidity had also been granted by B@nca 24-7 to the entity 24-7 Finance for a total of 45,1 million euro, of which 35 million euro had been drawn (lines of liquidity existing as at 30th June 2008 amounted to 35,1 million euro, which had been fully drawn on).

All the securitisations are hedged by swap contracts where the main objective is to stabilise the flow of interest generated by the securitised portfolio and to protect the special purpose entity from interest rate risk. These derivatives contracts were taken out between the entities and the respective hedging counterparties which, in order to be able to “close” the risk with originator, took out contracts – identical in form but opposite in the effects – with UBI Banca. The Parent Bank, then in turn, renegotiated further mirror swaps with the respective originators⁴.

The exposures relating to the derivatives mentioned (by the Parent Bank, Banco di Brescia, Centrobanca and UBI Leasing to the special purpose entities created for the securitisation of their assets) had a total mark-to-market value of -1,3 million euro (-2,6 million euro as at 30th June 2008). The fair value of the derivatives relating to the B@nca 24-7 securitisation amounted to +7,3 million euro (-1,7 million euro as at 30th June 2008).

Finally, with regard to the entity, UBI Finance Srl⁵, the purchase of loans from the originators Banco di Brescia and Banca Regionale Europea for 1,92 billion euro had been completed as at 30th September 2008. The originator banks issued a subordinated loan to UBI Finance to fund the purchase. The loan in question amounted to 1,95 billion euro as at 30th September 2008.

³ Part E of the Notes to the Consolidated Financial Statements as at 31st December 2007 may be consulted for a detailed description of the Group’s special purpose entities and securitisations.

⁴ The only particular case was the Sintonia Finance securitisation which Centrobanca Spa closed directly, without going through the Parent Bank, hedging the risk by means of a swap contract.

⁵ This entity was formed to purchase loans from banks as part of operations to issue covered bonds, in accordance with Art.7 *bis* of Law No.130 of 30th April 1999.

ABS instruments

As at 30th September 2008, the UBI Banca Group held direct investments in ABS instruments amounting to approximately 274 million euro (274 million euro as at 30th June 2008 and 155 million euro as at 31st December 2007), net of repurchases of tranches of its own securitisations, consisting mainly of the following:

- a collateralised debt obligation (“CBO Investment Jersey Ltd 1999-2013”, classified within financial assets held for trading), amounting to 44,2 million euro (67,7 million euro in June 2008 and 67,4 million euro in December 2007) with the underlying consisting of securities issued by supranational institutions;
- ABS securities totalling approximately 5,4 million euro (recognised within financial assets held for trading), belonging to the subsidiary UBI Banca International Sa, with underlying assets mainly of European origin (5,9 million euro in June 2008 and 5,3 million euro in December 2007);
- other structured credit products with a high credit rating totalling 21,7 million euro (classified within financial assets held for trading) including 4,6 million euro held in portfolio by UBI Banca International Sa (the total as at 30th June 2008 was 22,4 million euro, compared to 22,2 million euro in December 2007);
- ABS securities totalling 129,1 million euro (recognised within available-for-sale financial assets) relating to senior tranches of INPS (national insurance institute) securitisations (130,3 million euro in June 2008 and 59,7 million euro at the end of 2007);
- RMBS securities amounting to 47,0 million euro (recognised within available-for-sale financial assets) and relating to the senior tranches of the residential mortgage securitisations of a major Italian banking group. RMBS securities amounted to 47,2 million euro as at 30th June.

ABS securities (including RMBS securities) recognised within available-for-sale financial assets are eligible for refinancing with the European Central Bank. No direct investments exist in securities backed by commercial mortgages (CMBS).

None of the positions listed contained underlying assets linked to subprime or Alt-A loans.

In addition to the direct exposures, hedge funds or funds of hedge funds were identified among the assets present in Group portfolios with exposures to structured credit products of the CDO and CMBS type. Total indirect exposure to CDOs and CMBSs as at 30th September 2008 amounted to approximately 3,4 million euro, compared to 3,8 million euro in June 2008. The percentage exposures remained low: only one out of 12 hedge funds had an exposure of greater than 10%.

Subprime and Alt-A mortgages

Indirect exposures exist within the UBI Banca Group to subprime and Alt-A mortgages that are contained in hedge funds or funds of hedge funds held by the Parent Bank. At the end of September, the total value of these funds amounted to 121,3 million euro (137,5 million euro as at 30th June 2008) - net of impairment losses/write-backs - and the percentage exposures to subprime/Alt-A loans were contained (only one hedge fund out of 13 has a percentage exposure of greater than 10%).

Total indirect exposure to subprime and Alt-A loans amounted to approximately 2,8 million euro (3,3 million euro in June).

Exposures to monoline insurance companies

Indirect exposures to monoline insurance companies exist again in hedge funds or funds of hedge funds held by UBI Banca. The percentages of exposure continue to be modest with an overall position as at 30th September 2008 amounting to 2,4 million euro (2,3 million euro in June 2008 and 3,4 million euro in December 2007).

As on the other hand concerns insurances policies to protect residential mortgage loans – for the part exceeding 80% of mortgages –, Banca 24-7 has an exposure of 75,8 million euro to a

monoline insurance company (71,9 million euro as at 30th June 2008 and 70 million euro as at 31st December 2007).

Derivative instruments for trading with customers

The analysis performed on trading with customers of the UBI Group as at 30th September 2008 in OTC derivative instruments confirmed that risks for customers were generally contained and lower than previously found (in fact the total negative mark-to-market value accounted for 1,56% of the notional amount traded, compared to 1,82% at the end of June 2008). In detail:

- the total notional amount for existing contracts (7,38 billion euro approximately) consisted of 7 billion euro on interest rate derivatives, 370 million euro on currency derivatives and 11 million euro on commodities derivatives;
- transactions in hedging derivatives accounted for approximately 84% of the notional amount traded, in the case of currency derivatives;
- the net total mark-to-market value (interest rate, currency and commodities derivatives) amounted to approximately -63 million euro for customers. Those contracts with a negative mark-to-market were valued at approximately -115 million euro, approximately 55,4% of which related to transactions classed as speculative;
- OTC derivatives contracts on interest rates traded with private individual retail customers had a total positive mark-to-market of approximately 1,68 million euro (negative mark-to-market of -2,2 million euro approx.), compared to approximately 9 million euro as at 30th June 2008 (a negative mark-to-market of -1,5 million euro approx).

Table 1.1.a. OTC INTEREST RATE DERIVATIVES: TOTALS FOR NETWORK BANKS <i>Figures as at 30th September 2008</i>				
Network Bank	Number of transactions	Notional	MtM	of which negative MtM
Banco di Brescia	5.492	2.198.154.531	-37.378.470	-46.832.886
Banca Regionale Europea	3.187	874.903.459	-21.967.808	-25.633.564
Banco di San Giorgio	1.327	393.939.731	-9.578.577	-11.514.332
Banca di Valle Camonica	1.141	216.140.048	-1.425.098	-2.362.740
Banca Popolare di Bergamo	467	1.966.339.427	6.271.069	-10.697.703
Banca Popolare Commercio & Industria	295	482.773.304	-862.087	-3.904.657
Banca Popolare di Ancona	228	309.681.349	528.839	-3.323.037
Centrobanca	75	498.322.056	2.650.402	-1.945.372
Banca Carime	65	55.118.110	624.511	-122.334
UBI Banca Private Investment	17	1.507.000	7.513	-886
TOTAL UBI GROUP	12.294	6.996.879.015	-61.129.706	-106.337.511
<i>of which with Retail Private individual Counterparties</i>	8.854	970.413.903	1.681.315	-2.227.427
Table 1.1.b. OTC CURRENCY DERIVATIVES: TOTALS FOR NETWORK BANKS <i>Figures as at 30th September 2008</i>				
Network Bank	Number of transactions	Notional	MtM	of which negative MtM
Banco di Brescia	207	95.603.175	250.971	-2.130.106
Banca Popolare di Bergamo	103	45.672.314	-930.504	-1.749.653
Banca Popolare di Ancona	76	54.345.706	-962.473	-1.704.099
Banca Popolare Commercio & Industria	62	41.668.355	1.064.175	-388.853
Banca Regionale Europea	47	20.892.173	168.285	-576.755
Banca di Valle Camonica	36	9.877.525	-169.611	-279.192
Banca Carime	8	48.973.348	-440.152	-464.989
Banco di San Giorgio	7	41.447.369	-569.376	-609.923
Centrobanca	7	11.230.111	-184.827	-315.699
TOTAL UBI GROUP	553	369.710.076	-1.773.511	-8.219.268
<i>of which with Retail Private individual Counterparties</i>	-	-	-	-
Table 1.1.c. OTC COMMODITY DERIVATIVES : TOTALS FOR NETWORK BANKS <i>Figures as at 30th September 2008</i>				
Network Bank	Number of transactions	Notional	MtM	of which negative MtM
Banco di San Giorgio	4	7.592.813	313.792	-
Banca Popolare Commercio & Industria	4	1.786.478	-77.180	-77.180
Banca Popolare di Bergamo	3	913.847	-68.438	-68.438
Banco di Brescia	3	567.154	-62.869	-62.869
Banca Carime	1	335.594	-154.811	-154.811
TOTAL UBI GROUP	15	11.195.885	-49.506	-363.298
<i>of which with Retail Private individual Counterparties</i>	-	-	-	-
TOTAL UBI GROUP	12.862	7.377.784.976	-62.952.724	-114.920.077

Lehman Brothers

On 15th September, Lehman Brothers Holdings Inc. filed for chapter 11 bankruptcy with the US Bankruptcy Court, which will enable it to “reorganise” its operations⁶.

The **total exposure** of the UBI Banca Group as at 15th September 2008 to this company in default and to other companies controlled by it was very low, as follows:

- bonds held in portfolio with a nominal value of 12,5 million euro issued by Lehman Brothers Holdings Inc. on which no protection purchases had been made;
- a net exposure in derivatives in relation to UBI Banca and Centrobanca transactions, negative by 7 million euro, the result of a negative mark-to-market (due to Lehman) of approximately 27 million euro and of a positive mark-to-market (due from Lehman) of 20 million euro. Centrobanca also had a deposit of 7,6 million euro made to guarantee its own transactions⁷.

There were no assets consisting of interbank deposits.

The bonds mentioned above were classified in the accounts as at 30th September 2008 within impaired assets in the trading portfolio and recognised on the basis of the presumed realisable value, equal to 15% of the nominal value amounting to 1,875 million euro. Income relating to those financial instruments has not been recognised since the date of the default.

As concerns, on the other hand the **exposure (direct and/or indirect) of customers**:

- as at the above date, deposits administered on behalf of customers contained bonds issued by Lehman Brothers for a nominal amount of approximately 109 million euro, of which 52% (57 million euro) consisted of securities previously included in the ABI-Patti Chiari “Low risk, low yield” list, deposited mainly in dossiers belonging to customers classed as “eligible” and “retail customers” according to the MiFID classification;
- the UBI Group has not sold any bonds issued by Lehman Brothers over the last 24 months, nor has it sold insurance policies which involve any form of direct exposure (policies for which the underlying consists of securities issued by Lehman, or policies exposed to Lehman through credit derivatives);
- only two unit linked policies have been sold for a total of 18,6 million euro with the underlying assets managed by UBI Pramerica SGR, while the guarantee on the maturing capital is provided by Lehman Brothers: nevertheless nothing is due from Lehman Brothers for these policies because their present value is greater than the amount guaranteed under the contracts;
- Lehman securities amounting to 58,3 million euro were present in the “separately managed assets” of life insurance products (excluding Sector 3), attributable mainly to Aviva Vita and to Risparmio e Previdenza (Cattolica Assicurazioni), for which there is a guarantee on the capital given by the insurance company;
- the customer portfolio managements of UBI Pramerica SGR purchased by retail customers had no securities issued by Lehman Brothers or parties related to it in their portfolios;
- the mutual funds managed by UBI Pramerica SGR were exposed to bonds issued by Lehman Brothers totalling 2,4 million euro, accounting for 1,6% and 0,30% respectively of the individual funds that had invested in those securities;
- the speculative mutual funds managed by UBI Pramerica SGR had no exposure.

⁶ As concerns other companies in the Lehman Group, on 15th September 2008 Lehman Brothers International (Europe) was placed into administration proceedings by order of the UK High Court of Justice while Lehman Brothers Special Financing Inc. filed for chapter 11 bankruptcy on 3rd October 2008.

⁷ The mark-to-market value of Centrobanca’s derivatives contracts as at 30th September 2008 was negative by 1,7 million euro (not including the deposit mentioned above, amounting to 7,6 million euro). On that same date, the mark-to-market value of the derivatives and the results of currency transactions which UBI Banca had entered into determined a negative balance of 5,6 million euro.

From an operational viewpoint, the UBI Group suspended regular payments from 15th September, following the announcement of the default, to all the companies in the Lehman Group with which ISDA contracts had been taken out for trading in OTC derivatives. It was then decided to proceed to the early termination of all the contracts, as permitted by the terms of the existing ISDA contracts, freezing the relative mark-to-market values and restoring hedges which had lapsed with the same number of contracts entered into on the market.

On 15th October a statement was prepared in relation to Centrobanca which is owed a total of 10.111.861,47 dollars (approximately 8 million euro) by Lehman.

On 5th November UBI Banca terminated its OTC derivatives contracts with Lehman Brothers Special Financing Inc. and with Lehman Brothers International (Europe). The quantification of the UBI Banca's total exposure is currently in progress following the contract terminations just mentioned.

Opinions requested from American legal advisors concerning offsetting the debtor positions of UBI Banca against the creditor positions of Centrobanca confirmed the full validity of the netting clauses in contracts, even between different counterparties. Those same opinions nevertheless pointed out that there were no precedents for this in US case-law. The validity of the clauses is therefore highly probable but not certain.

AIG (American International Group)

The UBI Banca Group has no exposure to this colossus of the insurance world, AIG – in difficulty because of the American mortgage crisis, saved on 17th September 2008 by a loan granted by the Federal Reserve, to be repaid with the sale of assets – except for one liability policy to cover members of the governing and supervisory bodies, which expires at the end of March 2009.

Fannie Mae e Freddie Mac

The UBI Group holds no direct exposure to these two agencies, Fannie Mae and Freddie Mac, which specialise in property mortgages – and at the beginning of September fell under the control of the American Treasury, which undertook to guarantee the whole of its debt in issue – neither in its investment portfolio, nor in the use of international credit lines and not even in derivatives instruments.

Default of Icelandic Banks

The entire financial system of the Republic of Iceland has been in deep crisis which has affected all operators in the sector since last September, following the events which threw world financial markets into turmoil. The Icelandic government has therefore been obliged to nationalise all the banks in the country since they were unable to honour their obligations.

We report that with regard to the three main Icelandic banks – Kaupthing Bank, Glitnir Bank (formerly Islandsbanki Hf) and Landsbanki – three unit linked policies were sold to customers through UBI Assicurazioni Vita and Aviva Vita (ZOOM TEAM 25, ZOOM BRIC 40 “5+5” and BRIC 40 “5+5”) for which the performance (minimum return and repayment of capital on maturity) is linked to underlying securities issued and guaranteed by Glitnir Bank and Kaupthing Bank.

At the time when the contracts were entered into, the counterparties had ratings higher than those required by the ISVAP (insurance authority) regulations in force. In detail, Glitnir Bank had a Fitch rating of A and a Moody's rating of A1, while the Kaupthing Bank benefited from a Fitch rating of A and a Moody's rating of Aa3.

Following the default, the total capital invested by our customers in those policies, amounting to 73 million euro, has fallen to close to zero.

On the basis of the policy contracts, neither UBI Assicurazioni Vita and Aviva Vita (which has also controlled UBI Assicurazioni Vita since 18th June 2008), nor UBI Banca have any legal obligation to indemnify those customers for the losses they have incurred.

Nevertheless, in consideration of the exceptional and non recurring nature of the event – which we underline involved not only individual financial operators but the whole financial system of a developed country which enjoyed high ratings before the crisis – Aviva Vita and UBI Banca are studying the impact of the events just described in detail, in order to assess the possible repercussions and to adopt a position to properly protect the 4.420 customers who held policies, with the objective of safeguarding the value of the investment as much as possible – in the medium to long term once the current acute crisis is over.

One preliminary hypothesis, still under discussion with the insurance company, would involve the deferred recovery of the capital invested by customers, with the deferral related to the value of the underlying assets (hypothesised initially at 15%) and a balanced distribution of the relative cost between the Bank and the insurance company. A provision for liabilities and charges has been recognised as at 30th September 2008 of approximately 8 million euro to meet this commitment, a sum which could change in relation to the investigations in progress and the outcome of consultations with the other party.

Information on risks and hedging policies

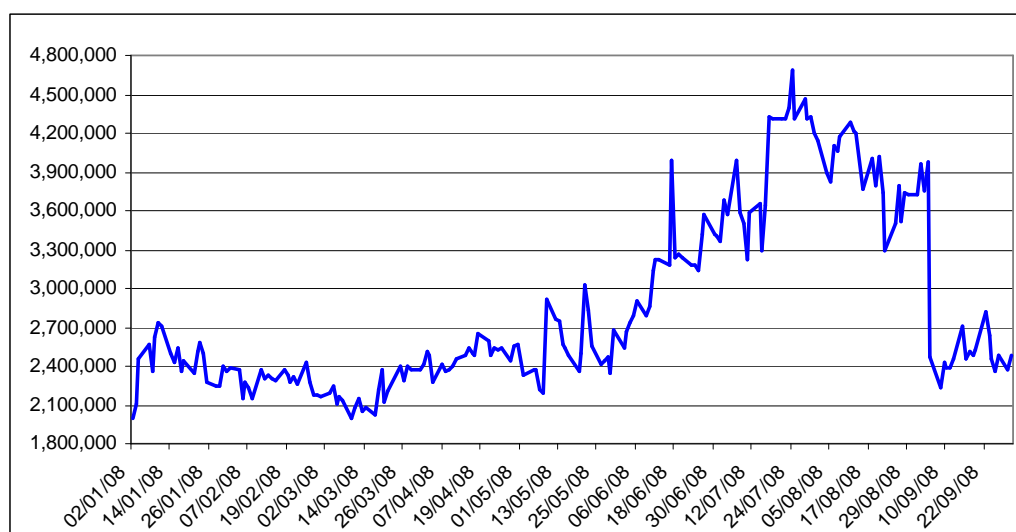
As part of this periodical financial report and in continuity with the information given in the half year report as at and for the period ended 30th June 2008, a brief analysis is given of the main risks to which the banking group is subject.

A quantitative update in terms of the main risk indicators is given below. Part E of the notes to the consolidated financial statements as at 31st December 2007 may be consulted for the general aspects, the risk management policies and the organisational and methodological aspects, which remain unchanged.

MARKET RISK

Interest rate risk – Supervisory trading book

The graph shows the changes in daily VaR that occurred in the first nine months of 2008 for the trading portfolios of the UBI Banca Group.



VaR by risk factor calculated on the entire trading book of the UBI Banca Group as at 30th September 2008 is also given.

Trading book UBI Group	30-Sep-08	30-Jun-08
Exchange rate risk	73.350	58.035
Interest rate risk	1.447.521	3.378.736
Equity risk (1)	2.795.787	2.335.308
Credit risk	363.303	311.333
Volatility risk	303.883	216.086
Diversification effect (2)	(2.558.788)	(2.880.787)
Total (1)	2.425.057	3.418.711

(1) Does not include the VaR on hedge funds.

(2) The diversification effect is given by the imperfect correlation between the different risk factors present in the Trading portfolios.

The figures reported in the preceding table show a decrease in VaR for the “interest rate” risk factor. This change is explained by the termination of a strategy of arbitrage on rates performed in September.

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 flanked 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 risk is defined at individual company level, although there are some specific exceptions. In addition to the exposure limits, early warning thresholds are also set.

At the end of September, Group exposure to interest rate risk, for a parallel shift in the yield curve of +100 b.p. amounted to -159,6 million euro. 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 (+121,2 million euro) and negative if they decrease (-125,1 million euro). The viscosity effect of the on demand items was estimated at approximately +128 million euro if there is an increase in interest rates and -130 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 basis points, in compliance with the requirements of Basle 2, measured on the tier 1 capital and on the supervisory capital as at 30th June 2008.

Risk indicators – period average(*)	March– September 2008	
<i>parallel shift of 200 bp</i>		
sensitivity/tier 1		4,25%
sensitivity/supervisory capital		3,17%
Risk indicators – end of period values (*)	30.6.2008	30.9.2008
<i>parallel shift of 200 bp</i>		
sensitivity/tier 1	4,6%	4,4%
sensitivity/supervisory capital	3,5%	3,3%
(*) inclusive of the impact of early repayment of mortgage loans		

For the purposes of full information, 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 the banking portfolios of the UBI Banca Group amounted to 9,02 million euro (8,27 million euro as at 30th June 2008) with a NAV amounting to 5.340,54 million euro (5.275,83 million euro as at 30th June 2008)¹.

¹ The figures for NAV and VaR are calculated net of intragroup securities.

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 2008, the method for calculating VaR was applied to funds recognised in the accounts amounting to 683 million euro. The VaR used was approximately 42 million euro (against a limit of 50 million euro). The investments were denominated exclusively in euro (64% of NAV) and in USD (36% of NAV) and they were mainly in multi-strategy funds (more than 29% of NAV), which involve internal diversification of the management strategies into event driven funds (18,7% of NAV) and long/short equity funds (15,4% 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 Banca Group.

Liquidity risk is managed in practice by defining a dual limit designed to identify 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 maturities in order to pursue a basic balance for each individual maturity range.

Liquidity risk is also designed to measure the Group’s capacity to meet its liquidity requirements by means of assets eligible as collateral for refinancing and/or which can be liquidated.

In consideration of the development of liquidity risk management procedures, corporate risk policies were integrated with the adoption of a “*contingency funding plan*” (CFP). The purpose of this plan is to protect the assets of the Group in situations of liquidity drainage by putting in place crisis management strategies and procedures to find sources of funding, thereby guaranteeing prompt reaction and intervention in emergency situations. The main features are as follows:

- the identification of crisis signals which require the activation of the plan;
- the identification of the persons responsible for managing a crisis;
- the definition of special powers for those involved in crisis situations.

More specifically the plan is activated if specific threshold limits are exceeded, defined on the basis of different levels of severity, in relation to exposure at any given time and to stress tests performed on the main aggregates subject to the highest volatility risk:

- reduction in on demand funding from ordinary customers;
- increase in the use of credit lines granted to customers.

The Risk Management Area is responsible for daily monitoring of indicators to which the activation of the contingency plan is linked when the relative thresholds are exceeded.

The section of this report on activity on the interbank market may be consulted for changes in the treasury position and in net interbank indebtedness.

The basic rejection by markets of medium-to-long term issues, except at particularly penalising rates, and the consequent resort to short term forms of funding resulted in a worsening of the structural balance between assets and liabilities during the third quarter. 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,

nevertheless allowed the short term liquidity requirement to be contained within the warning levels set by internal policies.

As concerns the main liquidity indicators monitored, liquid assets at the end of September 2008 were sufficient to meet approximately 88% of the liquidity requirement of the Group 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 3,5% in on-demand liabilities, relating to ordinary customers.

OPERATIONAL RISK

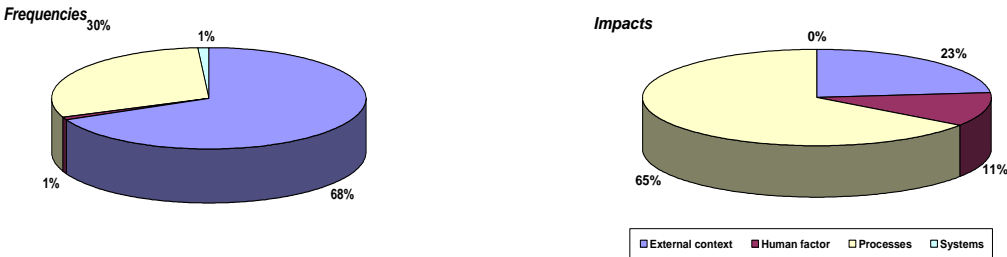
Operational risk is the risk of losses resulting from errors or inadequacies in internal processes due to both human resources and technological systems or from chance or natural external events. It includes legal risk which, amongst other things, comprises exposure to fines, monetary or other penalties 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 property, plant and equipment and intangible assets both of the Group and of third party customers.

The graphs below show that the main **sources of operational risk** for the UBI Banca Group in the period 1st January 2004 – 30th September 2008 by date of detection were “external causes” (23% of impacts and 68% of frequencies) and “processes” (65% of impacts and 30% of frequencies).

The “process” risk drivers included unintentional mistakes, insufficiently trained personnel, procedural and process inefficiencies and the failure to comply with internal procedures and controls. “External causes” (external context) included human actions performed by third parties and not directly under the control of the Bank, such as thefts and robberies, paper fraud, damage caused by natural events (earthquakes, floods, etc.) and other external events.

The **types of event** which caused the greatest losses gross of insurance recoveries and other external recoveries in the period in question (1st January 2004 – 30th September 2008, by date of detection) were “customers, products and professional practices” (34%) “execution, delivery and process management” (28%), and “external fraud” (22%), and they were mainly attributable to the “retail banking” (52%) and “retail brokerage” (24%) **lines of business**.

Percentage of operational losses, by date of detection, for the period 1st January 2004 – 30th September 2008, by risk driver



The first ICAAP report

On 31st October 2008, the UBI Banca Group filed its first consolidated report on its capital adequacy (ICAAP - Internal Capital Adequacy Assessment Process – report) with the Bank of

Italy for its position as at 30th June 2008. The report was prepared in simplified form in accordance with regulations, with an assessment of internal capital for first pillar risks and for interest rate and concentration risks in relation to second pillar risks.

The report gives details of the following: strategic lines of development and the forecast horizon considered by the Group business plan; a description of corporate governance, organisational structures and systems of control related to ICAAP; exposure to risks, methods of measuring and aggregating them and stress tests; the components, estimates and methods of allocating internal capital; the relationship between internal capital, supervisory requirements and supervisory capital; and finally the self assessment of ICAAP, i.e. identification of areas for further growth in the methodological model.

The internal process for assessing capital adequacy (ICAAP) represents the first stage of the process of prudential control provided by the second pillar of the New Accord on Capital (Basel 2). The second stage consists of supervisory review and evaluation assessment (SREP) which is the responsibility of the supervisory authority which reviews ICAAP and formulates an overall judgement on the Bank.

The income statement

The income statement figures commented on are based on the reclassified consolidated statements (the income statement, the quarterly income statements and the income statement net of the most significant non-recurring components) contained in the specific section. In order to provide consistent and uniform information, the tables furnishing details have been reclassified and restated pro-forma in the same manner. The explanatory notes that precede the reclassified financial statements may be consulted as may the reconciliation schedules for a description of the reclassification and also for details of the restatement of the comparative pro-forma figures and of the PPA allocation.

The comparative figures for the first nine months of 2007 include the income statement items for the branches which were subsequently disposed of.

The tensions and uncertainties on financial markets continued during the third quarter of the year and culminated on 15th September 2008 when the American bank Lehman Brothers Holdings Inc. filed for “reorganisation” under chapter 11 of the US Bankruptcy Code. The crisis therefore acquired momentum and became systemic.

In a suddenly and radically changed context, – as a result of the performance of net interest income and the presence of positive non-recurring items amounting to 92,3 million euro relating mainly to the disposal of equity investments and the “tax redemption” – the UBI Banca Group earned **net profit** of 620 million euro, an improvement of 18,2% compared to 524,4 million euro in the period January to September of 2007, which nevertheless included negative non-recurring items amounting to 95,9 million euro, resulting to a large extent from integration costs incurred.

Both comparative periods include *purchase price allocation* costs for the acquisition of the former BL Group, amounting to -63,5 million euro for the first nine months of 2008 and to - 62,8 million euro for the same period of 2007.

When the performance for income is analysed at quarterly level, the result – 100,9 million euro – reflects the immediate effects of the crisis on financial markets and as such, it fell compared to both the result of 164,3 million euro for the third quarter of 2007 and compared to the figure of 299,9 million euro for the second quarter of 2008.

Operating income totalled 3.229 million euro in the first nine months of the year, with a limited decrease compared to 3.293 million euro in the comparative period as a result of the good performance by the ordinary operations and more particularly of the strong trend for business with customers.

If the *effect of markets* is excluded – summarised by the net profit from trading, hedging, disposal/repurchase and financial assets/liabilities at fair value – the ordinary income of the Group recorded positive growth of 2%.

Net interest income – which also includes 58,5 million euro of costs in relation to the PPA – recorded growth of 12,1% to 2.204 million euro and came to account for 68,2% of the total ordinary income of the Group (59,7% in the first nine months of 2007).

At quarterly level too, the balance on net interest confirmed the positive trend with growth of 10,4% compared to the third quarter of 2007.

In detail, in the period January-September 2008:

- the net balance of **business with customers**¹ (approximately 2,1 billion euro) increased by 17,4%, due to both the combined effect of trends for volumes of lending and funding and

¹ Interest income on loans to customers + interest income on financial assets transferred not derecognised (only for the part relating to financing, 58.843 thousand euro in 2007), net of interest expense on: amounts due to customers and securities issued, financial liabilities held for trading (only for the part related to other liabilities – domestic currency swaps linked to certificates of deposit which in the first nine months of 2007 amounted to 60.660 thousand euro), financial liabilities against assets transferred not derecognised (only for the part relating to customers, 6.859 thousand euro in 2008 and 104.593 thousand in 2007) and interest relating to hedging derivatives on bonds issued and on mortgages.

Interest and similar income: composition

Figures in thousands of euro	Performing financial assets		Impaired financial assets	Other assets	30.9.2008	30.9.2007 pro-forma
	Debt securities	Financing				
1. Financial assets held for trading	22.245	-	163	-	22.408	53.024
2. Financial assets at fair value	27.083	-	-	-	27.083	115.474
3. Available-for-sale financial assets	83.464	-	-	-	83.464	36.553
3. Held-to-maturity financial assets	12.999	-	-	-	12.999	25.597
5. Loans to banks	-	120.608	-	179	120.787	170.958
6. Loans to customers	6.215	4.041.353	91.457	2.381	4.141.406	3.539.171
7. Hedging derivatives	X	X	X	-	-	-
8. Financial assets transferred not derecognised	47.706	126.402	-	-	174.108	119.605
9. Other assets	X	X	X	3.223	3.223	4.050
Total	199.712	4.288.363	91.620	5.783	4.585.478	4.064.432

Interest and similar expense: composition

Figures in thousands of euro	Liabilities and payables	Securities	Other liabilities	30.9.2008	30.9.2007 pro-forma
2. Due to customers	(789.615)	X	(238)	(789.853)	(534.734)
3. Securities issued	X	(1.187.590)	-	(1.187.590)	(1.049.238)
4. Financial liabilities held for trading	(2.728)	-	(100.281)	(103.009)	(73.593)
5. Financial liabilities at fair value	-	-	-	-	-
6. Financial liabilities against assets transferred not derecognised	(47.284)	-	-	(47.284)	(120.152)
7. Other liabilities	X	X	(370)	(370)	(141)
8. Hedging derivatives	X	X	(105.580)	(105.580)	(79.103)
Total	(987.758)	(1.187.590)	(206.527)	(2.381.875)	(2.097.959)

Net interest income

2.203.603 **1.966.473**

the broadening of the spread (+8 basis points for the network banks and +4 basis points for banks together with other companies), attributable mainly to changes in the mark up.

The positive growth in business with customers was generated on the one hand by the good commercial positioning of the network banks on their traditional local markets and on the other hand by a policy to change the composition of the lending portfolio, which led during the year to a rationalisation of exposures with marginal profitability in the large corporate segment (short term financial lending) and to a new focus on the core segment of medium and small enterprises (see the section “traditional banking activities”).

The other companies, Centrobanca, B@nca 24-7 and the leasing and factoring companies recorded even greater growth in lending, although on smaller volumes of business than for the main network banks;

- **financial activities**, relating to interest income on the portfolio of securities owned², made a contribution of 190,9 million euro, a decrease of 87,6 million euro compared to 2007, due, above all, to the absence of interest on capitalisation policies (classified within financial assets at fair value), which alone accounted for 88,4 million euro of the decrease.

The portfolio of the Group did in fact record a significant reduction in the stock compared to twelve months before, which was only partly offset, from an income viewpoint, by average growth of 43 basis points in the Euribor one month rate. A change also occurred within that aggregate in the composition of interest income from assets held for trading (with greater use made of them in the past for the construction of repurchase agreements with customers) towards available-for-sale financial assets (see the section “financial activities”);

- at the end of September the balance on **interbank interest** was negative by 67,8 million euro, compared to -85,6 million euro recognised in 2007³, an improvement resulting from

² Interest income on financial assets held for trading, designated at fair value, available-for-sale, held-to-maturity, and transferred not derecognised (only for the part relating to debt securities, amounting to 60.762 thousand euro in the nine months of 2007), net of interest expense on financial liabilities held for trading (only for the part relating to liabilities - uncovered short positions, which amounted to 12.933 thousand euro in 2007).

³ In addition to interest income on loans to banks and interest expense on amounts due to banks, it includes interest expense on financial liabilities against assets transferred not derecognised (40.425 thousand euro in 2008 and 15.559 thousand euro in 2007).

services, achieved in a changed regulatory context for the banking system (+1,7 million euro net), and for services related to factoring transactions (+1 million euro).

No performance fees were recognised because of market performance. They amounted to 4,6 million euro in the same period of 2007.

Net profit from trading, hedging, disposal/repurchase and assets/liabilities at fair value – negative by 49,7 million euro in the nine month period, compared to +79,4 million generated in the comparative period – incorporated large falls in prices which started to occur in the summer and which, originating on the American market, propagated, after the Lehman Brothers' default, to all financial centres, penalising hedge funds mostly and equity instruments to a lesser extent.

More specifically, *trading activity* – which at a quarterly level was positive at close to 11 million euro, the result above all of the debt securities and related derivatives sectors – generated a result of -821 thousand euro over the nine month period compared to +38,4 million euro previously. A combined reading of financial assets and the respective derivatives contracts shows their contribution to profit by type of instrument held in portfolio. In detail:

- *debt securities* made a positive contribution of 24,9 million euro (+20,3 million in the third quarter only), which virtually compensated for the negative performance of the other sectors, despite the inclusion within the item of the write-down of the Lehman bonds held in portfolio totalling 10 million euro. The result was positive by 18,5 million euro in the first nine months of 2007, including 9 million euro generated in the third quarter;
- *equity instruments* made a negative contribution of 12,1 million euro (-14,7 million in 2007), even though they benefited from a gain of 16,4 million euro made on the disposal of the interest held in Radici Film Spa as part of Centrobanca's private equity business. The item made a negative contribution in the third quarter only of 2,7 million euro, compared to -3,2 million euro in the same quarter of 2007;
- *units in O.I.C.R.* (collective investment instruments) (which include units in hedge funds purchased before 1st July 2007) – the item most exposed to the turbulence on international markets - contributed negatively to earnings by 23,3 million euro compared to +25,6 million in 2007. The loss in the third quarter amounted to 7,2 million euro (-5,4 million in comparative quarter).

Similarly, the *result for assets and liabilities at fair value*, within which hedge funds purchased since 1st July 2007 have been classified recognised on the basis of the presumed market value at the end of the period (30th September 2008), was also negative by 52,7 million euro (-149 thousand euro in the comparative period). The loss recorded was incurred almost entirely in the third quarter of 2008 (-51,1 million euro), in parallel with the worsening of the international crisis (the American crisis in particular). See also the section "Financial activities" in this respect.

Profits (losses) on the disposal of financial assets and liabilities amounted to 12 million euro compared to the previous 32,1 million euro and they included 7,1 million euro on non-recurring gains on the sale of an investment classified as available-for-sale (Key Client Card & Solutions, formerly CIM Italy). The comparative period included 16,1 million euro relating to the disposal of Parmalat shares held in portfolio and 5,1 million euro from the disposal of loans.

Net profit from hedging activity fell from +9,1 million euro to -8,2 million euro. In consideration of the effectiveness of the hedges, that change was to be expected given the total amount of the hedging derivatives and of the items hedged.

Net profit (loss) from trading

	Gains (A)	Profit from trading (B)	Losses (C)	Losses from trading (D)	Net result 30.9.2008 [(A+B)-(C+D)]	30.9.2007 pro-forma
Figures in thousands of euro						
1. Financial assets held for trading	7.939	91.059	(90.106)	(102.958)	(94.066)	48.179
1.1 Debt securities	4.291	11.429	(23.973)	(4.408)	(12.661)	(12.714)
1.2 Equity instruments	410	21.337	(55.293)	(27.500)	(61.046)	29.315
1.3 Units in O.I.C.R. (collective investment instruments)	3.238	1.911	(8.891)	(19.601)	(23.343)	25.581
1.4 Financing	-	-	(1.949)	-	(1.949)	-
1.5 Other	-	56.382	-	(51.449)	4.933	5.997
2. Financial liabilities held for trading	268	-	(314)	(1.758)	(1.804)	569
2.1 Debt securities	189	-	(314)	-	(125)	569
2.3 Other	-	-	-	-	-	-
2.3 Other	79	-	-	(1.758)	(1.679)	-
3. Other financial assets and liabilities: exchange rate differences	X	X	X	X	1.075	(2.265)
4. Derivative instruments	376.288	2.573.453	(337.699)	(2.525.326)	93.974	(8.092)
4.1 Financial derivatives	376.288	2.573.059	(335.784)	(2.525.326)	95.495	(6.467)
- on debt securities and interest rates	297.963	2.421.228	(262.677)	(2.418.960)	37.554	31.233
- on equity instruments and share indices	56.950	133.347	(58.236)	(83.100)	48.961	(44.029)
- on currencies and gold	X	X	X	X	7.258	2.992
- other	21.375	18.484	(14.871)	(23.266)	1.722	3.337
4.2 Credit derivatives	-	394	(1.915)	-	(1.521)	(1.625)
Total	384.495	2.664.512	(428.119)	(2.630.042)	(821)	38.391

Net profit (loss) from hedging

	30.9.2008	30.9.2007 pro-forma
Figures in thousands of euro		
Net profit (loss) from hedging	(8.195)	9.074

Profits (losses) from disposal/repurchase

	Profits	Losses	Net result 30.9.2008	30.9.2007 pro-forma
Figures in thousands of euro				
Financial assets				
1. Loans to banks	-	-	-	-
2. Loans to customers	943	(1.937)	(994)	5.070
3. Available-for-sale financial assets	7.525	(216)	7.309	21.247
3.1 Debt securities	113	(216)	(103)	(226)
3.2 Equity instruments	7.231	-	7.231	17.773
3.3 Units in O.I.C.R (collective investment instruments).	181	-	181	3.700
3.4 Loans	-	-	-	-
4. Held-to-maturity financial assets	-	-	-	-
Total assets	8.468	(2.153)	6.315	26.317
Financial liabilities				
1. Due to banks	-	-	-	-
2. Due to customers	-	-	-	-
3. Securities issued	6.377	(663)	5.714	5.810
Total liabilities	6.377	(663)	5.714	5.810
Total	14.845	(2.816)	12.029	32.127

Net profit (loss) on financial assets and liabilities at fair value

	30.9.2008	30.9.2007 pro-forma
Figures in thousands of euro		
Net profit (loss) on financial assets and liabilities at fair value	(52.717)	(149)

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

	(49.704)	79.443
--	-----------------	---------------

Net income on insurance operations on a like-for-like basis amounted to 16,6 million euro, compared to 27,9 million euro previously. The aggregate includes net interest (10,3 million euro), the balance on other income/expenses from insurance operations and net premiums (5,7 million euro) as well as other income/expenses (0,6 million euro) all relating to UBI Assicurazioni.

The lower earnings were mainly the result of a more rigorous policy pursued in calculating the damages reserve introduced in the current year.

Other operating income and costs

Figures in thousands of euro	30.9.2008	30.9.2007 pro-forma
Other operating income	144.422	149.428
Recovery of expenses and other income on current account	19.182	18.216
Recovery of insurance premiums	24.648	41.565
Recoveries of taxes	117.181	123.625
Rents and other income for property management	5.953	6.343
Recovery of expenses on financial leasing contracts	10.890	11.659
Consolidation adjustments	220	396
Other income and exceptional receivables	83.529	71.249
Reclassification of "tax recoveries"	(117.181)	(123.625)
Other operating expenses	(69.256)	(40.276)
Fines and charges for late tax payments	(116)	(209)
Depreciation of improvements to leased assets	(7.201)	(8.435)
Costs relating to financial leasing contracts	(5.706)	(3.142)
Costs for public authority treasury contracts	(6.032)	(6.465)
Ordinary maintenance of investment properties	(8)	(8)
Other costs and exceptional payables	(57.394)	(30.452)
Reclassification of depreciation of improvements to leased assets	7.201	8.435
Other operating income and costs	75.166	109.152

Other operating income/expenses, calculated net of tax recoveries (reclassified within other administrative expenses) and of depreciation charges relating to expenses incurred for improvements to leased assets (reclassified within depreciation), amounted to 75,2 million, against 109,2 million in the comparative period.

As can be seen from the table, performance in the period was characterised on the one hand by growth in the item "other costs and exceptional payables", with the recognition of the operating expenses of some companies, including one non operational company started up in the second half of 2007, for which income is recognised within other operating income. On the other hand there was a fall in operating income, and in insurance premium income in particular, following changes in contracts for credit protection

insurance linked to mortgages and loans, which resulted in a different accounting treatment from the beginning of 2008 with lower operating income and lower administrative expenses.

Operating costs amounted to 1.929 million euro, an increase of 3,4% on an annual basis. If the non recurring item present in 2007 is excluded, amounting to 49,4 million euro, consisting of the positive impact of new regulations for staff severance payments, the change reduces in reality to +0,7%, well below the inflation rate, which confirms the efforts currently being made to maintain spending under control.

The item does not include integration costs, classified within a separate item.

In detail, *staff costs*, amounted to 1.189 million euro, a slight reduction compared to the first nine months of 2007, considered net of the non-recurring item already mentioned relating to staff severance payments (-0,2%).

The same trend is also confirmed on a quarterly basis, with a reduction of 1,8% compared to the third quarter 2007; the level achieved is one of the lowest recorded since the birth of the UBI Banca Group.

The composition given in the table shows the main components:

- costs for **employees** – 1.150 million euro – fell by 0,5% if considered net of the positive item amounting to 49,4 million euro recognised in 2007 within item e) staff severance provision. While increases were recorded, induced by the inertial effect of labour contract renewals, salary trends and company bonuses along with incentive schemes, the item benefited from a reduction in costs of greater than 29 million euro resulting from a decrease in

Staff costs: composition

Figures in thousands of euro	30.9.2008	30.9.2007 pro-forma
1) Employees	(1.149.978)	(1.106.661)
a) Wages and salaries	(804.966)	(792.856)
b) Social security charges	(217.457)	(215.295)
c) Severance indemnity	(5.537)	(3.141)
d) Pension expense	(69)	(222)
e) Provision charge for severance payments	(20.502)	14.940
f) Provision charge for pensions and similar obligations:	(6.957)	(9.338)
- defined contribution	(3.928)	(3.840)
- defined service	(3.029)	(5.498)
g) Payments to external supplementary retirement benefit plans:	(74.195)	(53.704)
- defined contribution	(74.164)	(53.703)
- defined service	(31)	(1)
h) Expenses resulting from share based payment agreements	(23)	-
i) Other benefits for permanent employees	(20.272)	(47.045)
2) Other personnel	(22.014)	(19.320)
- Expenses for temporary agency staff	(15.105)	(15.771)
- Other expenses	(6.909)	(3.549)
3) Directors	(16.674)	(15.881)
Total	(1.188.666)	(1.141.862)

average staff numbers (the effect of both redundancy plans in progress and the disposal of branches which occurred in 2007) and a reduction in payouts for leaving incentives and for applications to the “support fund” connected with former “plans”;

- costs for *other personnel* increased to 22 million euro (+2,7 million euro) as a result of expenses related to specific contracts, against stable spending for the use of temporary staff (see the section “human resources”);
- expenses related to the item “*directors*” rose from 15,9 million euro to 16,7 million euro.

Other administrative expenses: composition

Figures in thousands of euro	30.9.2008	30.9.2007 pro-forma
A. Other administrative expenses	(516.615)	(524.704)
Postal, telephone and telegraph, use of networks and ICT services	(99.642)	(96.969)
Professional services	(55.741)	(53.833)
Legal and debt collection expenses	(23.696)	(21.950)
Maintenance, installation of machines, furnishings etc	(21.884)	(25.022)
Insurance premiums	(24.748)	(42.685)
Counting and management of valuables	(8.045)	(8.283)
Utility bills and tenancy of premises	(39.926)	(42.672)
Advertising	(25.634)	(23.052)
Forms and stationery	(12.543)	(12.976)
Information services and land registry searches	(10.893)	(11.744)
Property and equipment maintenance	(22.786)	(22.615)
Security	(16.219)	(16.487)
Entertainment expenses	(1.957)	(2.954)
Electronic processing by third parties	(26.878)	(26.051)
Statutory auditor fees	(2.107)	(2.339)
Membership fees	(5.040)	(5.394)
Transport, removal and travel expenses	(28.773)	(24.572)
Sundry goods	(186)	(852)
Books and periodicals	(2.069)	(1.664)
Rent payable	(56.098)	(55.776)
Lease instalments on machines, software, furnishings, etc.	(24.382)	(19.302)
Other contributions	(1.343)	(1.175)
Other expenses	(6.025)	(6.337)
B. Indirect taxes	(22.953)	(17.251)
Indirect taxes and duties	(7.624)	(5.034)
Stamp duty	(99.823)	(103.081)
Municipal property tax	(5.054)	(5.175)
Other taxes	(27.633)	(27.586)
Reclassification of “tax recoveries”	117.181	123.625
Total	(539.568)	(541.955)

Other administrative expenses amounted to 539,6 million euro, a reduction of 0,4% compared to 2007. The reduction was even greater on a quarterly basis (-4%) allowing a record lowest level since the Group was formed in 2007 to be reached.

The change recorded over the nine month period (-2,4 million euro) is the result of opposing trends: on the one hand indirect taxes increased by 5,7 million euro (partly the result of lower recoveries), while on the other hand operating expenses decreased by 8,1 million euro. This trend for lower spending is attributable firstly to lower expenses for insurance premiums, partly due to the amendments to credit protection insurance contracts already mentioned and secondly to lower property maintenance and management expenses. These reductions in expenses were partially offset by higher costs in connection with the strengthening of the central IT platform, with an increase in mobility expenses and by growth in expenses for the postal, IT and professional services of some companies.

For a proper assessment of costs, it must also be considered that the Group is incurring expenses for the functioning of two IT systems for the whole of 2008, both the target IT platform and the former platform, which will be abandoned by the end of the year.

Net impairment losses on property, plant and equipment and intangible assets amounted to 200,4 million euro, compared to approximately 181,5 million euro for the comparative period (+10,5%) and they reflect the greater investments made in the Group IT systems.

The item also includes the increased negative impact of the PPA, which amounted to 54,7 million euro, compared to 46,2 million euro in 2007, as a result of the amortisation curve for those costs.

As a summary of the overall performance of the UBI Banca Group, **net operating income** amounted to 1.301 million euro, compared to 1.428 million euro in 2007.

If net profit from trading hedging, disposal/repurchase and assets/liabilities at fair value is excluded, normalised net operating income would have increased by close to 4%.

Net impairment losses on loans amounted to 255,8 million euro, compared to 179,1 million euro previously. The increase of 76,7 million euro consists of:

- 29,3 million euro of collective net impairment losses on the performing loans portfolio. This performance reflects the deterioration in the economic outlook that emerged during the third quarter of the year, together with some methodological changes introduced in view of developments connected with the Basel 2 project. The development of an advanced model for measuring credit risk and calculating collective impairment losses will be completed in 2009 and may have effects on the performance of the item until the model itself is fully phased in (see the “illustrative notes” to this consolidated quarterly report);

Net impairment losses on loans: composition

Figures in thousands of euro	Impairment losses/write-backs		30.9.2008
	Specific	Portfolio	
A. Loans to banks	4	(191)	(187)
B. Loans to customers	(227.176)	(28.461)	(255.637)
C. Total	(227.172)	(28.652)	(255.824)

Figures in thousands of euro	Impairment losses/write-backs		30.9.2007 pro-forma
	Specific	Portfolio	
A. Loans to banks	1	2	3
B. Loans to customers	(179.749)	607	(179.142)
C. Total	(179.748)	609	(179.139)

- 47,4 million euro of case by case adjustments on deteriorated loans, connected with both the worsening economic scenario and the completion of the process to standardise valuation criteria for the non performing and impaired loans of the network banks following the centralisation of the management of these loans in the Parent Bank (which occurred during the second quarter of 2008).

Although there was an increase in net impairment losses in the third quarter (102,9 million euro) compared to same period in 2007 (65,7 million euro), the cost of lending over the nine month period amounted to 0,35% annualised (0,27% annualised in the first nine months of 2007) in line with business plan targets. The percentage falls to 0,33% net of one-off action taken to standardise the valuation criteria for impaired and non performing loans just mentioned, following the centralisation of debt collection activities.

It will be recalled that the amount for the first nine months of 2007 included a non-recurring impairment charge of 11,6 million euro relating to HRS-Help Rental Service Srl, which went into liquidation on 16th July 2007.

The income statement also contains 5,6 million euro of *net write-backs of impairments of other assets/liabilities* including two non-recurring items already mentioned in the half year financial report, which may therefore be consulted:

- -6,4 million euro for a write down of the interest held in Hopa, to align it with a price of 0,10 euro per share.
- +8,5 million euro as the positive effect of the changes made to the parameters employed for calculating impairment losses on loan guarantees in order to align them with the criteria employed for the calculation of collective impairment losses on actual loans themselves.

Net impairment losses of 8,3 million euro were recorded for this item in 2007 and they included a previous write down of Hopa of 5,1 million euro (classified as non-recurring).

Net provisions for liabilities and charges

Net provisions for liabilities and charges amounted to 39 million euro, compared to 19,6 million euro previously. The increase is the result of greater provision charges for litigation which arose in the first half of the year (revocation actions,

Net provisions for liabilities and charges

Figures in thousands of euro	30.9.2008	30.9.2007 pro-forma
1. Net provisions for liabilities and charges for revocations	(4.533)	(331)
2. Net provisions for value adjustments to interest, commissions and expenses	-	(7.500)
3. Net provision charges for bonds in default	(5.868)	(1.498)
4. Net provisions for litigation	(21.440)	(6.350)
5. Other provisions for liabilities and charges	(7.179)	(3.897)
Total	(39.020)	(19.576)

disputes with customers and other counterparties, legal action with personnel, tax inspections, etc.) and it includes a provision for litigation in progress with Banca Popolare

Vicentina and that relating to the index linked policies of UBI Assicurazioni Vita and Aviva Vita already described in the information given on the default of Icelandic banks.

The period benefited from *gains on the disposal of equity investments* amounting to 80,3 million euro, consisting of 55,9 million euro from the gain on the disposal of shares in the Pramerica asset management company and 22,9 million euro from the gain on the partial sale (50% of the share capital +1 share) of UBI Assicurazioni Vita to our insurance partner Aviva.

The amount of 21,8 million euro recognised in 2007 included a gain of 21,3 million on the disposals performed for the listing of the IW Bank share.

All the amounts mentioned above were classified within non recurring items.

Profit on continuing operations before tax amounted to 1.092 million euro, compared to 1.243 million euro previously.

If net profit from trading, hedging, disposal/repurchase and assets/liabilities at fair value is excluded, profit on continuing operations before tax fell slightly by -1,9% (-4,4% in normalised terms).

Taxes on income for the period for continuing operations amounted to 347,1 million, a decrease compared to 526,7 million in 2007, the result of:

- the non recurring positive impact recognised to 30th June 2008 triggered by the application of a substitute tax on non accounting differences (the EC section of the income tax form) pursuant to Art. 1, paragraph 33 of Law No. 244/2007, which aligned amounts (for depreciation and amortisation, net impairment losses and provisions) in the statutory accounts with those for tax purposes by means of the payment of a substitute tax. The benefit – amounting to 73,8 million – is the result of the difference between provisions made in the accounts for deferred taxes on items subject to redemption (27,5% + IRAP, local production tax) and the substitute tax due (16%);
- changes resulting from the “summer mini-budget” (Law No. 133 of 6th August 2008) concerning the partial non deductibility of interest expense (3%), considered a recurring event, with greater costs in terms of increased taxes to 30th September 2008 amounting to 30,6 million euro.
- the reduction in tax rates which came into force from 1st January 2008;
- the presence of greater profits from the disposal of equity investments subject to a lower tax rate.

The normalised *tax rate* for the period was 40,95% (percentage calculated net of the tax redemption which had a positive impact on the ordinary tax rate of 6,76 percentage points), compared to 42,63% in 2007.

The reduction of 1,68 percentage points is attributable mainly to the decrease in the tax rates which came into force on 1st January 2008, which was partly offset by the non deductibility of interest expense already mentioned introduced by the summer “mini-budget” and by the taxation of dividends between Group member companies.

The income statement included a specific item containing the total for **integration costs** amounting to 64,7 million euro (before tax amounting to 19,3 million) comprised as follows:

- 33,2 million euro of personnel expenses for costs discounted to present values relating to leaving incentives and applications to the “Income Support Fund” (6,7 million euro) and expenses connected with the plan to centralise operations (15,1 million euro), mobility and temporary agency staff to support network banks;
- 29,5 million euro of other administrative expenses relating to IT migrations, operational centralisation and industrial consultancy, incurred to a large extent by UBI Sistemi e Servizi (15,2 million euro) and by UBI Banca;
- 2 million euro of net impairment losses on property, plant and equipment and intangible assets.

The after tax profit (loss) from discontinued operations was negative amounting to 11 million euro – classified as a non-recurring item – and it included 10,9 million euro for the balance to be paid on the price of the 61 branches sold to Banca Popolare Vicentina (the gain was recognised in the 2007 financial statements within the same item). The adjustment emerged in

2008 following contractually agreed verification of the volumes of business transferred as at 31st December 2007.

The amount in 2007 – 16,6 million euro – is the result of the sale of 15 Banca Carime branches to Banca Popolare Pugliese.

Finally, *profit for the period attributable to minority interests* amounted to 68 million, compared to 55,6 million in 2007.

ROE (return on equity) annualised – calculated as the ratio of profit, net of non-recurring items and excluding the effects of the PPA, to shareholders' equity at the end of period net of the purchase price allocation of the former Banca Lombarda – stood at 10,8% (12,4% in the first nine months of 2007).

Shareholders' equity and capital adequacy

The consolidated shareholders' equity of the UBI Banca Group as at 30th September 2008 inclusive of profit for the first nine months of the year, amounted to 11.469,8 million euro compared to 11.812,1 million euro at the end of 2007.

As can be seen from the statement of changes in consolidated shareholders' equity contained among the quarterly mandatory consolidated financial statements, the decrease that occurred in the first nine months of the year is attributable to:

- the allocation of 2007 profit to dividends and other uses amounting to 632,7 million euro;
- the recognition of profit for the period of 620 million euro.
- a negative change in reserves of 329,7 million euro, including 3,7 million euro attributable to reserves of profits and 326 million euro to valuation reserves and to those relating to available-for-sale financial assets in particular.

Valuation 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 as at 1st January 2008	-34.907	923	-243	2.093	69.619	37.485
B. Increases	5.466	-	-	5.933	585	11.984
B.1 Increases in fair value	5.023	-	-	-	-	5.023
B.2 Other changes	443	-	-	5.933	585	6.961
C. Decreases	-333.543	-252	-	-4.112	-53	-337.960
C.1 Fair value decreases	-324.668	-	-	-	-	-324.668
C.2 Other changes	-8.875	-252	-	-4.112	-53	-13.292
D. Closing balances as at 30th September 2008	-362.984	671	-243	3.914	70.151	-288.491

Valuation 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 2008	-39.599	8.547	-3.855	-	-34.907
2. Positive changes	1.584	1.504	2.378	-	5.466
2.1 Increases in fair value	1.296	1.476	2.251	-	5.023
2.2 Transfer to income statement of negative reserves	34	-	-	-	34
- for impairment	-	-	-	-	-
- for disposal	34	-	-	-	34
2.3 Other changes	254	28	127	-	409
3. Negative changes	-62.934	-264.222	-6.387	-	-333.543
3.1 Decrease in fair value	-60.245	-259.424	-4.999	-	-324.668
3.2 Impairment losses	-	-	-	-	-
3.3 Transfer to income statement of positive reserves: from disposal	-	-4.584	-3	-	-4.587
3.4 Other changes	-2.689	-214	-1.385	-	-4.288
4. Final holdings as at 30th September 2008	-100.949	-254.171	-7.864	-	-362.984

Valuation reserves for available-for-sale financial assets: composition

Figures in thousands of euro	30.9.2008			31.12.2007		
	Positive reserve	Negative reserve	Total	Positive reserve	Negative reserve	Total
1. Debt securities	156	-101.105	-100.949	590	-40.189	-39.599
2. Equity instruments	27.942	-282.113	-254.171	47.339	-38.792	8.547
3. Units in O.I.C.R. (collective investment instruments)	3.523	-11.387	-7.864	2.277	-6.132	-3.855
4. Financing	-	-	-	-	-	-
Total	31.621	-394.605	-362.984	50.206	-85.113	-34.907

As can be seen from the tables, the item “valuation reserves for available-for-sale financial assets” decreased by 328 million euro, almost totally attributable to reductions in fair value. In addition to adjustments to the value of debt securities, it includes the negative impact of the valuation of the Intesa SanPaolo shares (214,8 million euro), London Stock Exchange, formerly Borsa Italiana, shares (22,9 million euro) and the A2A shares (13,2 million euro), classified within available-for-sale financial assets and recognised at fair value on the basis of stock market trading prices as at 30th September 2008.

While there was a significant decrease in the prices of those shares – concentrated mainly in 2008 – it was considered that there was still no objective evidence of a structural reduction in the value of these securities, partly in consideration of the exceptional nature of the crisis on equity markets during the period and of the volatility of stock market prices which do not seem to be directly proportional to reductions in the performance and earnings of the companies.

Finally, to confirm what was said in the half year financial report, a specific internal Group policy is currently being formulated, expected to be completed by the end of the current year and in any case before the date of the approval of the annual financial statements by the Management Board, to discipline the measurement of impairment for these financial instruments in cases of evidence of objective loss, in compliance with the relevant accounting standards. The finalisation of that policy will obviously also take account of the outcome of a possible revision of IAS 39 by the IASB which could occur as a result of the current crisis on financial markets, and which could involve amendments to the current impairment rules for these classes of financial instruments.

Reconciliation between equity and profit of the Parent Bank with consolidated equity and net profit as at 30th September 2008

Figures in thousands of euro	Shareholders' equity	of which: Profit for the period
Shareholders' equity and profit for the year in the financial statements of the Parent Bank	10.671.644	605.277
Effect of consolidation of subsidiaries including joint ventures	1.419.332	1.029.213
Effect of valuing other significant equity investments using the equity method	-18.918	14.569
Dividends received during the period	-	-870.554
Other consolidation reclassifications and adjustments	-602.269	-158.465
Shareholders' equity and profit for the year in the consolidated financial statements	11.469.789	620.040

Capital ratios

Capital ratios as at 30th June 2008 calculated on the basis of the Basel 2 standardised approach give a **core tier 1 ratio** of 7,02% and a **total capital ratio** of 10,33%.

A comparison with capital ratios at the end of 2007, as shown in the table, must take into account the different sets of regulations applied in the calculations for the two periods: Basel 1 for 31st December 2007 and Basel 2, according to the standardised approach for 30th June 2008. The change in the regulations generated a positive impact on the capital requirements for the Group, while it had no effect on supervisory capital.

Capital ratios

Figures in thousands of euro	30.6.2008 Basel 2 standard	31.12.2007 Basel 1
Tier 1 capital before filters	7.068.877	6.800.300
Preference shares	570.000	570.000
Tier 1 capital filters	-20.993	14.585
Tier 1 capital after filters	7.617.884	7.384.885
Deductions from tier 1 capital	-113.163	-96.160
Tier 1 after filters and specific deductions	7.504.721	7.288.725
Supplementary capital after filters	2.883.263	2.888.319
Deductions from supplementary capital	-113.163	-96.160
Supplementary capital after filters and specific deductions	2.770.100	2.792.159
Deductions from tier 1+supplementary capital	-246.510	-211.593
Total Supervisory capital	10.028.311	9.869.291
Credit risk	7.104.818	7.574.746
Market risk	256.220	198.747
Operational risk	545.543	-
Other prudential requirements	-	59.453
Total prudential requirements	7.906.581	7.832.946
Subordinated liabilities Tier 3		
Nominal amount	200.000	200.000
Amount calculated	182.940	141.905
Risk weighted assets	98.832.260	97.911.821
Core tier 1 ratio before specific deductions from core capital (tier 1 capital net of preference shares/risk weighted assets)	7,13%	6,96%
Core tier 1 ratio after specific deductions from tier 1 capital (tier 1 capital net of preference shares/risk weighted assets)	7,02%	6,86%
Tier I ratio (Tier I capital/risk weighted assets)	7,59%	7,44%
Total capital ratio [(Supervisory capital+Tier 3 calculable)/risk weighted assets]	10,33%	10,22%

As can be seen from the table, the tier 1 capital as at 30th June 2008 (after filters and specific deductions) increased by 216 million euro, generated mainly by the capitalisation of profit for the first half.

This increase at the level of total supervisory capital was only partially neutralised by the greater deductions relating to equity investments in the insurance sector.

The introduction of Basel 2, applied according to the standardised approach with the inclusion of operational risk not present in Basel 1, allowed greater account to be taken of the composition of Group assets characterised by a substantial mortgage component and by exposures to medium and small sized enterprises. These classes receive a privileged weighting⁵⁵ based on the lower risk profile.

⁵⁵ As concerns mortgages, under Basel 2 residential mortgages are subject to a weighting of 35%; this class, which was identified according to Basel 1 on the basis of partially different criteria, received a higher weighting (50%).

The supervisory segment termed "retail" which, on an initial basis, includes SMEs under certain conditions, is subject to a weighting of 75% under Basel 2. The previous Basel 1 regulations made no distinction for this segment which fell within the general weighting level of 100%.

As a consequence, despite the positive growth in lending (from approximately 93 billion euro at the end of 2007 to 96,5 billion euro in June 2008), credit risk absorbed less capital compared to 31st December 2007.

As concerns changes in capital ratios with regard to the end of the year, on the basis of currently available information, the Group forecasts that following the purchase of 13 Intesa Sanpaolo⁵⁶ branches, the core tier 1 ratio should remain above the target of 6,5% set in the 2008 Business Plan. This applies even in the event of the impairment of the main equity investments classified within available-for-sale financial assets – Intesa Sanpaolo, Borsa Italiana and A2A – (for which the possible impact on the basis of prices quoted since 30th September 2008 until now is estimated at between 30 and 50 basis points, and is in any case to be defined on the basis of market conditions at the end of the year and any amendments there may be to the regulations in force) and of a dividend payment in accordance with the Business Plan. Clearly dividend proposals can only be made when the financial statements are submitted to the Management Board for approval.

56 See in this respect the section “significant events occurring after 30th September 2008”.

Information concerning share capital, the shares, dividends paid and earnings per share

Information concerning share capital

The share capital of UBI Banca as at 30th September 2008 was unchanged at 1.597.864.755 euro, 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 2008.

The legislation in force relating to ‘popular’ co-operative banks (Art. 30 of the Consolidated Banking Act), which is also cited in article 18 of the Corporate By-Laws, limits the percentage interest of the share capital that may be owned by registered and unregistered shareholders to 0.50% of the share capital.

The limit on the size of shareholdings does not apply to collective investment companies, which are subject to the limits laid down in the rules of each of them.

Each registered shareholder may cast only one vote, irrespective of the number of shares held.

Under Article 120 of the Consolidated Finance Act, persons holding more than 2% of the share capital in a share issuer which has Italy as its member state of origin must notify this to the company and to the CONSOB (Italian securities market authority).

At the date of this quarterly consolidated financial report no reports of positions greater than 2% had been notified, other than those received in April 2007 at the time of the merger by incorporation of Banca Lombarda e Piemontese: Carlo Tassara Spa (2,282%)¹, Fondazione Cassa di Risparmio di Cuneo (2,278%), Fondazione Banca del Monte di Lombardia (2,255%).

In accordance with Art. 30 of the Consolidated Banking Act, the Bank proceeded to inform those concerned of the prohibition on holding more than 0,50% of the share capital².

On the basis of an updating of the shareholders’ register, registered shareholders numbered 90.786 as at 30th September 2008. They held more than 65% of the share capital.

If account is also taken of the shareholders who are not listed in the shareholders’ register, then the total of registered and unregistered shareholders numbered approximately 155 thousand.

On the basis of the latest market research study conducted on the composition of the shareholder base in co-operation with an Anglo Saxon company specialising in “market intelligence”, approximately 30% of the share capital is held by institutional investors, mainly in Europe (including Italy), in the British Isles area (United Kingdom and Ireland) and in North America.

¹ On the basis of the information received directly by the Group, at the date of this report the percentage was 2,004%.

² Art. 28-*bis* of Decree Law No. 248 of 31st December 2007, converted into Law No. 31 of 28th February 2008 postponed the time limit for the sale of equity investments in excess of 0,50% of the share capital held in “popular” co-operative banks as at 31st December 2007 by one year. That postponement was communicated by letter to the parties concerned.

Share performance

In the first nine months of 2008 the share, which is traded on the Mercato Telematico Azionario (screen based stock market) of Borsa Italiana in the blue chip segment and forms part of the S&P/MIB Index, fell by 18,5% compared to the price on 28th December 2007.

The performance table which gives a photograph of the situation as at 30th September 2008 and therefore excludes the most acute phase of the crisis, shows that this result occurred in a context of a generalised fall in share prices (-33,8% the S&P/Mib index), with particular reference to the banking sector (-36,8% the index for the sector), affected by the persistence of the financial crisis and by the general performance of the economy (see the section “the macroeconomic scenario”).

Performance comparisons for the Unione di Banche Italiane share

Amounts in euro	30.9.2008 A	30.6.2008 B	28.12.2007 C	% change A/C	2.4.2007 D	% change A/D
Unione di Banche Italiane						
- official price	15,274	14,799	18,734	-18,5%	21,850	-30,1%
- reference price	15,420	14,890	18,810	-18,0%	21,790	-29,2%
S&P/Mib	25.530	29.346	38.554	-33,8%	41.990	-39,2%
Mib Banks	2.175	2.394	3.443	-36,8%	4.048	-46,3%

However, if the share is considered since 1st April 2007 – the date on which the UBI Banca Group was formed – the performance of the share (2nd April 2007 – 30th September 2008) was -30,1%, compared to -39,2% for the equity market and -46,3% for the banking sector.

Subsequent to the end of the third quarter and until the date of this report, as a consequence of the worsening of the international financial crisis, on 27th October the UBI Banca share recorded a record low, trading at 10,65 euro to then fluctuate between 12 and 13 euro.

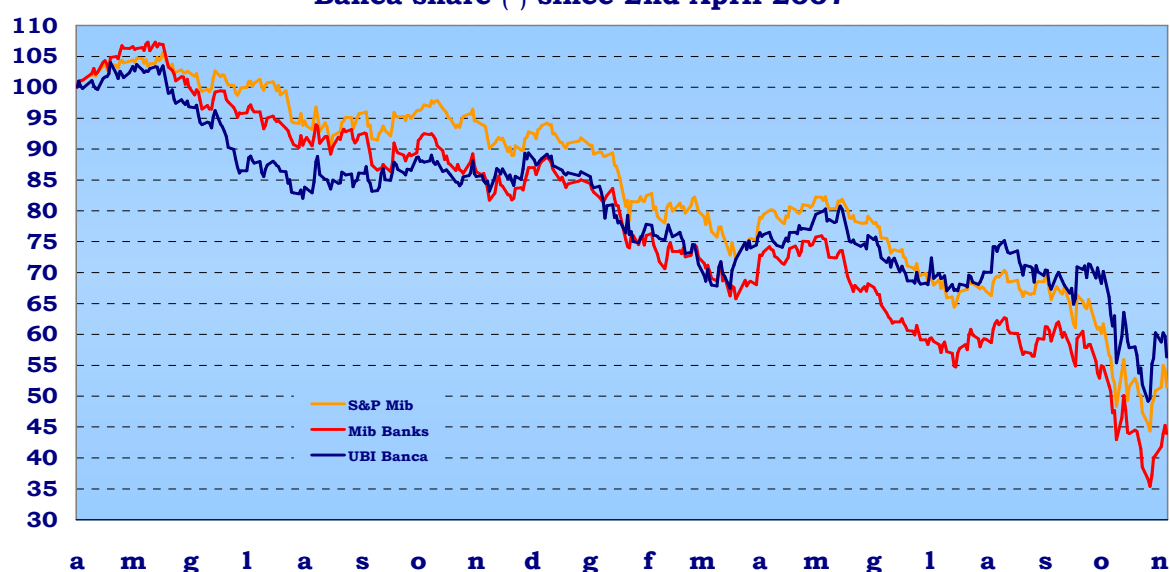
Although the share has suffered a substantial fall in price, its performance has been less volatile than that of its main competitors in the sector, evidence that the financial community does not seem to have changed its perception of the Group’s solidity, which is also supported by its capital ratios.

At the date of the approval of this report, the analyses conducted by 25 brokerage companies which follow the UBI Banca share gave an average target price of 15,4 euro.

Performance of the UBI Banca share from 1st July 2003 (*) and volumes traded



Performance of the S&P/Mib, Mib banks indices and the UBI Banca share (*) since 2nd April 2007



In the first nine months of the year, 526 million shares were traded on the screen based stock market for a value of 8,4 billion euro (a total of 725 million UBI Banca shares were traded during 2007 for a value of more than 14,7 billion euro).

As a result of the fall in share prices recorded during the period, the stock market capitalisation of the share (calculated on the official price) at the end of September had fallen to 9,8 billion euro from approximately 12 billion euro at the end of 2007, which put UBI Banca in third place among Italian banking groups and in first place for “popular” banks. At European level, the UBI Banca Group lay among the first twenty five in the middle of October on the basis of the classification drawn up by the ABI (Italian Banking Association) in its European Banking Report which considers the 15 countries of the European Monetary Union plus Switzerland.

Following the further worsening of the financial crisis, at the date of this report the stock market capitalisation of UBI Banca had decreased further to approximately 8 billion euro.

The principal information on the UBI Banca share is given below.

The UBI Banca share and the main stock market indicators

	January-September 2008	Full year 2007
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)	15,976	20,133
Minimum price (recorded during trading) - in euro	13,910	17,780
Maximum price (recorded during trading) - in euro	18,850	22,680
Book Value - in euro (Consolidated equity, excluding profit for the period/number of shares)	16,98	17,10
Book Value - in euro (Consolidated equity, excluding goodwill and profit for the period/number of shares)	10,15	10,29
Stock market capitalisation at the end of period (official prices) - in millions of euro	9.762	11.974
Price/book value (Stock market capitalisation at the end of period/consolidated equity, excluding profit for the period)	0,90	1,10
Price/book value net of goodwill	1,50	1,82
EPS - Earning per share - in euro (consolidated net profit per share pursuant to IAS 33)(*)	1,276	1,644
Price/earnings ratio - in euro (average price/consolidated profit per share)	12,5	12,2

(*) The EPS for 2007 takes into account the earnings of the companies of the former BLP Group from 1st January 2007.

Dividends paid

In accordance with IAS 34, section 16, on 19th May 2008 a dividend was paid for 2007, with value date 22nd May, for a total amount of 607.188.606,90 euro, corresponding to 0,95 euro for each of the 639.145.902 UBI Banca shares with dividend entitlement from 1st January 2007.

Earnings per share (in accordance with IAS 33)

January-September 2008(*)	Annualised attributable profit (in thousands of euro)	Weighted average of ordinary shares	Earnings per share (in euro)
Basic EPS	611.869	639.145.902	0,9573
Basic EPS "annualised"	815.825	639.145.902	1,2764
Diluted EPS	611.869	639.145.902	0,9573
Diluted EPS "annualised"	815.825	639.145.902	1,2764

2007(**)	Profit attributable (thousands of euro)	Weighted average of ordinary shares	Earnings per share (in euro)
Basic EPS	869.637	565.480.098	1,5379
Diluted EPS	869.637	565.480.098	1,5379

January-September 2007(***)	Annualised attributable profit (in thousands of euro)	Weighted average of ordinary shares	Earnings per share (in euro)
Basic EPS	492.504	539.833.484	0,9123
Basic EPS "annualised"	656.672	539.833.484	1,2164
Diluted EPS	492.504	539.833.484	0,9123
Diluted EPS "annualised"	656.672	539.833.484	1,2164

(*) If the normalised profit net of non recurring items for the first nine months were considered, the annualised basic and diluted EPS to 30th September 2008 would both amount to 1,0840 euro.

(**) The profit attributable takes into account the results of the companies of the former Banca Lombarda e Piemontese Group from 1st April 2007.

If the pro-forma profit in normalised terms, and that is net of non recurring items for the year, were considered, the basic and diluted EPS to 31st December 2007 would both amount to 1,3449 euro.

(***) The profit attributable takes into account the results of the companies of the former Banca Lombarda e Piemontese Group from 1st April 2007.

If the pro-forma profit in normalised terms, and that is net of non recurring items for the first nine months, were considered, the basic and diluted annualised EPS to 30th September 2007 would both amount to 1,5051 euro.

Consolidated companies: the principal figures

Net profit

Figures in thousands of euro	January-September 2008	January-September 2007	% change
Unione di Banche Italiane Scpa (1)	605.277	746.593	-18,9%
Banca Popolare di Bergamo Spa (2)	294.179	244.923	20,1%
Banco di Brescia Spa	177.967	142.938	24,5%
Banca Popolare Commercio e Industria Spa	62.866	74.077	-15,1%
Banca Regionale Europea Spa	88.138	69.045	27,7%
Banca Popolare di Ancona Spa (3)	137.302	62.664	119,1%
Banca Carime Spa	93.304	41.323	125,8%
Banca di Valle Camonica Spa	20.829	16.088	29,5%
Banco di San Giorgio Spa	17.252	10.756	60,4%
UBI Banca Private Investment Spa (4)	2.651	4.548	-41,7%
Centrobanca Spa	58.504	61.032	-4,1%
Centrobanca Sviluppo Impresa SGR Spa	-309	263	n.s.
Banque de Dépôts et de Gestion Sa (*)	4.439	6.826	-35,0%
B@nca 24-7 Spa (5)	13.248	18.965	-30,1%
BY YOU Spa (Gruppo)	94	237	-60,3%
IW Bank Spa	9.227	7.470	23,5%
UBI Banca International Sa (*) (6)	2.048	5.926	-65,4%
UBI Pramerica SGR Spa (7)	27.371	26.448	3,5%
UBI Pramerica Alternative Investments SGR Spa	405	58	n.s.
Capitalgest Alternative Investments SGR Spa	720	3.093	-76,7%
UBI Leasing Spa (8)	45.237	22.906	97,5%
UBI Factor Spa	15.331	12.209	25,6%
BPB Immobiliare Srl	1.057	364	190,4%
Società Bresciana Immobiliare - Mobiliare S.B.I.M. Spa	574	162	254,3%
UBI Sistemi e Servizi SCpA	7.961	-4.384	n.s.
UBI CentroSystem Spa	-1.548	-496	n.s.
Plurifid Spa	-5	106	n.s.
Solofid - Società Lombarda Fiduciaria Spa	44	186	-76,3%
Sifru Gestioni Fiduciarie Sim Spa	41	182	-77,5%
UBI Assicurazioni Spa (*) (9)	20.948	1.386	n.s.
UBI Assicurazioni Vita Spa (49,9%) (*) (10)	2.652	6.413	-58,6%
Aviva Vita Spa (50%)	5.350	2.800	91,1%
Lombarda Vita Spa (49,9%)	1.583	9.886	-84,0%
UBI Trust Company Ltd	1	14	-92,9%
Mercato Impresa Spa	3.214	2.381	35,0%
Coralis Rent Srl	-2.180	201	n.s.
CONSOLIDATED (**)	620.040	524.383	18,2%

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

(**) The consolidated figure to 30th September 2007 is pro-forma, as reported in the reclassified consolidated financial statements.

- (1) The result to 30th September 2007 is pro-forma, as reported in the reclassified financial statements.
- (2) Profit to 30th September 2007 was modified to take account of the amendment to Art. 31 of the Corporate By-Laws concerning staff social security and pensions.
- (3) The result to 30th September 2008 includes profit on the disposal of the interest held in Pramerica (72,6 million euro net of taxes).
- (4) The figure to 30th September 2007 includes the result for UBI Sim Spa, merged on 1st January 2008.
- (5) The profit to 30th September 2008 benefits from the operations spun-off from SILF Spa with effect from 1st January 2008. For comparison purposes, the figure to 30th September 2007 includes the results of SILF Spa.
- (6) The figure to 30th September 2007 includes the results of BPU Banca International Sa, merged on 1st October 2007.
- (7) The figure to 30th September 2008 includes the effects of the contribution of the asset management operations (funds) of Capitalgest SGR, which took place on 18th January 2008. For comparison purposes the figure to 30th September 2007 includes the results of Capitalgest SGR.
- (8) On 5th July 2008 the merger of BPU Esaleasing Spa into SBS Leasing Spa took effect with the latter taking the new name of UBI Leasing Spa. Profit to 30th September 2007 was calculated by aggregating the figures for the two original companies.
- (9) The figures for the two comparative periods are not uniform because the result to 30th September 2008 includes the merger of UBI Partecipazioni Assicurative Spa which occurred on 30th September 2008. That figure benefited on the one hand from the gain (approximately 31 million euro) on the sale to Aviva Spa of 50% plus one share of UBI Assicurazioni Vita Spa and on the other hand it was affected by a more rigorous policy for provisions.

(10) On 18th June 2008, the sale of 50% of the share capital plus one share to Aviva Spa was completed. The figure to 30th September 2008 is therefore proportionate to the new percentage of ownership and does not include the effect of the exclusion of the company from the consolidation. The figure to 30th September 2007, on the other hand, is for a 100% ownership interest.

Net loans to customers

Figures in thousands of euro	30.9.2008	30.9.2007	Change	% change
Unione di Banche Italiane Scpa (*)	9.028.611	8.965.441	63.170	0,7%
Banca Popolare di Bergamo Spa	21.449.816	20.648.851	800.965	3,9%
Banco di Brescia Spa	14.988.447	14.369.575	618.872	4,3%
Banca Popolare Commercio e Industria Spa	9.672.732	9.044.793	627.939	6,9%
Banca Regionale Europea Spa	7.960.451	7.854.797	105.654	1,3%
Banca Popolare di Ancona Spa	7.771.590	7.342.964	428.626	5,8%
Banca Carime Spa	4.316.047	3.742.349	573.698	15,3%
Banca di Valle Camonica Spa	1.803.757	1.590.817	212.940	13,4%
Banco di San Giorgio Spa	2.020.828	1.605.521	415.307	25,9%
UBI Banca Private Investment Spa (1)	378.423	346.929	31.494	9,1%
Centrobanca Spa	7.302.700	6.063.152	1.239.548	20,4%
Banque de Dépôts et de Gestion Sa	300.388	243.630	56.758	23,3%
B@nca 24-7 Spa (2)	8.128.673	5.486.359	2.642.314	48,2%
UBI Banca International Sa (3)	756.550	190.119	566.431	297,9%
IW Bank Spa	113.326	67.643	45.683	67,5%
UBI Factor Spa	1.714.407	1.660.444	53.963	3,2%
UBI Leasing Spa	8.894.299	7.626.781	1.267.518	16,6%
CONSOLIDATED (*)	98.020.148	89.295.999	8.724.149	9,8%

For a more accurate assessment of the trends in the table, it must be considered that in the case of Banca Popolare di Bergamo, the policy to contain exposures to the large corporate sector played a significant part, above all with regard to short term lending.

Percentages	Net non performing loans / net lending		Net impaired loans / net lending		Net non performing loans + Net impaired loans / net lending	
	30.9.2008	30.9.2007	30.9.2008	30.9.2007	30.9.2008	30.9.2007
Unione di Banche Italiane Scpa	-	-	-	-	-	-
Banca Popolare di Bergamo Spa	0,68%	0,56%	0,57%	0,44%	1,25%	1,00%
Banco di Brescia Spa	0,64%	0,61%	0,55%	0,51%	1,19%	1,12%
Banca Popolare Commercio e Industria Spa	1,32%	1,27%	1,23%	1,09%	2,55%	2,36%
Banca Regionale Europea Spa	1,17%	1,10%	1,16%	0,87%	2,33%	1,97%
Banca Popolare di Ancona Spa	1,43%	1,28%	2,55%	1,30%	3,98%	2,58%
Banca Carime Spa	0,61%	0,46%	1,02%	0,85%	1,63%	1,31%
Banca di Valle Camonica Spa	0,65%	0,72%	0,73%	0,45%	1,38%	1,17%
Banco di San Giorgio Spa	1,19%	1,01%	1,07%	0,86%	2,26%	1,87%
UBI Banca Private Investment Spa (1)	0,41%	0,22%	0,72%	0,52%	1,13%	0,74%
Centrobanca Spa	0,49%	0,71%	1,10%	0,71%	1,59%	1,42%
Banque de Dépôts et de Gestion Sa	0,05%	0,05%	0,36%	0,19%	0,41%	0,24%
B@nca 24-7 Spa (2)	0,26%	0,24%	0,66%	0,35%	0,92%	0,59%
UBI Banca International Sa (3)	-	-	0,07%	0,45%	0,07%	0,45%
IW Bank Spa	-	-	0,03%	0,09%	0,03%	0,09%
UBI Factor Spa	0,24%	0,16%	0,37%	0,37%	0,61%	0,53%
UBI Leasing Spa	0,65%	0,54%	2,66%	1,63%	3,31%	2,17%
CONSOLIDATED (*)	0,79%	0,74%	1,10%	0,78%	1,89%	1,52%

(*) The figures as at 30th September 2007 are pro-forma.

- (1) The figures as at 30th September 2007 include the amounts for UBI Sim Spa merged on 1st January 2008.
- (2) Lending as at 30th September 2008 also included the amounts for the operations spun-off from SILF Spa with effect from 1st January 2008. For comparison purposes, the figure as at 30th September 2007 includes the results of SILF Spa.
- (3) The figures as at 30th September 2007 include the amounts for BPU Banca International Sa, merged on 1st October 2007.

Direct funding from customers

Figures in thousands of euro	30.9.2008	30.9.2007	Change	% change
Unione di Banche Italiane Scpa (*)	16.914.190	18.067.056	-1.152.866	-6,4%
Banca Popolare di Bergamo Spa	21.885.141	19.888.537	1.996.604	10,0%
Banco di Brescia Spa (1)	15.952.406	12.892.765	3.059.641	23,7%
Banca Popolare Commercio e Industria Spa	8.053.632	7.414.218	639.414	8,6%
Banca Regionale Europea Spa	7.390.415	7.203.558	186.857	2,6%
Banca Popolare di Ancona Spa	7.242.280	6.627.448	614.832	9,3%
Banca Carime Spa	7.585.574	6.913.664	671.910	9,7%
Banca di Valle Camonica Spa	1.637.442	1.424.495	212.947	14,9%
Banco di San Giorgio Spa	949.209	757.709	191.500	25,3%
UBI Banca Private Investment Spa (2)	688.547	430.057	258.490	60,1%
Centrobanca Spa	2.371.342	3.139.325	-767.983	-24,5%
Banque de Dépôts et de Gestion Sa	287.079	272.879	14.200	5,2%
B@nca 24-7 Spa	86.463	29.999	56.464	188,2%
UBI Banca International Sa (3)	1.225.245	1.072.434	152.811	14,2%
IW Bank Spa	1.050.994	1.065.685	-14.691	-1,4%
CONSOLIDATED (*)	94.293.650	88.825.267	5.468.383	6,2%

Direct funding from customers includes amounts due to customers and securities issued, with the exclusion of bonds purchased 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 was adjusted as follows for the following banks:

UBI Banca: 486,5 million euro (480,8 million euro as at 30th September 2007)
 Banca Popolare di Bergamo: 2.338,7 million euro (50 million euro as at 30th September 2007)
 Banco di Brescia: 1.205,1 million euro (100,2 million euro as at 30th September 2007)
 BPCI: 713,4 million euro (150 million euro as at 30th September 2007)
 BPA: 1.260 million euro (100,4 million euro as at 30th September 2007)
 Centrobanca: 1.113 million euro (856,5 million euro as at 30th September 2007)
 Banca Regionale Europea: 501,4 million euro
 Banca di Valle Camonica: 273,1 million euro
 Banco San Giorgio: 375,5 million euro (162,7 million euro as at 30th September 2007)
 B@nca 24-7: 3.129,8 million euro (2.350 million euro as at 30th September 2007)

(*) The figures as at 30th September 2007 are pro-forma.

(1) The figure as at 30th September 2008 includes the new issues of French certificates of deposit and commercial paper totalling 1.973 million euro.

(2) The figure as at 30th September 2007 includes the amounts for UBI Sim Spa, merged on 1st January 2008.

(3) The figure as at 30th September 2007 includes the amounts for BPU Banca International Sa, merged on 1st October 2007.

Indirect funding from customers (at market prices)

Figures in thousands of euro	30.9.2008	30.9.2007	Change	% change
Unione di Banche Italiane Spa	58	62	-4	-6,5%
Banca Popolare di Bergamo Spa	21.470.687	25.336.145	-3.865.458	-15,3%
Banco di Brescia Spa	14.434.522	18.754.761	-4.320.239	-23,0%
Banca Popolare Commercio e Industria Spa	12.180.126	14.229.793	-2.049.667	-14,4%
Banca Regionale Europea Spa	9.272.158	10.496.058	-1.223.900	-11,7%
Banca Popolare di Ancona Spa	3.753.128	4.482.163	-729.035	-16,3%
Banca Carime Spa	5.966.343	6.602.180	-635.837	-9,6%
Banca di Valle Camonica Spa	776.199	1.003.535	-227.336	-22,7%
Banco di San Giorgio Spa	749.025	841.292	-92.267	-11,0%
UBI Banca Private Investment Spa (1)	4.117.839	5.208.947	-1.091.108	-20,9%
Banque de Dépôts et de Gestion Sa	1.581.120	1.617.971	-36.851	-2,3%
Lombarda Vita Spa	4.837.307	5.541.447	-704.140	-12,7%
UBI Assicurazioni Vita Spa	2.713.527	2.815.969	-102.442	-3,6%
UBI Pramerica SGR Spa (2)	26.031.633	36.009.823	-9.978.190	-27,7%
Capitalgest Alternative Investments SGR Spa	638.352	841.339	-202.987	-24,1%
UBI Banca International Sa (3)	2.599.984	3.117.342	-517.358	-16,6%
UBI Pramerica Alternative Investments SGR Spa	144.006	-	144.006	-
IW Bank Spa	2.879.139	2.511.609	367.530	14,6%
Aviva Vita Spa	3.321.670	2.843.232	478.438	16,8%
CONSOLIDATED	79.923.167	94.584.272	-14.661.105	-15,5%

Assets under management (at market prices)

Figures in thousands of euro	30.9.2008	30.9.2007	Change	% change
Unione di Banche Italiane Spa	6	5	1	20,0%
Banca Popolare di Bergamo Spa	11.399.105	13.669.569	-2.270.464	-16,6%
Banco di Brescia Spa	7.511.290	10.711.646	-3.200.356	-29,9%
Banca Popolare Commercio e Industria Spa	4.985.635	6.723.328	-1.737.693	-25,8%
Banca Regionale Europea Spa	5.779.453	7.028.399	-1.248.946	-17,8%
Banca Popolare di Ancona Spa	2.209.873	2.948.907	-739.034	-25,1%
Banca Carime Spa	4.257.495	4.907.832	-650.337	-13,3%
Banca di Valle Camonica Spa	424.938	641.865	-216.927	-33,8%
Banco di San Giorgio Spa	250.186	316.081	-65.895	-20,8%
UBI Banca Private Investment Spa (1)	3.204.105	4.245.881	-1.041.776	-24,5%
Banque de Dépôts et de Gestion Sa	1.581.120	1.617.971	-36.851	-2,3%
Lombarda Vita Spa	4.837.307	5.541.447	-704.140	-12,7%
UBI Assicurazioni Vita Spa	2.713.527	2.815.969	-102.442	-3,6%
UBI Pramerica SGR Spa (2)	26.031.633	36.009.823	-9.978.190	-27,7%
Capitalgest Alternative Investments SGR Spa	638.352	841.339	-202.987	-24,1%
UBI Banca International Sa (3)	169.909	259.372	-89.463	-34,5%
UBI Pramerica Alternative Investments SGR Spa	144.006	-	144.006	-
IW Bank Spa	205.038	495.898	-290.860	-58,7%
Aviva Vita Spa	3.321.670	2.843.232	478.438	16,8%
CONSOLIDATED	42.742.187	54.656.040	-11.913.853	-21,8%

The indirect funding from customers of individual companies is stated net of bonds held in custody issued by the companies themselves; consolidated indirect funding is stated net of bonds held in custody issued by Group member companies.

- (1) The figure as at 30th June 2007 includes the amounts for UBI Sim Spa, merged on 1st January 2008.
- (2) The figures for both periods include the amounts for the asset management operations of Capitalgest SGR contributed on 18th January 2008.
- (3) The figures as at 30th September 2007 include the amounts for BPU Banca International, merged on 1st October 2007.

Consolidated results by segment

Distribution by business segment: income statement

Figures in thousands of euro

item/business segment	Banks and SPEs	Investment Banking	Central units (UBI Banca)	Other companies	Total	Consolidation adjustments	Total (as in mandatory consolidated financial statements to 30.9.2008)
Net interest income	2.109.079	81.671	-186.005	260.252	2.264.997	-51.135	2.213.862
Net commission income	793.038	27.204	9.497	154.477	984.216	-85.175	899.041
Other expense/income	35.829	18.612	846.213	8.145	908.799	-888.509	20.290
Gross income	2.937.946	127.487	669.705	422.874	4.158.012	-1.024.819	3.133.193
Net impairment losses on loans and financial assets	-187.335	-49	-19	-62.792	-250.195	-	-250.195
Net financial operating income	2.750.611	127.438	669.686	360.082	3.907.817	-1.024.819	2.882.998
Net result on insurance operations	-	-	-	6.216	6.216	-538	5.678
Net income from financial and insurance operations	2.750.611	127.438	669.686	366.298	3.914.033	-1.025.357	2.888.676
Administrative expenses	-1.613.001	-45.706	-257.998	-489.809	-2.406.514	498.363	-1.908.151
Net provisions for liabilities and charges	-30.412	-3.487	-604	-5.234	-39.737	717	-39.020
Net impairment losses on property, plant and equipment and intangible assets	-37.406	-751	-46.560	-55.075	-139.792	-55.441	-195.233
Other operating income / (expense)	149.664	2.232	143.262	374.710	669.868	-484.105	185.763
Operating costs	-1.531.155	-47.712	-161.900	-175.408	-1.916.175	-40.466	-1.956.641
Profits (losses) of equity investments	73.578	-	18.902	30.892	123.372	-108.801	14.571
Net impairment losses on goodwill	-	-	-	-	-	-	-
Profits (losses) on disposal of investments	270	-	-29	48	289	80.000	80.289
Profit (loss) on continuing operations before tax	1.293.304	79.726	526.659	221.830	2.121.519	-1.094.624	1.026.895

Distribution by business segment: balance sheet

Figures in thousands of euro

item/business segment	Banks and SPEs	Investment Banking	Central units (UBI Banca)	Other companies	Total	Consolidation adjustments	Total (as in mandatory consolidated financial statements as at 30.9.2008)
Loans to banks	22.886.276	432.767	29.119.495	3.645.890	56.084.428	-53.335.841	2.748.587
Loans to customers	71.611.738	7.345.607	9.028.611	20.421.243	108.407.199	-10.387.051	98.020.148
Equity investments	215.371	5.097	11.714.899	116.079	12.051.446	-11.801.885	249.561
Other assets	5.050.416	1.106.638	9.313.068	2.459.244	17.929.366	2.647.760	20.577.126
Total assets	99.763.801	8.890.109	59.176.073	26.642.456	194.472.439	-72.877.017	121.595.422
Due to banks	7.804.368	4.096.739	28.892.512	15.780.730	56.574.349	-49.502.538	7.071.811
Due to customers	45.266.053	43.036	3.292.222	3.541.394	52.142.705	-1.678.261	50.464.444
Securities issued	34.166.351	3.492.181	14.108.477	4.504.950	56.271.959	-12.442.753	43.829.206
Other liabilities and shareholders' equity	12.527.029	1.258.153	12.882.862	2.815.382	29.483.426	-9.253.465	20.229.961
Total liabilities	99.763.801	8.890.109	59.176.073	26.642.456	194.472.439	-72.877.017	121.595.422

The segment reporting for UBI Banca Group is performed with primary reporting by business segment on the basis of the legal entities of the Group (network banks and SPE's, investment banking, central units, other companies). In addition to this presentation, used for the interim financial reports, data is also given by commercial business unit for the network banks in annual reports.

Transactions with related parties

For the purpose of a definition of a related party, Art. 2, paragraph 1, letter h) of the Issuers' Regulations cites the definition contained in the international accounting standard on related party disclosures (IAS 24).

In accordance with the regulations cited, a party is considered to be related to the issuer if:

- a) it directly or indirectly controls, is controlled by or is under common control with the issuer; or it holds an interest that allows it to exercise significant influence over the issuer or joint control over the issuer;
- b) it is an associate of the issuer (as defined in IAS 28 - investments in associates);
- c) it is a joint venture in which the issuer is a venturer;
- d) he/she is a senior manager with strategic responsibilities of the issuer or of its parent, where a senior manager with strategic responsibility is intended as meaning those who have power and responsibility for the planning, management and control of the activities of the issuer including the directors of the issuer;
- e) he/she is a close member of the family of one of the individuals referred to in (a) or (d) (close family members are intended as meaning those who are potentially able to influence an individual related to the issuer or be influenced by him/her in their relations with the issuer);
- f) the party is an entity that is controlled, jointly controlled or significantly influenced by any individual referred to in (d) or (e) or these individuals hold significant voting power in such entity, either directly or indirectly;
- g) it is a pension fund for the employees of the issuer or of any entity related to it.

In compliance with the regulations in force, we report that all transactions carried out by the Parent Bank with related parties were conducted in observance of correct principles both in substance and form under conditions analogous to those applied for transactions with independent parties.

Transactions concerning consolidated investments have already been reported in the sections "The consolidation scope" (for those already completed) and "Strategic lines of development" (for those currently being implemented), which may therefore be consulted.

The Parent Bank and its subsidiary UBI Sistemi e Servizi Scpa provide Group member companies with a series of services, governed by intragroup contracts drawn up in accordance with the principles of consistency, transparency and uniformity in line with the organisational model of the Group. Under this model, strategic, and management activities are centralised at UBI Banca and technical and operational activities in UBI Sistemi e Servizi Scpa.

The prices agreed for the services provided under the contracts were determined on the basis of market prices or, where appropriate reference parameters cannot be found in the marketplace, in accordance with the particular nature of the services provided, on the basis of the cost incurred.

The main intragroup contracts existing at the end of September included those which implement the centralisation of activities in the Governance and Business Areas of the Parent Bank and they involved the Parent Bank and the main banks in the Group (Banca Popolare di Bergamo Spa, Banca Popolare Commercio e Industria Spa, Banca Carime Spa, Banca Popolare di Ancona Spa, Banca Regionale Europea Spa, Banco di Brescia Spa, Banca di Valle Camonica Spa, Banco di San Giorgio Spa, UBI Banca Private Investment Spa) and also contracts to implement the "national tax consolidation" (in accordance with articles 117 to 129 of Presidential Decree No. 917/1986, the consolidated law on income tax) concluded by the Parent Bank.

Intragroup contracts also existed to implement the centralisation at UBI Sistemi e Servizi of support activities for the principal companies in the UBI Group.

Finally we report in relation to transactions between companies in the Group and all of its related parties, that no atypical and/or unusual transactions were performed; furthermore, no transactions of that type were even performed with counterparties that were not related parties.

Atypical and/or unusual transactions - as indicated in Consob Communications No. 98015375 of 27th February 1998 and No. 102564 of 6th April 2001 - are intended as all those transactions which because of their significance/importance, the nature of the counterparties, the content of the transaction (even in relation to ordinary operations), the way in which the transfer price is decided and the timing of the event (close to the end of the financial year) might give rise to doubts concerning: the correctness/completeness of the information in the financial statements, a conflict of interests, the security of the companies assets and the rights of minority shareholders.

* * *

Finally the CONSOB (Italian securities market authority) published a consultation document last April on regulations governing related parties, to implement the authorisation contained in Art. 2391 *bis* of the Italian Civil code, introduced in 2004. In laying down specific new regulations for transactions with related parties performed by companies which resort to risk capital, that article does in fact delegate power to the CONSOB to define general principles on the issue of transparency and integrity in terms of both substance and procedures for these transactions.

In its proposals for regulations, the CONSOB (Italian securities market authority) has identified the general principles to discipline decision-making responsibility, motivations and the necessary documentation for transactions performed with related parties.

The issue of the relative regulations by CONSOB (Italian securities market authority) are currently expected.

Other information

Litigation

In accordance with IAS 34, section 17, we report that no litigation involving significant amounts was concluded during the third quarter. Neither is there any additional information to report with respect to that which has already been presented in the 2007 Annual Report which may be consulted.

Branch disposals for antitrust authority compliance

With regard to the sale of 61 branches located in the provinces of Bergamo and Brescia to Banca Popolare di Vicenza for Antitrust compliance concluded at the end of 2007, following contestations put forward by the purchaser concerning adjustments to some of the items transferred as part of the sale of the operations, the conclusion of a settlement agreement to resolve all aspects still pending is at an advanced stage.

The total potential cost of such an agreement would be entirely met by the ample provisions already made.

Appeal against the fine imposed by the Antitrust Authority

As reported in the previous financial report, as a result of an investigation commenced in May 2008, on 8th August 2008 the Antitrust authority imposed fines on Banca Popolare di Bergamo, Banca Popolare Commercio e Industria, Banco di Brescia and Banca Regionale Europea because it held that the conduct of those banks concerning the transfer of mortgage loans violated regulations on unfair market practices contained in the “Consumer Code” (articles 18 *et seq* of Legislative Decree No. 206/2005, as amended by Legislative Decree No. 146/2007). More specifically, it held that they responded to the demands of customers to change the bank providing a mortgage by offering a more costly solution for the replacement of the mortgage than the “portability” solution (Art. 8 Decree Law No. 7/2007, as amended firstly by the conversion Law No. 40/2007 and then by Law No. 244/2007), in violation also of duties to provide accurate information in accordance with regulations. The fine imposed amounted to 450.000 euro for each bank. Although subject to investigation, no fine was imposed on UBI Banca, which was found extraneous to the matter contested.

The banks that received the fines paid them within the required time limits drawing on the sums specifically set aside within the item provision provisions for liabilities and charges, expressly reserving the right to reimbursement from the result of a possible appeal. In this respect, in accordance with the opinion expressed by UBI Banca, the Parent Bank, the banks mentioned decided to make an administrative appeal to the TAR (administrative court) of Latium against the measure in question, based on various grounds, including: erroneous interpretation and application of the new regulations on the portability of mortgage loans, procedural defects, insufficient grounds and, secondly, an erroneous quantification of the fines.

Inspections

As concerns the **Bank of Italy** inspections¹ concluded on 13th June 2008 and reported in the half year financial report for 2008, on 29th August 2008 the supervisory authority delivered a communication to the Supervisory Board and to the Management Board containing the findings.

The outcome of the inspections was generally positive and attention was placed in a letter of reply sent to the Bank of Italy on the careful examination conducted by company bodies on the points outlined in the inspection report, giving details of the lines of action either already undertaken or which the Group intends to undertake with regard to them.

It will be recalled in the first quarter of 2008 that the **CONSOB (Italian securities market authority)** had commenced an inspection of IW Bank pursuant to Art. 10, paragraph 1, of Legislative Decree No. 58/1998, to ascertain compliance with regulations concerning interconnection systems, the detection of suspect transactions with regard to market abuse and the provision of loan accessory services to customers. The inspection activities, suspended on 28th July, were resumed in September and are still in progress.

Tax litigation

There were no changes in the situation concerning tax litigation of the UBI Banca Group at the end of September compared to the situation reported in the half year report for 2008, with just one tax audit still in progress at Banca Carime.

As concerns the 12 tax audits conducted over the last twelve months, further provisions for liabilities and charges were made during the quarter amounting to 0,6 million euro. Provisions existing at the end of September 2008 amounted to almost 4,4 million euro.

As reported in the previous financial report, on 30th May 2008 the tax authorities contested the contribution of company operations made by BPB Immobiliare in 2003 to Immobiliare Serico, reclassifying it as the contribution of a number of properties.

On 28th October the tax authorities issued an assessment for taxes – which basically repeated the reasons and grounds given in the report for the tax audit of 30th May – which demanded increased taxes totalling 16,4 million euro in addition to fines of 17,6 million euro (reduced to a ¼ - 4,408 million euro – if the assessment is unopposed). An appeal will be made against that assessment to the Provincial Tax Commission within the legal time limits (60 days from 28th October).

As already mentioned in the financial report as at and for the period ended 30th June 2008, no provisions were made in the accounts with regard to this litigation, since it is considered there are grounds in fact and in law to consider that the interpretation of the tax auditors that the assets did not constitute a unit of company operations is without foundation,

¹ The purpose was to assess the following: the functioning of systems and controls to prevent risk in the management of the retail loan portfolio in the consumer credit and property mortgage loan segments; the compliance of the organisational structure with anti-money laundering regulations.

Significant events occurring after 30th September 2008

Subsequent to 30th September 2008, the balance sheet date of this quarterly consolidated financial report of the UBI Banca Group, and until 11th November 2008, the date of its approval by the Management Board of UBI Banca Scpa, no events of importance that might affect the operating and capital position presented occurred, except for the generalised deterioration in the background scenario.

We report the following for information purposes:

- as part of a securitisation of non performing loans belonging to UBI Leasing, which involves their sale to a special purpose entity, formed in accordance with Law No.130/1999 of 30th October 2008, UBI Banca acquired a 10% interest in Dalia Finance Srl (a company enrolled in the association pursuant to Art. 107 of the Consolidated law on banking and to-date never used for securitisations) at a price of 1.000 euro (the remaining 90% of the share capital is still held by a Dutch foundation, the Stichting Petro). The company was renamed *UBI Lease Finance 5 Srl*;
- as part of disposals commenced by Intesa Sanpaolo following its acquisition of control of Cassa di Risparmio di Florence Spa, UBI Banca signed a preliminary agreement on 11th November 2008 for the *acquisition of 13 branches located in the province of La Spezia*. This operation is designed to further strengthen the presence of the Group in that region through Banco di San Giorgio.

The price of the transaction, planned in the form of the acquisition of a line of business, is 60 million euro (5,7% of total funding), subject to possible adjustments in relation to the actual business volumes (total funding and lending) of the branches at the end of a period of six months following the date of the conclusion of the operation. The estimated impact of the transaction on the core tier 1 ratio of the Group is approximately 7 basis points.

As at 31st March 2008 (reference date for calculating the provisional price), the line of business involved in the transaction included total funding of approximately 1.053 million euro (direct funding of euro 281,7 million euro and indirect funding of euro 771,6 million euro) and lending of approximately 212 million euro, with a customer base of approximately 33.000 and approximately 100 employees. Gross income at the end of 2007 amounted to approximately 25 million euro and the profit before taxes amounted to approximately 15 million euro.

The completion of the transaction, subject to authorisations by the relative authorities, is planned for within the first quarter of 2009.

Business outlook

The following considerations are made with regard to the outlook for the end of 2008:

- operating income for the full year, net of the financial result, is expected to be in line with Business Plan forecasts.

In consideration of the slowdown in lending and the acceleration in direct funding from customers in progress in the fourth quarter, net interest income for the full year could record percentage growth slightly lower than in 2007 and in the first nine months of 2008. Nevertheless, it will still make a contribution to operating income significantly higher than that forecast in the Business Plan, which will fully compensate for the large contraction in net commissions, affected by the unfavourable performance of assets under management;

- it will be difficult to meet the target set for the finance area in the fourth quarter of 2008 given the continuing negative performance of financial markets; for the full year 2008 a negative contribution is expected from this area compared with Business Plan forecasts;
- it is forecast that operating costs for the full year (considered net of integration costs and of the impact of changes in the treatment of the staff severance provision in 2007) will be in line with Business Plan targets, despite higher costs attributable mainly to supplementary improvements to the Group IT system;
- on the basis of the information available at present, it is forecast that, as an absolute amount, the figure for net impairment losses on loans will remain in line with Business Plan forecasts, although with a slightly higher incidence on net loans determined by more contained performance by lending;
- net profit for 2008, excluding the finance component, is expected to be in line with Business Plan forecasts.

The continued negative performance of financial markets could also affect the item “net impairment losses on other financial assets/liabilities”, if, at system level, the recognition through profit and loss of the impairment of equity investments included within “available for sale financial assets” was to be required. That impairment as at 30th September 2008 amounted to approximately 280 million euro and related principally to the interest held in Intesa Sanpaolo.

Bergamo, 11th November 2008

THE MANAGEMENT BOARD

**QUARTERLY CONSOLIDATED
FINANCIAL STATEMENTS
AS AT AND FOR THE PERIOD
ENDED 30TH SEPTEMBER 2008**

UBI Banca Group

Quarterly mandatory consolidated financial statements as at 30th September 2008

Consolidated balance sheet

Figures in thousands of euro	30.9.2008	31.12.2007	30.9.2007
ASSETS			
10. Cash and cash equivalents	556.927	643.128	462.236
20. Financial assets held for trading	1.915.381	3.811.580	4.695.166
30. Financial assets at fair value	1.014.669	1.333.586	1.639.985
40. Available-for-sale financial assets	4.060.565	5.729.003	5.091.622
50. Held-to-maturity financial assets	1.396.121	1.254.520	1.257.021
60. Loans to banks	2.748.587	3.695.284	3.721.864
70. Loans to customers	98.020.148	92.941.317	88.773.382
80. Hedging derivatives	188.926	261.479	379.819
90. Fair value change of hedged financial assets (+/-)	8.685	-7.685	-6.924
100. Equity investments	249.561	183.448	147.562
110. Technical reserves of reinsurers	85.462	253.301	217.847
120. Property, plant and equipment	2.118.217	2.178.566	2.016.873
130. Intangible assets	5.549.111	5.621.122	5.514.610
of which:			
- goodwill	4.360.612	4.357.381	5.405.545
140. Tax assets	1.077.604	1.204.069	1.037.331
a) current	455.739	726.794	373.633
b) deferred	621.865	477.275	663.698
150. Non-current assets and disposal groups held for sale	19.803	13.205	963.784
160. Other assets	2.585.655	2.375.643	2.810.548
TOTAL ASSETS	121.595.422	121.491.566	118.722.726

The mandatory financial statements as at 30th September 2007 were affected by the reclassification of repurchase and reverse repurchase agreements with an institutional counterparty from the item "net interbank position" to the item "due to/from customers". The item "Temporary merger difference", which was stated separately as at 30th September 2007 in the financial statements published, has been reclassified within item 130.

Consolidated balance sheet

Figures in thousands of euro	30.9.2008	31.12.2007	30.9.2007
LIABILITIES AND SHAREHOLDERS' EQUITY			
10. Due to banks	7.071.811	7.736.405	6.461.373
20. Due to customers	50.464.444	50.164.004	48.687.647
30. Securities issued	43.829.206	40.817.869	40.762.440
40. Financial liabilities held for trading	477.339	865.207	931.161
60. Hedging derivatives	337.193	351.723	376.361
80. Tax liabilities	1.528.496	1.776.140	966.341
a) current	659.213	689.036	499.019
b) deferred	869.283	1.087.104	467.322
90. Liabilities associated with disposal groups held for sale	6.609	-	495.815
100. Other liabilities	4.111.175	3.499.989	4.153.288
110. Staff severance provisions	424.990	469.879	474.966
120. Provisions for liabilities and charges:	375.015	321.730	525.582
a) pension and similar obligations	81.149	84.139	88.523
b) other provisions	293.866	237.591	437.059
130. Technical reserves	385.463	2.590.644	2.565.269
140. Valuation reserves	-288.491	37.485	55.771
170. Reserves	2.439.997	2.195.597	2.166.708
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 (+/-)	1.113.892	1.085.839	880.209
220. Profit (loss) for the period (+/-)	620.040	880.812	521.552
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	121.595.422	121.491.566	118.722.726

The mandatory financial statements as at 30th September 2007 and as at 31st December 2007 were affected by the reclassification of repurchase and reverse repurchase agreements with an institutional counterparty from the item "net interbank position" to the item "due to/from customers".

The figures as at 30th September 2007 and as at 31st December 2007 contain results for the period that do not include the contribution from the former Banca Lombarda e Piemontese Group for the first quarter.

Consolidated income statement

Figures in thousands of euro	30.9.2008	30.9.2007	31.12.2007	3rd Quarter 2008	3rd Quarter 2007
10. Interest and similar income	4.595.780	3.751.347	5.255.442	1.546.708	1.490.169
20. Interest expense and similar	(2.381.918)	(1.872.652)	(2.683.449)	(803.661)	(771.509)
30. Net interest income	2.213.862	1.878.695	2.571.993	743.047	718.660
40. Commission income	1.051.200	1.022.570	1.422.798	323.719	374.582
50. Commission expense	(152.159)	(146.106)	(207.179)	(44.508)	(53.046)
60. Net commission income	899.041	876.464	1.215.619	279.211	321.536
70. Dividends and similar income	69.994	80.022	83.249	1.519	568
80. Net profit (loss) from trading	(820)	21.945	30.232	10.992	(1.786)
90. Net profit (loss) from hedging activity	(8.195)	8.884	4.541	(22.311)	4.448
100. Profit (loss) from disposal or repurchase of:	12.029	30.208	46.953	1.821	3.079
a) loans	(994)	5.070	(140)	(266)	906
b) available-for-sale financial assets	7.310	20.437	40.342	196	422
c) held-to-maturity financial assets	-	(2)	-	-	(2)
d) financial liabilities	5.713	4.703	6.751	1.891	1.753
110. Net profit (loss) on financial assets and liabilities at fair value	(52.718)	(149)	1.607	(51.097)	(149)
120. Gross income	3.133.193	2.896.069	3.954.194	963.182	1.046.356
130. Net impairment losses on:	(250.195)	(172.231)	(356.512)	(99.507)	(69.152)
a) loans	(255.824)	(164.111)	(328.015)	(101.629)	(66.715)
b) available-for-sale financial assets	(6.592)	(5.183)	(20.046)	77	781
c) held-to-maturity financial assets	(80)	(1.291)	-	(80)	(1.231)
d) other financial transactions	12.301	(1.646)	(8.451)	2.125	(1.987)
140. Net financial operating income	2.882.998	2.723.838	3.597.682	863.675	977.204
150. Net insurance premiums	145.605	290.300	402.298	46.309	95.161
160. Other net profit (loss) of insurance operations	(139.927)	(311.167)	(421.586)	(48.807)	(105.649)
170. Net income from financial and insurance operations	2.888.676	2.702.971	3.578.394	861.177	966.716
180. Administrative expenses	(1.908.151)	(1.785.025)	(2.489.011)	(605.588)	(608.012)
a) staff costs	(1.221.924)	(1.186.505)	(1.601.756)	(394.148)	(383.946)
b) other administrative expenses	(686.227)	(598.520)	(887.255)	(211.440)	(224.066)
190. Net provisions for liabilities and charges	(39.020)	(10.837)	(29.968)	(13.100)	(6.198)
200. Net impairment losses on property, plant and equipment	(91.525)	(89.079)	(124.118)	(30.845)	(27.711)
210. Net impairment losses on intangible assets	(103.708)	(50.775)	(107.878)	(34.619)	(16.694)
220. Other operating income / (expense)	185.763	184.801	269.006	55.170	72.680
230. Operating costs	(1.956.641)	(1.750.915)	(2.481.969)	(628.982)	(585.935)
240. Profits (losses) of equity investments	14.571	12.418	15.248	373	6.895
260. Net impairment losses on goodwill	-	(136)	-	-	-
270. Profits (losses) on disposal of investments	80.289	21.959	22.085	1.197	279
280. Profit (loss) on continuing operations before tax	1.026.895	986.297	1.133.758	233.765	387.955
290. Taxes on income for the period for continuing operations	(327.792)	(426.447)	(460.673)	(113.003)	(174.564)
300. After tax profit (loss) on continuing operations	699.103	559.850	673.085	120.762	213.391
310. Profit (loss) after tax from discontinued operations	(11.029)	16.622	308.547	-	38
320. Profit (loss) for the period	688.074	576.472	981.632	120.762	213.429
330. Profit (loss) for the period attributable to minority interests	(68.034)	(54.920)	(100.820)	(19.908)	(25.487)
340. Profit (loss) for the period attributable to the shareholders of the Parent Bank	620.040	521.552	880.812	100.854	187.942
Basic EPS (Earnings Per Share) "annualised"	1,2764	1,2164	1,5379		
Diluted EPS (Earnings Per Share) "annualised"	1,2764	1,2164	1,5379		

The figures to 30th September 2007 and to 31st December 2007 do not include the contribution from the former Banca Lombarda e Piemontese Group for the first quarter.

The income statements to 30th September 2007 and for the third quarter of 2007 do not incorporate the effects of the purchase price allocation.

Statement of changes in consolidated shareholders' 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						Shareholders' equity as at 30.9.2008		
	attributable to the Parent Bank	attributable to minority interests	attributable to the Parent Bank	attributable to minority interests	attributable to the Parent Bank	attributable to minority interests		Reserves		Dividends and other uses	Changes in reserves		New share issues		Stock options	Profit for the period			
								attributable to the Parent Bank	attributable to minority interests		attributable to the Parent Bank	attributable to minority interests	attributable to the Parent Bank	attributable to minority interests		attributable to the Parent Bank			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	2.195.597	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
Valuation reserves:	37.485	51.443	-	-	37.485	51.443	-	-	-	-	-325.976	-1.399	-	-	-	-	-	-288.491	50.044
a) available-for-sale financial assets	-34.907	2.025	-	-	-34.907	2.025	-	-	-	-	-328.077	-1.278	-	-	-	-	-	-362.984	747
b) cash flow hedging	923	-	-	-	923	-	-	-	-	-	-252	-	-	-	-	-	-	671	-
c) exchange rate differences	-243	-	-	-	-243	-	-	-	-	-	-	-	-	-	-	-	-	-243	-
d) special revaluation laws	69.619	50.093	-	-	69.619	50.093	-	-	-	-	532	-11	-	-	-	-	-	70.151	50.082
e) other	2.093	-675	-	-	2.093	-675	-	-	-	-	1.821	-110	-	-	-	-	-	3.914	-785
Capital instruments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Own shares:	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
a) of the Parent Bank	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
b) of subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Profit for the period	880.812	100.820	-	-	880.812	100.820	-	-248.080	-100.820	-632.732	-	-	-	-	-	-	-	620.040	68.034
Shareholders' equity	11.812.137	1.085.839	-	-	11.812.137	1.085.839	-	-	-	-632.732	-329.656	-39.981	-	-	-	-	-	620.040	68.034
																		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 related to the partial sale of UBI Sistemi e Servizi to minorities. 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 (1 million euro relating to IW Bank).

Statement of changes in consolidated shareholders' equity for the period ended 30th September 2007

Figures in thousands of euro	Balances as at 31.12.2006		Changes in opening balances		Balances as at 1.1.2007		Changes in scope of consolidation	Allocation of prior year profit			Changes January - September 2007						Shareholders' equity as at 30.9.2007		
	attributable to the Parent Bank	attributable to minority interests	attributable to the Parent Bank	attributable to minority interests	attributable to the Parent Bank	attributable to minority interests		Reserves		Dividends and other uses	Changes in reserves		New share issues		Stock options	Profit for the period		attributable to the Parent Bank	attributable to minority interests
								attributable to the Parent Bank	attributable to minority interests		attributable to the Parent Bank	attributable to minority interests(**)	attributable to the Parent Bank	attributable to minority interests		attributable to the Parent Bank	attributable to minority interests		
Share capital:	861.207	-			861.207	-	-	-	-	-	-	-	736.658	-	-	-	-	1.597.865	-
a) ordinary shares	861.207	-			861.207	-	-	-	-	-	-	-	736.658	-	-	-	-	1.597.865	-
b) other shares	-	-			-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Share premiums	1.545.611	-			1.545.611	-	-	-	-	-235.365			5.790.132	-	-	-	-	7.100.378	-
Reserves	1.866.531	372.751	-	-	1.866.531	372.751	431.662	331.533	44.580	-904	-30.452	-75.812	-	-	-	-	-	2.166.708	773.181
a) of profits	1.238.781	26.193	-	-	1.238.781	26.193	214.106	331.533	44.580	-904	-30.452	-90.158	-	-	-	-	-	1.538.958	194.721
b) other	627.750	346.558	-	-	627.750	346.558	217.556	-	-	-	-	14.346	-	-	-	-	-	627.750	578.460
Valuation reserves:	118.820	943	-17.892	-1.042	100.928	-99	52.214						-45.157	-7				55.771	52.108
a) available-for-sale financial assets	49.020	353	-	-	49.020	353	2.755						-66.805	-672				-17.785	2.436
b) cash flow hedging	242	48	-	-	242	48	-						1.163	-48				1.405	-
c) exchange rate differences	-243	-	-	-	-243	-	-						-	-				-243	-
d) special revaluation laws	69.801	542	-	-	69.801	542	49.623						-303	-11				69.498	50.154
e) other	-	-	-17.892	-1.042	-17.892	-1.042	-164						20.788	724				2.896	-482
Capital instruments	-	-			-	-												-	-
Own shares:	-	-			-	-												-	-
a) of the Parent Bank	-	-			-	-												-	-
b) of subsidiaries	-	-			-	-												-	-
Profit for the period	640.779	44.580	-	-	640.779	44.580		-331.533	-44.580	-309.246			-	-				521.552	54.920
Shareholders' equity	5.032.948	418.274	-17.892	-1.042	5.015.056	417.232	483.876	0	0	-545.515	-75.609	-75.819	6.526.790	-	-			521.552	54.920
																		11.442.274	880.209

(*) The effects of the change in accounting policy for actuarial gains and losses in relation to benefit plans for employees have been inserted in the line "Valuation reserves e) other", as "Changes in opening balances".

(**) As concerns minority interests:

- the changes in reserves "other" are almost entirely attributable to the increase in the share capital and the issue premium for the shares of IW Bank Spa at the service of the stock exchange listing of the company, and, offsetting that, to the total transfer to the Parent Bank of the interest held by BRE in SILF;
- the changes in reserves "of profits" are due for -86.276 million euro to the distribution of profits for the year ended 31st December 2006, to the cover in valuation reserves for actuarial profits and losses on the staff severance provision, health policies and other for the amount contained in the column "changes in opening balances" and also to the effect of the listing of IW Bank with the consequent increase in the percentage of ownership by minority shareholders and to the transfer to UBI Banca of the interest held by BRE in Silf already mentioned.

Consolidated statement of cash flows (indirect method)

Figures in thousands of euro	30.9.2008	30.9.2007
A. OPERATING ACTIVITIES		
1. Ordinary activities	625.181	671.839
- net profit for the period (+/-)	620.040	521.552
- gains/losses on financial assets held for trading and on financial assets/liabilities at fair value (+/-)	820	-21.945
- gains/losses on hedging activities (-/+)	8.195	-8.884
- net impairment losses (+/-)	250.195	172.231
- net impairment losses on property, plant and equipment and intangible fixed assets (+/-)	195.233	139.854
- net provisions for liabilities and charges and other expense/income (+/-)	39.020	10.701
- net premiums not collected (-)	-	-
- other insurance income/expense not received(-/+)	-	-
- outstanding taxes and duties	-120.315	42.089
- net impairment losses on disposal groups held for sale after tax (-/+)	-	-16.622
- other adjustments (+/-)	-368.007	-167.137
2. Liquidity generated/absorbed by financial assets	-3.230.646	-338.762
- financial assets held for trading	1.340.640	1.518.824
- financial assets at fair value	318.917	3.712.632
- available-for-sale financial assets	-530.024	-393.093
- loans to banks: repayable on demand	-	-
- loans to banks: other loans	1.155.593	372.091
- loans to customers	-5.515.772	-5.549.216
3. Liquidity generated/absorbed by financial liabilities	3.107.514	42.952
- amounts due to banks repayable on demand	-	-
- amounts due to banks: other payables	-1.132.947	-2.259.018
- due to customers	1.457.475	-174.531
- securities issued	2.958.133	2.645.523
- financial liabilities held for trading	-387.868	-97.369
- financial liabilities at fair value	-	-
- other liabilities	212.721	-71.653
Net liquidity generated/absorbed by operating activities	502.049	376.029
B. INVESTING ACTIVITIES		
1. Liquidity generated by	139.254	156.249
- disposals of equity investments	-	3.214
- dividends received on equity investments	69.994	80.022
- disposals of held-to-maturity financial assets	-	73.013
- disposals of property, plant and equipment	-	-
- disposals of intangible assets	-	-
- disposals of subsidiaries and lines of business	69.260	-
2. Liquidity absorbed by	-94.772	-145.524
- purchases of equity investments	-39.163	-7.563
- purchases of held-to-maturity financial assets	-	-74.453
- purchases of property, plant and equipment	-55.609	-39.344
- purchases of intangible assets	-	-24.164
- purchases of subsidiaries and lines of business	-	-
Net liquidity generated/absorbed by investing activities	44.482	10.725
C. FUNDING ACTIVITIES		
- issues/purchases of own shares	-	-
- issues/purchases of capital instruments	-	-
- distribution of dividends and other uses	-632.732	-511.317
Net liquidity generated/absorbed by funding activities	-632.732	-511.317
NET LIQUIDITY GENERATED/ABSORBED DURING THE PERIOD	-86.201	-124.563

Key: (+) generated (-) absorbed

Reconciliation

Figures in thousands of euro	30.9.2008	30.9.2007
Cash and cash equivalents at beginning of period	643.128	405.097
Inflow of cash and cash equivalents as at 1.4.2007 following the merger	-	181.702
Total net cash flow for the period	-86.201	-124.563
Cash and cash equivalents: effect of changes in exchange rates	-	-
Cash and cash equivalents at the end of the period	556.927	462.236

Illustrative Notes

Statement of compliance with IAS/IFRS

This quarterly consolidated financial report as at and for the period ended 30th September 2008 of Unione di Banche Italiane Group, approved by the Management Board on 11th November 2008, has been prepared in compliance with Art. 154 *ter* of Legislative Decree No. 58/1998 to implement the “*Transparency Directive*⁶⁰” and in application of IAS 34 “*Interim financial reporting*”.

In view of the concession allowed by the standard cited, these quarterly consolidated financial statements – prepared in compliance with the international accounting standards issued by the IASB,⁶¹ and homologated at the date of publication, and also in compliance with the related interpretations of the IFRIC⁶² – have been presented in condensed form and therefore they do not provide the full information required for annual financial statements.

The quarterly consolidated financial report is composed of the quarterly financial statements containing the mandatory financial statements – the balance sheet, income statement, statement of cash flows, statement of changes in shareholders’ equity – and the illustrative notes along with the directors’ report on the consolidated financial statements and the declaration in compliance with Art. 154 *bis*, paragraph 2 of the Consolidated Finance Act.

This report is on the companies (subsidiaries, associates and companies subject to joint control) included within the scope of consolidation, as also detailed in the section “The consolidation scope”, which also reports the changes that occurred during the period.

Basis of preparation

These quarterly consolidated financial statements as at and for the period ended 30th September 2009 have been prepared according to the general accounting principles contained in IAS 1 “*Presentation of financial statements*” and they therefore report information on a going concern basis, recognising income and expenses on an accruals basis without offsetting assets against liabilities and income against expenses.

The information contained in them is expressed, unless otherwise indicated, in euro as the accounting currency.

The balance sheet, income statement and other financial statements have been presented in thousands of euro. The relative rounding of the figures has been performed on the basis of Bank of Italy instructions. Items for which there are no values for the current and the previous period have been omitted.

The quarterly consolidated financial statements as at and for the period ended 30th September 2008 have been clearly stated and give a true and fair view of the capital and financial position, the result for the period, the changes in equity and the cash flows.

⁶⁰ Ref. Dir. 2004/109/EC, Art. 6. That directive, implemented in national law by Legislative Decree No. 195/2007, amended Legislative Decree No. 58/1998, known as the Consolidated Finance Act.

⁶¹ International Accounting Standards Board.

⁶² International Financial Reporting Interpretation Committee.

The mandatory financial statements comply with those defined in Bank of Italy Circular No. 262/2005⁶³ and in addition to the financial statements as at and for the period ended 30th September 2008 they provide the following comparative information:

- balance sheet: 31st December 2007 and 30th September 2007;
- income statement: to 30th September 2007, to 31st December 2007 and third quarter of 2007;
- statement of changes in shareholders' equity: 30th September 2007;
- statement of cash flows: 30th September 2007.

In detail:

- the comparative balance sheet information as at 30th September 2007 relates to the UBI Banca Group and includes a result for the year to which the former Banca Lombarda e Piemontese Group contributed for only six months and not for nine months;
- the comparative income statement information for the period January-September 2007, which does not include the effects of the purchase price allocation, nor those of the amendments to the Corporate By-laws concerning staff pensions and social security, relate to the following:
 - the former BPU Group for the period 1st January-30th September 2007; and
 - the former Banca Lombarda e Piemontese Group for the period 1st January-30th September 2007;
- the comparative balance sheet information as at 31st December 2007 relates to the UBI Banca Group and includes a result for the year to which the former Banca Lombarda e Piemontese Group contributed for 9 months and not for 12 months;
- the comparative income statement information for the financial year 2007 relates to:
 - the former BPU Group for the period 1st January – 31st December 2007; and
 - the former Banca Lombarda e Piemontese Group for the period 1st April – 31st December 2007.

In consideration of the above, the figures in the quarterly consolidated financial statements as at and for the period ended 30th September 2008 are not comparable with those for the previous periods.

In order to provide more complete information, pro-forma balance sheet and income statement figures as at 30th September 2007 and as at 31st December 2007 have been prepared to supplement the directors' interim report.

That section also contains comments on the principal changes that occurred in the capital and financial situation during the reporting period (first nine months of 2008 and third quarter of 2008) and in some cases on an annual basis (30th September 2008-30th September 2007). Comment is also given on operations for the period January-September 2008, compared with the corresponding first nine months of 2007 and on the third quarter of 2008, compared with the third quarter of 2007.

This financial report also includes a section on the Parent Bank containing the separate company mandatory quarterly financial statements as at and for the period ended 30th September 2008 (which have not been subjected to a limited audit and for which the same considerations of non full comparability concerning the consolidated financial statements also apply), the pro-forma reclassified financial statements and the relative notes and comments.

Accounting policies

These quarterly financial statements adopt the same accounting policies for the classification, valuation and derecognition phases as those described in the annual financial statements of

⁶³ The balance sheet lists assets and liabilities in order of decreasing liquidity and the income statement recognises expenses according to their nature.

UBI Banca as at and for the period ended 31st December 2007, which may be consulted for a full description.

The accounting policies employed tend to apply the cost criterion with the exception of the following financial assets and liabilities, which are valued using the fair value criterion: financial instruments held for trading (including derivative products), financial instruments designated at fair value (in application of the fair value option) and available-for-sale financial instruments.

To complete the information, non current assets available for sale (and the liabilities associated with them) have been recognised at the lower of the carrying amount and the fair value (net of sales costs).

Use of estimates

These quarterly financial statements, in compliance with IAS/IFRS 34, have been prepared making a more extensive use of estimates with respect to annual reports without, however, impairment to their reliability.

Collective impairment losses on performing loans

Numerous changes were introduced in August to the method of calculating collective impairment losses on performing loans as a result of developments in the Basel project which have a potential impact on collective impairment. The main innovations concern the new credit risk segmentation, the identification of new portfolios (small businesses, large borrowers), which contain counterparties previously allocated to other segments, and the use of new estimates of probability of default (PD) for corporate customers throughout the UBI Banca Group.

The changes described require activity to consolidate the methods adopted, in which appropriate monitoring of the results must be conducted because the calculation models are based on many assumptions which tend to correlate with each other. As a consequence it was decided to bring the new system of calculation into operation for the end of year financial statements and in the meantime to use intermediate solutions, which are nevertheless prudential and oriented towards maintaining levels of cover adequate to company risk.

More specifically, on the basis of previously formulated considerations, it was decided to base collective write-downs for September on the July 2008 value adjustment percentages, the latest available before the changeover to new methods. Furthermore, in consideration of market trends and on the basis of the most recently available information, with regard to the third quarter of 2008 (deterioration rates, case-by-case net impairment losses on loans), it was decided prudentially to increase provisions to have an impact that is consistent with the risk found. This impact was estimated by applying the change in the deterioration rates to the write-down for July, with the loss given default (LGD) component appropriately adjusted to take account of trends for the reversal of impaired positions.

In the meantime all the monitoring activities for the new calculation system for the end of year objective were activated, in order to consolidate the valuation procedures and to integrate them in all banks which had recently migrated onto the target IT platform with the calculation method based on PD/LGD. For those customer segments for which the development of the models is still in progress, including private individuals, proxy variables specific to the new group (rates of deterioration) will nevertheless be used, historically adopted to estimate impairment. The main Group member companies which do not fall within the scope of the validation of the internal models for 2009 will also be aligned on estimate procedures that are consistent with the actual risk profile implicit in their portfolios.

Amendments to IAS 39

Amendments to IAS 39, “*Financial instruments: recognition and measurement*”, came into force with the publication of European Commission Regulation (EC) No. 1004/2008 in the Official Journal of the European Union No. 275 of 16th October 2008 .

These amendments are designed basically to allow some limited possibilities to reclassify financial assets classified within “*financial assets held for trading*” (or assets designated at fair value through profit and loss) within other categories, under determined conditions such as for example those of the current crisis on financial markets, in order to avoid measurement at fair value.

These amendments are also to be seen as moving closer to the positions of the United States FASB which already allowed these possibilities under determined circumstances.

More specifically the amendment to IAS 39 allows the following:

1. in **rare circumstances** to reclassify any financial asset – except for derivative instruments – from “*financial assets held for trading*” (asset item 20 in the balance sheet) to another class;
2. to reclassify financial assets which possess the objective characteristics of “loans and receivables” where there is the intention to keep them for a foreseeable future period or until they mature, from “*financial assets held for trading*” (asset item 20 on the balance sheet) and from “*available-for-sale financial assets*” (asset item 40 on the balance sheet) to “loans and receivables” (i.e. “loans to banks” or “loans to customers” – asset items 60 and 70 on the balance sheet respectively).

The provisions of IAS 39 which already allowed reclassifications from “held-to-maturity financial assets” to “available-for-sale financial assets” and vice versa remain in force.

The valuation of financial instruments on markets considered “inactive”

On 31st October 2008, the IASB (International Accounting Standards Board) issued a press release in this respect entitled “*IASB publishes educational guidance on the application of fair value measurement when markets become inactive*”, providing guidelines on the application of fair value criteria.

These guidelines are consistent with those already issued by the United States FASB (Financial Accounting Standards Board) and are designed to allow greater use of valuation techniques which are also based on assumptions made by management in the presence of prices formulated on markets that are considered inactive.

In this case the fair value is calculated using a “mark-to-model” method or valuation techniques based on internal company estimates of future cash flows, discounted, for example, for liquidity risk and credit risk.

As concerns all of the above and with specific regard to both the amendments to IAS 39 and to the guidelines on the application of the fair value criterion, the UBI Banca Group considered that it had no need to use the options granted and therefore it has not performed any reclassifications of financial assets currently held in portfolio on the basis of the new provisions contained in IAS 39. Furthermore, no use has been made of mark-to-model methods to replace market prices in the determination of fair value. Criteria based on estimated cash flows on the basis of internal management assumptions made to also incorporate appropriate illiquidity risk

premiums or other factors are not applicable for the valuation of the hedge funds held in portfolio, given the lack of the necessary information.

Other aspects

No situations existed at the balance sheet date of this quarterly report, other than those which may already been reported in the section “The consolidation scope”, contained in the interim directors’ report, in which:

- in the presence of the direct or indirect ownership of shares equal to or greater than half the actual or potential voting rights it is considered that control is not exercised;
- in the presence of the direct or indirect ownership of shares equal to or greater than 20% it is considered that significant influence is not exercised;
- in the presence of the direct or indirect ownership of less than 20% of the shares, it is considered that significant influence is exercised.

No significant restrictions existed on that same date on the ability of subsidiaries and associates to transfer funds to the Parent Bank in payment of dividends or repayment of loans or any other type debt.

The interim balance sheet dates of all the companies included in the consolidation were the same as the balance sheet date of the interim accounts of the Parent Bank.

Finally, the relative sections in the interim directors’ report on the consolidated financial statements may be consulted with regard to minimum content required under sections 16 and 17 of IAS 34, i.e. litigation settlements, related party transactions, significant events after the balance sheet date, changes in the scope of consolidation, significant non-recurring transactions and atypical and/or unusual transactions.

List of the main IAS/IFRS standards approved by the European Commission

IAS/IFRS	ACCOUNTING POLICIES	APPROVAL
IAS 1	Presentation of financial statements	Reg. 2238/2004, amend. 1910/2005, 108/2006
IAS 2	Inventories	Reg. 2238/2004, 1358/2007
IAS 7	Statement of cash flows	Reg. 1725/2003 amend. 2238/2004, 1358/2007
IAS 8	Accounting policies, changes in accounting estimates and errors	Reg. 2238/2004
IAS 10	Events after the balance sheet date	Reg. 2238/2004
IAS 11	Construction contracts	Reg. 1725/2003
IAS 12	Income taxes	Reg. 1725/2003 amend. 2236/2004, 2238/2004, 211/2005
IAS 14	Segment Reporting	Reg. 1725/2003 amend. 2236/2004, 2238/2004, 108/2006
IAS 16	Property, plant and equipment	Reg. 2238/2004 amend. 211/2005, 1910/2005
IAS 17	Leases	Reg. 2238/2004, 108/2006
IAS 18	Revenues	Reg. 1725/2003 amend. 2236/2004
IAS 19	Employee benefits	Reg. 1725/2003 amend. 2236/2004, 2238/2004, 211/2005, 1910/2005, 1358/2007
IAS 20	Accounting for government grants and disclosure of government assistance	Reg. 1725/2003 amend. 2238/2004
IAS 21	The effects of changes in foreign exchange rates	Reg. 2238/2004
IAS 23	Borrowing costs	Reg. 1725/2003 amend. 2238/2004
IAS 24	Related party disclosures	Reg. 2238/2004 amend. 1910/2005
IAS 26	Retirement benefit plans	Reg. 1725/2003
IAS 27	Consolidated and separate financial statements	Reg. 2238/2004, 1358/2007
IAS 28	Investments in associates	Reg. 2238/2004
IAS 29	Financial reporting in hyperinflationary economies	Reg. 1725/2003 amend. 2238/2004
IAS 31	Interests in joint ventures	Reg. 2238/2004
IAS 32	Financial instruments: presentation	Reg. 2237/2004 amend. 2238/2004, 211/2005, 1864/2005, 108/2006
IAS 33	Earnings per share	Reg. 2238/2004 amend. 211/2005, 108/2006, 1358/2007
IAS 34	Interim financial reporting	Reg. 1725/2003 amend. 2236/2004, 2238/2004, 1358/2007
IAS 36	Impairment of assets	Reg. 2236/2004 amend. 2238/2004, 1358/2007
IAS 37	Provisions, contingent liabilities and contingent assets	Reg. 1725/2003 amend. 2236/2004, 2238/2004
IAS 38	Intangible assets	Reg. 2236/2004 amend. 2238/2004, 211/2005, 1910/2005
IAS 39	Financial instruments: recognition and measurement	Reg. 2086/2004 amend. 2236/2004, 211/2005, 1751/2005, 1864/2005, 1910/2005, 2106/2005, 108/2006, Reg. 1004/2008
IAS 40	Investment property	Reg. 2238/2004
IAS 41	Agriculture	Reg. 1725/2003 amend. 2236/2004, 2238/2004
IFRS 1	First-time adoption of international financial reporting standards	Reg. 707/2004 amend. 2236/2004, 2237/2004, 2238/2004, 211/2005, 1751/2005, 1864/2005, 1910/2005, 108/2006
IFRS 2	Share-based payment	Reg. 211/2005
IFRS 3	Business combinations	Reg. 2236/2004

IFRS 4	Insurance contracts	Reg. 2236/2004, 108/2006
IFRS 5	Non-current assets held for sale and discontinued operations	Reg. 2236/2004, 1358/2007
IFRS 6	Exploration for and evaluation of mineral resources	Reg. 1910/2005, 1358/2007
IFRS 7	Financial instruments: disclosures	Reg. 108/2006, Reg. 1004/2008
IFRS 8	Operating segments	Reg. 1358/2007

SIC/IFRIC	INTERPRETATION DOCUMENTS	APPROVAL
IFRIC 1	Changes in existing decommissioning, restoration and similar liabilities	Reg. 2237/2004
IFRIC 2	Members' Shares in Co-operative Entities and Similar Instruments	Reg. 1073/2005
IFRIC 4	Determining whether an arrangement contains a lease	Reg. 1910/2005
IFRIC 5	Rights to interests arising from decommissioning, restoration and environmental rehabilitation funds	Reg. 1910/2005
IFRIC 6	Liabilities arising from participating in a specific market - waste electrical and electronic equipment	Reg. 108/2006
IFRIC 7	Applying the restatement approach under IAS 29 "Financial reporting in hyperinflationary economies"	Reg. 708/2006
IFRIC 8	Scope of IFRS 2	Reg. 1329/2006
IFRIC 9	Reassessment of embedded derivatives	Reg. 1329/2006
IFRIC 10	Interim financial reporting and impairment	Reg. 610/2007
IFRIC 11	IFRS 2 - Group and treasury share transactions	Reg. 611/2007
SIC 7	Introduction of the euro	Reg. 1725/2003 amend. 2238/2004
SIC 10	Government assistance – no specific relation to operating activities	Reg. 1725/2003
SIC 12	Consolidation – special purpose entities	Reg. 1725/2003 amend. 2238/2004, 1751/2005
SIC 13	Jointly controlled entities – non-monetary contributions by venturers	Reg. 1725/2003 amend. 2238/2004
SIC 15	Operating leases – Incentives	Reg. 1725/2003
SIC 21	Income taxes – Recovery of revalued non-depreciable assets	Reg. 1725/2003 amend. 2238/2004
SIC 25	Income taxes – Changes in the tax status of an enterprise or its shareholders	Reg. 1725/2003 amend. 2238/2004
SIC 27	Evaluating the substance of transactions in the legal form of a lease	Reg. 1725/2003 amend. 2238/2004
SIC 29	Service concession arrangements: disclosures	Reg. 1725/2003
SIC 31	Revenue – Barter transactions involving advertising services	Reg. 1725/2003 amend. 2238/2004
SIC 32	Intangible assets – Website costs	Reg. 1725/2003 amend. 2236/2004, 2238/2004

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

Declaration of the senior executive officer responsible for preparing the corporate accounting documents

The senior executive officer responsible for preparing the corporate accounting documents of Unione di Banche Italiane Scpa, Elisabetta Stegher, hereby declares, in compliance with paragraph 2 of article 154 *bis* of the “*Testo unico delle disposizioni in materia di intermediazione finanziaria*”, that the information contained in this Quarterly Report as at 30 September 2008 corresponds to the records contained in corporate documents, books and accounting records.

Elisabetta Stegher
Senior Executive Officer responsible for preparing the corporate accounting documents
(signed in the original Italian version)

Bergamo, 11 November 2008

**INFORMATION ON THE
PERFORMANCE OF
THE PARENT BANK
UBI BANCA Scpa
IN THE FIRST NINE
MONTHS OF 2008**

The 2008 and 2007 (pro-forma) reclassified financial statements and reconciliations

Notes on the financial statements

The mandatory financial statements prepared on the basis of Bank of Italy Circular No. 262 of 22nd December 2005 and subsequent amendments and additions incorporate the balance sheet and income statement figures for the former Banca Lombarda e Piemontese from 1st April 2007, the date on which the merger took effect.

In order to allow a uniform comparison of the performance of UBI Banca Scpa, **pro-forma reclassified financial statements** as at 30th September 2007 and as at 31st December 2007 have therefore been prepared which include the figures relating to the former BLP for the first nine months of 2007 and for the full year 2007. These consequently take account of the balance sheet and income statement items of the former BLP for the first three months of the year and also of the PPA as illustrated below.

In compliance with the international standard IFRS 3, the cost of acquisition (at the date of acquisition itself, amounting to 4,1 billion) was recognised in both the *reclassified* and the interim separate company *balance sheets* by allocating it to the fair value of the assets and liabilities of the merged bank, while maintaining the residual components within goodwill⁶⁴.

The pro-forma reclassified *income statements* include, in turn, the impact of the purchase price allocation, recalculated for all the previous comparative periods. That impact was positive for UBI Banca, although only modest in size.

The reclassified income statement figures to 30th September 2007 also incorporate, on an accruals basis, the amendments to Art. 52 of the Corporate By-Laws of UBI Banca, decided when the financial statements for the year ended 31st December 2007 were approved, concerning the allocation of a share of net profit to staff pensions and social security, to be charged directly to staff costs (+6 million euro the impact on staff costs in the first nine months of 2007)⁶⁵.

Finally, the balance sheets as at 30th September 2007 and 31st December 2007 were affected by the reclassification of *repurchase and reverse repurchase agreements with an institutional counterparty* from the item “net interbank position” to the item “amounts due to/from customers”, which affected the related items in the income statements. This reclassification was necessary in order to align the classification of this counterparty in the former BL and BPU IT systems.

Furthermore, no pro-forma restatement was made for the figures to 30th September 2007 with regard to the contribution by UBI Banca of service and support operations to UBI.S, which took effect from 1st October 2007.

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

- the tax recoveries recognised under item 190 of the mandatory income statement (other operating income/(expenses) were reclassified as a reduction in indirect taxes included within other administrative expenses;

⁶⁴ An analysis of the method adopted and details of the purchase price allocation to the assets and liabilities of the merged bank is given in the 2007 Annual Report in the Notes to the Financial Statements, Part G – Business combinations concerning companies or lines of business, which may be consulted. In this respect the indistinct goodwill was immediately tested for impairment in the 2007 financial year with results which confirmed the values recognised for the purchase price allocation.

⁶⁵ See in this respect the 2007 Annual Report, Notes to the Financial Statements, Part A – Accounting Policies.

- the item net impairment losses on property, plant and equipment and intangible assets includes items 170 and 180 in the mandatory financial statements and the instalments relating to the depreciation of costs incurred for improvements to third party assets classified under item 190;
- integration costs include leaving incentive scheme expenses, consultancy costs and promotional expenses 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**.

The comments on the performance of the main balance sheet and income statement items have been made on the basis of the reclassified financial statements and the pro-forma reclassified financial statements for the comparative periods.

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 – the relative effects on capital and cash flow not being significant, because they are closely linked – which are summarised as follows⁶⁶:

January-September 2008

- integration costs resulting from the merger transaction;
- profit on the disposal of an interest in UBI Pramerica;
- disposal of the investment in Key Client (formerly CIM Italia);
- tax redemption on differences between statutory accounting values and values for tax purposes as at 31st December 2007;
- loss on the disposal an interest in UBI Sistemi e Servizi.

January-September 2007

- reform of supplementary pensions;
- integration costs resulting from the merger transaction (including an estimate of the costs of writing-off software and hardware to be abandoned);
- the non recoverability of the prior year tax losses of the former Banca Lombarda e Piemontese Spa relating to the first quarter of 2007, following the negative reply received from the tax authorities to the appeal presented concerning the method of applying the UBI tax consolidation;
- provision charge for guarantee in favour of HRS-Help Rental Service (put into liquidation in July 2007).

⁶⁶ In order to refine accounting policies and processes a new method was formulated for the definition of non-recurring items in the first Annual Report of UBI Banca. They are now selected on the basis of them reaching a certain percentage threshold of pre-tax profit (the significance of a single event, as well as a general assessment of items excluded after the procedure).

Reclassified balance sheet

Figures in thousands of euro	30.9.2008 A	31.12.2007 pro-forma B	Changes A-B	% change A/B	30.9.2007 pro-forma C	Changes A-C	% change A/C
ASSETS							
10. Cash and cash equivalents	132.865	66.812	66.053	98,9%	47.459	85.406	180,0%
20. Financial assets held for trading	1.434.756	2.753.772	-1.319.016	-47,9%	3.600.766	-2.166.010	-60,2%
30. Financial assets at fair value	993.918	981.148	12.770	1,3%	983.750	10.168	1,0%
40. Available-for-sale financial assets	2.456.359	2.060.909	395.450	19,2%	1.487.837	968.522	65,1%
50. Held-to-maturity financial assets	1.385.990	1.244.574	141.416	11,4%	1.247.263	138.727	11,1%
60. Loans to banks	29.119.495	19.708.390	9.411.105	47,8%	19.165.814	9.953.681	51,9%
70. Loans to customers	9.028.611	10.266.957	-1.238.346	-12,1%	8.965.441	63.170	0,7%
80. Hedging derivatives	51.520	48.975	2.545	5,2%	57.233	-5.713	-10,0%
100. Equity investments	11.714.899	11.606.918	107.981	0,9%	11.540.925	173.974	1,5%
110. Property, plant and equipment	650.909	678.205	-27.296	-4,0%	685.483	-34.574	-5,0%
120. Intangible assets	572.576	588.673	-16.097	-2,7%	596.850	-24.274	-4,1%
<i>of which: goodwill</i>	569.058	569.694	-636	-0,1%	569.694	-636	-0,1%
130. Tax assets	327.706	528.085	-200.379	-37,9%	315.471	12.235	3,9%
140. Non-current assets and disposal groups held for sale	13.687	43.866	-30.179	-68,8%	15.278	-1.591	-10,4%
150. Other assets	1.292.782	1.404.609	-111.827	-8,0%	890.055	402.727	45,2%
Total assets	59.176.073	51.981.893	7.194.180	13,8%	49.599.625	9.576.448	19,3%
LIABILITIES AND SHAREHOLDERS' EQUITY							
10. Due to banks	28.892.512	20.505.577	8.386.935	40,9%	17.706.494	11.186.018	63,2%
20. Due to customers	3.292.222	2.872.466	419.756	14,6%	3.481.325	-189.103	-5,4%
30. Securities issued	14.108.477	14.657.253	-548.776	-3,7%	15.066.538	-958.061	-6,4%
40. Financial liabilities held for trading	633.666	842.341	-208.675	-24,8%	811.056	-177.390	-21,9%
60. Hedging derivatives	58.604	54.001	4.603	8,5%	41.089	17.515	42,6%
80. Tax liabilities	446.489	606.326	-159.837	-26,4%	598.316	-151.827	-25,4%
100. Other liabilities	1.011.153	1.421.759	-410.606	-28,9%	892.239	118.914	13,3%
110. Staff severance provisions	45.115	51.037	-5.922	-11,6%	52.938	-7.823	-14,8%
120. Provisions for liabilities and charges:	16.191	8.993	7.198	80,0%	56.742	-40.551	-71,5%
a) pension and similar obligations	-	-	-	-	-	-	-
b) other provisions	16.191	8.993	7.198	80,0%	56.742	-40.551	-71,5%
^{130.+160.} ^{+170.+180.} Share capital, share premiums and reserves	10.066.367	10.141.731	-75.364	-0,7%	10.146.295	-79.928	-0,8%
200. Profit for the period	605.277	820.409	n.s.	n.s.	746.593	-141.316	-18,9%
Total liabilities and shareholders' equity	59.176.073	51.981.893	7.194.180	13,8%	49.599.625	9.576.448	19,3%

Reclassified income statement

Figures in thousands of euro	30.9.2008 A	30.9.2007 pro-forma B	Changes A-B	% change A/B	3rd Quarter 2008 C	3rd Quarter 2007 pro- forma D	Changes C-D	% change C/D	31.12.2007 pro-forma
10.-20. Net interest income	(186.005)	(139.199)	46.806	33,6%	(73.183)	(48.863)	24.320	49,8%	(195.803)
70. Dividends and similar income	903.204	971.013	(67.809)	(7,0%)	1.285	195	1.090	n.s.	972.298
40.-50. Net commission income	9.497	13.934	(4.437)	(31,8%)	2.748	5.860	(3.112)	(53,1%)	19.181
80.+90. +100. +110. Net income from trading, hedging and disposal/repurchase activities and from assets/liabilities at fair value	(56.991)	37.768	(94.759)	n.s.	(32.378)	(5.006)	27.372	n.s.	64.015
190. Other net operating income/(expense)	143.336	257.176	(113.840)	(44,3%)	46.997	85.941	(38.944)	(45,3%)	305.474
Operating income	813.041	1.140.692	(327.651)	(28,7%)	(54.531)	38.127	(92.658)	n.s.	1.165.165
150.a Staff costs	(117.813)	(190.905)	(73.092)	(38,3%)	(36.032)	(61.995)	(25.963)	(41,9%)	(228.151)
150.b Other administrative expenses	(115.120)	(136.684)	(21.564)	(15,8%)	(35.321)	(43.823)	(8.502)	(19,4%)	(192.062)
170.+ 180. Net impairment losses on property, plant and equipment and intangible assets	(46.652)	(54.930)	(8.278)	(15,1%)	(14.487)	(18.539)	(4.052)	(21,9%)	(68.838)
Operating costs	(279.585)	(382.519)	(102.934)	(26,9%)	(85.840)	(124.357)	(38.517)	(31,0%)	(489.051)
Net operating income	533.456	758.173	(224.717)	(29,6%)	(140.371)	(86.230)	54.141	62,8%	676.114
130.a Net impairment losses on loans	517	304	213	70,1%	357	262	95	36,3%	(1.192)
130.b +c+d Net impairment losses on other assets and liabilities	(536)	(6.434)	(5.898)	(91,7%)	(351)	(6.412)	(6.061)	94,5%	(5.927)
160. Net provisions for liabilities and charges	(604)	(2.126)	(1.522)	(71,6%)	772	(751)	1.523	n.s.	(3.742)
210.+ 240. Profit (loss) from disposal of equity investments	18.873	(218)	19.091	n.s.	522	(77)	599	n.s.	(44)
Profit (loss) on continuing operations before tax	551.706	749.699	(197.993)	(26,4%)	(139.071)	(93.208)	45.863	49,2%	665.209
290. Taxes on income for the period for continuing operations	71.730	48.533	23.197	47,8%	41.649	24.273	17.376	71,6%	222.014
Integration costs	(18.159)	(51.615)	(33.456)	(64,8%)	(5.798)	(2.385)	3.413	143,1%	(66.736)
of which: staff costs	(10.186)	(44.418)	(34.232)	(77,1%)	(3.720)	(415)	3.305	n.s.	(52.019)
other administrative expenses	(14.780)	(8.543)	6.237	73,0%	(4.250)	(2.440)	1.810	74,2%	(24.779)
net impairment losses on property, plant and equipment and intangible assets	(81)	(26.850)	(26.769)	(99,7%)	(27)	(973)	(946)	(97,2%)	(26.854)
taxes	6.888	28.196	(21.308)	(75,6%)	2.199	1.443	756	52,4%	36.916
280. After tax profit (loss) from discontinued operations	-	(24)	24	(100,0%)	-	(24)	24	(100,0%)	(78)
Profit for the period	605.277	746.593	(141.316)	(18,9%)	(103.220)	(71.344)	31.876	44,7%	820.409

Quarterly reclassified income statements

Figures in thousands of euro	2008			2007			
	3rd Quarter	2nd Quarter	1st Quarter	4th Quarter pro-forma	3rd Quarter pro-forma	2nd Quarter pro-forma	1st Quarter pro-forma
10.-20. Net interest income	(73.183)	(62.220)	(50.602)	(56.604)	(48.863)	(46.725)	(43.611)
70. Dividends and similar income	1.285	870.280	31.639	1.285	195	942.921	27.897
40.-50. Net commission income	2.748	2.213	4.536	5.247	5.860	3.725	4.349
80.+90. +100. +110. Net income from trading, hedging and disposal/repurchase activities and from assets/liabilities at fair value	(32.378)	14.157	(38.770)	26.247	(5.006)	24.505	18.269
190. Other net operating income/(expense)	46.997	45.771	50.568	48.298	85.941	85.010	86.225
Operating income	(54.531)	870.201	(2.629)	24.473	38.127	1.009.436	93.129
150.a Staff costs	(36.032)	(42.162)	(39.619)	(37.246)	(61.995)	(61.355)	(67.555)
150.b Other administrative expenses	(35.321)	(40.863)	(38.936)	(55.378)	(43.823)	(47.299)	(45.562)
170.+ 180. Net impairment losses on property, plant and equipment and intangible assets	(14.487)	(16.087)	(16.078)	(13.908)	(18.539)	(19.100)	(17.291)
Operating costs	(85.840)	(99.112)	(94.633)	(106.532)	(124.357)	(127.754)	(130.408)
Net operating income	(140.371)	771.089	(97.262)	(82.059)	(86.230)	881.682	(37.279)
130.a Net impairment losses on loans	357	46	114	(1.496)	262	3	39
130.b+ c+d Net impairment losses on other assets and liabilities	(351)	(159)	(26)	507	(6.412)	(12)	(10)
160. Net provisions for liabilities and charges	772	945	(2.321)	(1.616)	(751)	(685)	(690)
210.+ 240. Profit (loss) from disposal of equity investments	522	(5.157)	23.508	174	(77)	(131)	(10)
Profit (loss) on continuing operations before tax	(139.071)	766.764	(75.987)	(84.490)	(93.208)	880.857	(37.950)
290. Taxes on income for the period for continuing operations	41.649	3.370	26.711	173.481	24.273	3.677	20.583
Integration costs	(5.798)	(5.716)	(6.645)	(15.121)	(2.385)	(49.230)	-
280. After tax profit (loss) from discontinued operations	-	-	-	(54)	(24)	-	-
Profit for the period	(103.220)	764.418	(55.921)	73.816	(71.344)	835.304	(17.367)

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

	Non-recurring items						30.9.2008 net of non-recurring items A	Non-recurring items						30.9.2007 pro-forma net of non-recurring items B	Changes A-B	% changes A/B		
	30.9.2008	Integration costs		Redemption or EC section	Profit on disposal of Key Client	Loss on disposal of UBI Sistemi e Servizi shares		Profit on disposal of UBI Pramerica shares	30.9.2007 pro-forma	Integration costs		Other costs and IT system write-offs	Impact of reform of supplementary pensions				Provision for HRS guarantee	Former BLP tax loss for 1st quarter 2007
Figures in thousands of euro																		
Net interest income	(186.005)						(186.005)	(139.199)								(139.199)	46.806	33,6%
Dividends and similar income	903.204						903.204	971.013								971.013	(67.809)	(7,0%)
Net commission income	9.497						9.497	13.934								13.934	(4.437)	(31,8%)
Net income from trading, hedging and disposal/repurchase activities and from assets/liabilities at fair value	(56.991)			(7.055)			(64.046)	37.768								37.768	(101.814)	n.s.
Other net operating income/(expense)	143.336						143.336	257.176								257.176	(113.840)	(44,3%)
Operating income	813.041	-	-	(7.055)	-	-	805.986	1.140.692	-	-	-	-	-	-	1.140.692	(334.706)	(29,3%)	
Staff costs	(117.813)						(117.813)	(190.905)			(5.499)				(196.404)	(78.591)	(40,0%)	
Other administrative expenses	(115.120)						(115.120)	(136.684)							(136.684)	(21.564)	(15,8%)	
Net impairment losses on property, plant and equipment and intangible assets	(46.652)						(46.652)	(54.930)							(54.930)	(8.278)	(15,1%)	
Operating costs	(279.585)	-	-	-	-	-	(279.585)	(382.519)	-	-	(5.499)	-	-	-	(388.018)	(108.433)	(27,9%)	
Net operating income	533.456	-	-	(7.055)	-	-	526.401	758.173	-	-	(5.499)	-	-	-	752.674	(226.273)	(30,1%)	
Net impairment losses on loans	517						517	304							304	213	70,1%	
Net impairment losses on other assets/liabilities	(536)						(536)	(6.434)				5.570			(864)	(328)	(38,0%)	
Net provisions for liabilities and charges	(604)						(604)	(2.126)							(2.126)	(1.522)	(71,6%)	
Profit/loss on disposal of equity investments	18.873				3.469	(22.017)	325	(218)							(218)	543	n.s.	
Profit (loss) on continuing operations before tax	551.706	-	-	(7.055)	3.469	(22.017)	526.103	749.699	-	-	(5.499)	5.570	-	-	749.770	(223.667)	(29,8%)	
Taxes on income for the period for continuing operations	71.730		(2.377)	97	1.835	6.011	77.296	48.533			1.815	(1.838)	7.000	55.510	21.786	39,2%		
Integration costs	(18.159)	18.159					-	(51.615)	29.275	22.340					-	-	-	
of which: staff costs	(10.186)	10.186					-	(44.418)	43.694	724					-	-	-	
other administrative expenses	(14.780)	14.780					-	(8.543)		8.543					-	-	-	
net impairment losses on property, plant and equipment and intangible assets	(81)	81					-	(26.850)		26.850					-	-	-	
taxes	6.888	(6.888)					-	28.196	(14.419)	(13.777)					-	-	-	
Profit (loss) of non current assets net of taxes	-						-	(24)							(24)	24	(100,0%)	
Profit for the period	605.277	18.159	(2.377)	(6.958)	5.304	(16.006)	603.399	746.593	29.275	22.340	(3.684)	3.732	7.000	805.256	(201.857)	(25,1%)		

Reconciliation schedule to 30th September 2008

RECLASSIFIED INCOME STATEMENT		30th September 2008 Separate mandatory financial statement	Reclassifications			30th September 2008 Reclassified financial statement
Items	Figures in thousands of euro		Integration costs	Tax recoveries	Deprec. for improvements 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/(expense)	143.262		(99)	173	143.336
	Operating income	812.967	-	(99)	173	813.041
150.a	Staff costs	(127.999)	10.186			(117.813)
150.b	Other administrative expenses	(129.999)	14.780	99		(115.120)
170.+180.	Net impairment losses on property, plant and equipment 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 and liabilities	(536)				(536)
160.	Net provisions for liabilities and charges	(604)				(604)
210.+240.	Profit (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)
	Profit for the period	605.277	-	-	-	605.277

Reconciliation schedule to 30th September 2007

RECLASSIFIED INCOME STATEMENT		30th September 2007 Separate mandatory financial statement	Pro-forma effect			Reclassifications			30th September 2007 pro- forma Reclassified financial statement
Items	Figures in thousands of euro		1st Quarter 2007 Banca Lombarda e Piemontese	PPA Effect 1st January - 30th September 2007	Amendment to Art. 52 of the Corporate By- Laws	Integration costs	Tax recoveries	Deprec. for improvements to leased assets	
10.-20.	Net interest income	(128.496)	(12.075)	1.372				(139.199)	
70.	Dividends and similar income	970.831	182					971.013	
40.-50.	Net commission income	12.593	1.341					13.934	
80.+90.+ 100.+110.	Net income from trading, hedging and disposal/repurchase activities and from assets/liabilities at fair value	24.641	13.127					37.768	
190.	Other net operating income/(expense)	249.303	8.058				(357)	257.176	
	Operating income	1.128.872	10.633	1.372	-	(357)	172	1.140.692	
150.a	Staff costs	(217.877)	(11.459)	(5.987)		44.418		(190.905)	
150.b	Other administrative expenses	(135.996)	(9.588)			8.543	357	(136.684)	
170.+180.	Net impairment losses on property, plant and equipment and intangible assets	(81.072)	(450)	(86)		26.850	(172)	(54.930)	
	Operating costs	(434.945)	(21.497)	(86)	(5.987)	79.811	357	(382.519)	
	Net operating income	693.927	(10.864)	1.286	(5.987)	79.811	-	758.173	
130.a	Net impairment losses on loans	288	16					304	
130.b+c+d	Net impairment losses on other assets and liabilities	(6.433)	(1)					(6.434)	
160.	Net provisions for liabilities and charges	(2.115)	(11)					(2.126)	
210.+240.	Profit (loss) from disposal of equity investments	(195)	(23)					(218)	
	Profit (loss) on continuing operations before tax	685.472	(10.883)	1.286	(5.987)	79.811	-	749.699	
290.	Taxes on income for the year for continuing operations	73.976	3.245	(492)		(28.196)		48.533	
	Integration costs					(51.615)		(51.615)	
280.	After tax profit (loss) from discontinued operations	(24)						(24)	
	Profit for the year	759.424	(7.638)	794	(5.987)	-	-	746.593	

Performance in the period

These comments relate to the pro-forma reclassified financial statements – the income statement, the quarterly income statements and the income statement net of the main non-recurring items – contained in the previous pages in which the figures for UBI Banca Scpa as at 30th September 2008 have been compared with the pro-forma figures as at 30th September 2007. In order to provide consistent and uniform information, the tables furnishing details have been reclassified and restated pro-forma in the same manner. The explanatory notes that precede the reclassified financial statements may be consulted as may the reconciliation schedules for a description of the reclassification and also for details of the restatement of the comparative pro-forma figures and of the PPA allocation.

It will also be recalled that on 1st October 2007, UBI Banca contributed its “ICT and organisation” operations to UBIS, the subsidiary responsible for the centralised provision of services, functions and processing common to all Group banks and companies and this modified the composition of the income of the Parent Bank compared to the comparative periods.

UBI Banca Scpa ended the first nine months of the year with a **net profit** of 605,3 million euro, a decrease compared to 746,6 million euro achieved in the same period of 2007, which nevertheless included negative non-recurring items amounting to 58,7 million euro consisting mainly of integration costs incurred.

Non-recurring items in 2008 were positive on aggregate amounting to 1,9 million euro and they consisted of the gain on the disposal of interests held in UBI Pramerica and Key Client and from the positive impact of the tax redemption almost fully offset by integration costs and the transfer of minority interests in UBI Sistemi e Servizi to various Group member companies

As already mentioned in the half year report, the lower result for 2008 compared to 2007 relates to both a decrease in the contribution from dividends and from the changed financial context, which had a substantial impact on net profit in the last three months with the worsening of the crisis at system level.

The increased instability on financial markets did in fact penalise the **third quarter** of the year, characterised by a negative result for financial activities (-32,4 million euro) and by a marked negative balance on net interest income (-73,2 million euro), which, although accompanied by a reduction in expenses of 13,4% compared to the preceding quarters, determined a loss of 103,2 million euro.

Operating income totalled 813 million euro in the period January-September 2008, compared to 1.141 million euro in the comparative nine months. It summarises the performance of the items described below.

Net interest income amounted to -186 million euro, compared to -139,2 million euro in 2007. The balance, which is structurally negative in relation to the activities of the Parent Bank, increased as a result of both the rise in interbank rates¹ and the different trends which characterised assets and liabilities' trend. In detail:

- **business with customers**, consisting on the income side of the leasing and factoring companies in the Group and on the expense side of the institutional holders of EMTN bonds, generated a net negative balance of 334,2 million euro (-19,2 million euro compared to first nine months of 2007). Although interest income earned from on demand deposits and hedging derivatives increased by 28,9 million euro, interest expense incurred on securities issued increased by 48,1 million euro;
- **business on the interbank market**, consisting mainly of transactions with the banks in the Group, designed to support and develop lending to customers, recorded a positive balance of 13,1 million euro compared to the previous 2,9 million euro. The change in this aggregate is to be interpreted as occurring in parallel with the increase in intragroup transactions which, while on the one hand it enabled the sale of repurchase agreements to customers to

¹ The average one month Euribor rate rose from 4,03% in the first nine months of 2007 to 4,46% in 2008.

be rationalised with securities issued by the Group as the underlying, on the other hand it gradually provided more intensive support to lending to customers by the network banks;

- the securities portfolio provided interest inflows of 135,1 million euro, a reduction of 37,1 million euro compared to 2007, mainly as a result of the decrease in the size of the securities portfolio and more specifically in the component consisting of capitalisation policies recognised within financial assets designated at fair value, for which the interest decreased by 48,5 million euro.

Net profit (loss) from trading

Figures in thousands of euro	Gains (A)	Profit from trading (B)	Losses (C)	Losses from trading (D)	Net result 30.9.2008 [(A+B)-(C+D)]	30.9.2007 pro-forma
1. Financial assets held for trading	6.079	37.789	(66.094)	(77.705)	(99.931)	33.288
1.1 Debt securities	2.432	6.401	(6.233)	(3.749)	(1.149)	(52)
1.2 Equity instruments	409	2.992	(50.979)	(27.169)	(74.747)	6.620
1.3 Units in O.I.C.R. (collective investment instruments)	3.238	1.911	(8.882)	(19.601)	(23.334)	25.583
1.4 Financing	-	-	-	-	-	-
1.5 Other	-	26.485	-	(27.186)	(701)	1.137
2. Financial liabilities held for trading	189	-	(314)	-	(125)	569
2.1 Debt securities	189	-	(314)	-	(125)	569
2.2 Debts	-	-	-	-	-	-
2.3 Other	-	-	-	-	-	-
3. Other financial liabilities: exchange rate differences	X	X	X	X	135	(2.611)
4. Derivative instruments	207.551	1.757.882	(187.187)	(1.702.588)	82.546	2.632
4.1 Financial derivatives	207.551	1.757.763	(185.272)	(1.702.588)	84.342	4.531
- on debt securities and interest rates	179.620	1.645.679	(159.875)	(1.637.523)	27.901	14.702
- on equity instruments and share indices	25.909	102.530	(23.444)	(55.444)	49.551	(13.447)
- on currencies and gold	X	X	X	X	6.888	1.969
- other	2.022	9.554	(1.953)	(9.621)	2	1.307
4.2 Credit derivatives	-	119	(1.915)	0	(1.796)	(1.899)
Total	213.819	1.795.671	(253.595)	(1.780.293)	(17.375)	33.878

Net profit (loss) from hedging

Figures in thousands of euro	30.9.2008	30.9.2007 pro-forma
Net profit (loss) from hedging	5.763	356

Profits (losses) from disposal/repurchase

Figures in thousands of euro	Profits	Losses	Net profit (loss) 30.9.2008	30.9.2007 pro-forma
Financial assets				
1. Loans to banks	-	-	-	-
2. Loans to customers	1	-	1	-
3. Available-for-sale financial assets	7.277	(34)	7.243	3.688
3.1 Debt securities	48	(34)	14	(17)
3.2 Equity instruments	7.055	-	7.055	1.323
3.3 Units in O.I.C.R. (collective investment instruments).	174	-	174	2.382
3.4 Financing	-	-	-	-
4. Held-to-maturity financial assets	-	-	-	-
Total assets	7.278	(34)	7.244	3.688
Financial liabilities				
1. Due to banks	-	-	-	-
2. Due to customers	-	-	-	-
3. Securities issued	148	(24)	124	(5)
Total liabilities	148	(24)	124	(5)
Total	7.426	(58)	7.368	3.683

Net profit (loss) on financial assets and liabilities at fair value

Figures in thousands of euro	30.9.2008	30.9.2007 pro-forma
Net profit (loss) on financial assets and liabilities at fair value	(52.747)	(149)

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

	(56.991)	37.768
--	-----------------	---------------

Dividends and similar income, the main component of the Parent Bank's income, totalled 903,2 million euro, a partial decrease compared to 971 million euro in 2007. This is the result on the one hand of the performance in 2007 of some banks and Group member companies, affected either by non-recurring costs or by a decrease in recurring and non-recurring income and on the other hand, because of the distribution policies of BPB, BBS and BPCI which preferred to allocate the gains made on the disposal of branches, required by the Antitrust Authority, to reserves of profits.

Net commissions amounted to 9,5 million euro, compared to 13,9 million euro previously. While commission expense remained stable, there was a fall in the income component, mainly in relation to collection and payment services (-2,2 million euro) and to stock market orders (-1,9 million euro).

Net profit from trading, hedging, disposal/repurchase and assets/liabilities at fair value – negative by 57 million euro in the nine month period, compared to +37,8 million generated in the comparative period – incorporated large falls in prices which started to occur in the summer and which, originating on the American market, propagated to all financial centres, after Lehman Brothers filed for Chapter 11 bankruptcy.

The item includes the total impact on profits of transactions and investments (bonds and currency securities) with Lehman amounting to 5,6 million euro.

In detail, *net profit from trading* amounted to -17,4 million euro (+33,9 million in 2007), consisting of -25,2 million euro on equity instruments (-6,8 million euro) and -23,3 million euro on investments in hedge funds (+25,6 million euro), only partially off-set by the positive performance amounting to 26,8 million euro (+14,7 million euro) by trading in debt securities and the relative derivative instruments.

The result for *assets and liabilities designated at fair value* – relating to investments in hedge funds made since 1st July 2007, recognised on the basis of the presumed market value at the end of the period (30th September 2008) – also recorded a negative contribution (-52,7 million euro compared to -0,1 million euro).

On the other hand, *net profit from hedging activity* increased from 0,4 to 5,8 million euro, as a result of the difference between the fair value of hedging derivatives and of the underlying, due to the changes in the yield curves used for the valuations.

Profit on the disposal/repurchase of financial assets also rose from 3,7 to 7,4 million euro and is almost entirely attributable (7,1 million euro) to a non-recurring item consisting of the sale of an AFS financial asset (Key Client).

Other operating income and costs amounted to 143,3 million euro, compared to 257,2 million euro in the first nine months of 2007, which reflects the decrease in income for services provided to Group member companies (120,7 million euro compared to the previous 235,1 million euro) following the operational centralisation of these activities in the subsidiary UBI.S.

As concerns *operating costs* (279,6 million euro compared to 382,5 million euro, -26,9%), these fell appreciably for all items of spending, partly as a result of the centralisation of operations at UBI.S already mentioned. In detail:

- *staff costs* fell to 117,8 million euro (from 190,9 million euro in 2007, which benefited, amongst other things, from the positive impact of the pension reform affecting the staff severance provision, amounting to 5,5 million euro). The quarterly figure of 36 million euro confirms the decreasing trend, with respect to previous periods;
- *other administrative expenses* decreased to 115,1 million euro (136,7 million euro in 2007), the result above all of the partial disappearance of costs for organisational, corporate and legal consultation services and of the progressive reduction in costs for the IT system that is being discontinued. Nevertheless related growth was observed within the aggregate in expenses for services provided by UBI.S which totalled 37,7 million euro (12,9 million euro in September 2007).

The quarterly figure for this class of expenses, amounting to 35,3 million euro, also confirms the decreasing trend, with respect to previous periods;

- *net impairment losses on property, plant and equipment and intangible assets* fell to 46,7 million euro (54,9 million euro), in parallel with the transfer of some parts of the former IT system to Sistemi e Servizi.

As a result of the performance described above, **net operating income** amounted to 533,5 million euro (758,2 million euro in the first nine months of 2007).

Net impairment losses and *net provisions* recorded a negative balance of 0,6 million euro, compared to -8,3 million euro previously, which nevertheless included an extraordinary write-down of 5,6 million euro of the indirect investment in Help Rental Service Srl (a company put into liquidation in July 2007).

The income statement benefited in the nine month period from *profits on the disposal of equity investments* amounting to 18,9 million euro. These consisted of 22 million euro on the sale of shares in UBI Pramerica SGR to our American partner and of -3,5 million euro for the loss on the sale of shares in UBI.S to some Group member companies, performed on the basis of the net book value of the company as at 31st December 2007.

Taxes on income for the period – positive as a result of the application of the tax consolidation law, which allows taxable income which is structurally negative due to the presence of dividends taxed at reduced rates to be offset – amounted to 71,7 million euro (including 2,4 million euro, the result of the positive impact of the tax redemption) compared to 48,5 million euro previously. In addition to benefiting from the changes in taxable income and from the PEX regime for gains on the disposal of equity investments, the item also incorporated a decrease of approximately 10 million euro in IRAP (local production tax)].

Finally, *integration costs* recognised in the period amounted to 18,2 million euro (net of tax of 6,9 million euro), including 10,2 million euro relating to personnel and 14,9 million euro to other administrative expenses and impairment losses on property, plant and equipment and intangible assets.

* * *

As concerns balance sheet items, **funding from customers** as at 30th September 2008 (liability items 20 and 30 on the balance sheet) amounted to 17,4 billion euro (including securities issued amounting to 14,1 billion euro), compared to 17,5 billion euro at the end of 2007 and 18,6 billion euro in September 2007.

Changes in the item over twelve months are basically attributable to a progressive reduction in securities issued – 90% of which consisting of EMTN (Euro Medium Term Notes) issues – a decrease both on an annual basis (-958 million euro) and over nine months (-549 million euro). As a result of the liquidity crisis in the financial system which broadened the credit spread out of all proportion, UBI Banca suspended issues on the international market despite the presence of securities maturing (see also the section “direct funding” in this respect contained in the directors’ interim report on the consolidated financial statements).

Considered net of the institutional funding consisting of the EMTN issues, direct funding amounted to 4,5 billion euro, a slight decrease on an annual basis (-265 million euro), but greater than at the end of 2007 (+427 million euro), as a result of the performance of the item “due to customers”.

Loans to customers stood at a little more than 9 billion euro at the end of September 2008, virtually unchanged compared to twelve months previously, but down compared to 10,3 billion euro in December 2007.

The lending activity of UBI Banca is performed mainly with the product companies of the Group which operate in the leasing and factoring sectors. The performance of the item therefore reflects the funding requirements of UBI Leasing, with borrowing of 7,4 billion euro at the end of period, and of UBI Factor, with borrowing of 1,3 billion euro.

The **net interbank position** at the end of September was positive by 0,2 billion euro, compared to -0,8 billion euro at the end of 2007 and +1,5 billion euro twelve months previously.

As can be seen from the table, both loans to banks (29,1 billion euro) and amounts due to banks (28,9 billion euro) recorded strong growth in relation to the progressive growth in intragroup transactions which, at the end of September, accounted for 96% of interbank lending and 81% of funding from banks.

As part of its role as the centralised manager of Group liquidity, UBI Banca did in fact channel to network banks and to B@nca 24-7 the funding they needed to support lending to customers, part of which originated from disinvestments in financial assets.

With regard to funding on the other hand, the Parent Bank rationalised its provision of repurchase agreements to customers as a result of analogous intermediary transactions with network banks performed on securities issued by the Group. Customer demand for investment was thereby satisfied, while management of liquidity flows was also optimised at the same time.

Interbank market

Figures in thousands of euro	30.9.2008 A	30.6.2008 B	Changes A/B		31.12.2007 C	Changes A/C		30.9.2007 D
			amount	%		amount	%	
Loans to banks	29.119.495	27.526.361	1.593.134	5,8%	19.708.390	9.411.105	47,8%	19.165.814
<i>of which:</i>								
- intragroup	28.055.971	26.224.637	1.831.334	7,0%	18.048.920	10.007.051	55,4%	17.283.599
<i>of which: intragroup securities</i>	11.368.175	11.149.805	218.370	2,0%	4.996.506	6.371.669	127,5%	4.190.659
Due to banks	28.892.512	26.641.509	2.251.003	8,4%	20.505.577	8.386.935	40,9%	17.706.494
<i>of which: intragroup</i>	23.538.728	21.670.799	1.867.929	8,6%	14.219.010	9.319.718	65,5%	12.327.644
<i>of which: subordinated deposits</i>	1.257.069	1.247.666	9.403	0,8%	1.260.634	-3.565	-0,3%	1.689.261
Net interbank position	226.983	884.852	-657.869	-74,3%	-797.187	1.024.170	-128,5%	1.459.320
<i>of which: intragroup</i>	4.517.243	4.553.838	-36.595	-0,8%	3.829.910	687.333	17,9%	4.955.955

At the end of the third quarter total **financial assets** amounted to 6,3 billion euro (5,6 billion euro if calculated net of financial liabilities held for trading), a decrease compared to both 7 billion euro at the end of 2007 and to 7,3 billion euro in September 2007.

The management of the securities portfolio in the first nine months of the year, which is centralised in UBI Banca and performed on behalf of the entire Group, was quite complex and is to be interpreted in conjunction with Group liquidity management policies and support to the lending business of the network banks.

Financial assets/liabilities

Figures in thousands of euro	30.9.2008 A	30.6.2008 B	Changes A/B		31.12.2007 C	Changes A/C		30.9.2007 D
			amount	%		amount	%	
Financial assets held for trading	1.434.756	2.017.122	-582.366	-28,9%	2.753.772	-1.319.016	-47,9%	3.600.766
Financial assets at fair value	993.918	1.195.485	-201.567	-16,9%	981.148	12.770	1,3%	983.750
Available-for-sale financial assets	2.456.359	2.132.791	323.568	15,2%	2.060.909	395.450	19,2%	1.487.837
Held-to-maturity financial assets	1.385.990	1.391.788	-5.798	-0,4%	1.244.574	141.416	11,4%	1.247.263
TOTAL FINANCIAL ASSETS	6.271.023	6.737.186	-466.163	-6,9%	7.040.403	-769.380	-10,9%	7.319.616
Financial liabilities held for trading	633.666	831.400	-197.734	-23,8%	842.341	-208.675	-24,8%	811.056
Total net of financial liabilities	5.637.357	5.905.786	-268.429	-4,5%	6.198.062	-560.705	-9,0%	6.508.560

The reduction in the size of the UBI Banca portfolio (-10,9% in nine months) was particularly marked in the third quarter of the year (-6,9%), a period in which financing conditions on the interbank market deteriorated heavily and the liquidity demands of the Group were met to some extent by disinvestments in financial assets.

The main movements that occurred in the first nine months are given below, while a full analysis is contained in the interim report on the consolidated financial statements:

- *financial assets held for trading*, amounting to 1,4 billion euro, decreased compared to 2,8 billion euro in December 2007, mainly as a result of the sale and/or maturity of securities previously used as the underlying assets in repurchase agreements. The portfolio was also affected by the change in progress in the composition of investments in hedge funds away from the held-for-trading classification to designated at fair value (within which all new investments have been classified since 1st July 2007);
- *financial assets at fair value*, amounted to 994 billion euro compared to 981 million euro at the end of the year, the result of opposing trends related on the one hand to the reimbursement of capitalisation policies and on the other hand to the change in the composition of investments in hedge funds. In detail, following the natural expiry of early reimbursement of some contracts for a total nominal amount of 345 million euro, policies fell from 823 to 422 million euro; while hedge funds designated at fair value rose from 158 to 572 million euro, as a result of the partial replacement of units in hedge funds held for trading, which were sold.

The total investment in hedge funds at the end of September amounted to 683 million euro (721 million euro at the end of 2007);

- *available-for-sale financial assets*, inclusive of the interest held in Intesa Sanpaolo amounting to 535,2 million euro (756,5 million euro at the end of December) rose from 2,1 to 2,5 billion euro (+19,2% over nine months). All the new investments within the item are for the purpose of purchasing debt securities eligible for refinancing with the European Central Bank;
- *held-to-maturity financial assets* rose from 1,2 to 1,4 billion euro, the result of the net effect of sales and purchases of government securities.

Separate quarterly financial statements as at and for the period ended 30th September 2008

Balance sheet

Figures in thousands of euro	30.9.2008	31.12.2007	30.9.2007
ASSETS			
10. Cash and cash equivalents	132.865	66.812	47.459
20. Financial assets held for trading	1.434.756	2.753.772	3.600.766
30. Financial assets at fair value	993.918	981.148	983.750
40. Available-for-sale financial assets	2.456.359	2.060.909	1.487.837
50. Held-to-maturity financial assets	1.385.990	1.244.574	1.247.263
60. Loans to banks	29.119.495	19.708.390	19.165.814
70. Loans to customers	9.028.611	10.266.957	8.965.441
80. Hedging derivatives	51.520	48.975	57.233
100. Equity investments	11.714.899	11.606.918	7.794.185
110. Property, plant and equipment	650.909	678.205	672.826
120. Intangible assets	572.576	588.673	27.156
of which:			
- goodwill	569.058	569.694	-
125. Temporary merger difference	-	-	4.108.159
130. Tax assets	327.706	528.085	309.493
a) current	179.036	470.932	157.336
b) deferred	148.670	57.153	152.157
140. Non-current assets and disposal groups held for sale	13.687	43.866	12.983
150. Other assets	1.292.782	1.404.609	878.523
TOTAL ASSETS	59.176.073	51.981.893	49.358.888

The mandatory financial statements as at 30th September 2007 were affected by the reclassification of repurchase and reverse repurchase agreements with an institutional counterparty from the item "net interbank position" to the item "due to/from customers".

Balance sheet

Figures in thousands of euro	30.9.2008	31.12.2007	30.9.2007
LIABILITIES AND SHAREHOLDERS' EQUITY			
10. Due to banks	28.892.512	20.505.577	17.706.494
20. Due to customers	3.292.222	2.872.466	3.481.325
30. Securities issued	14.108.477	14.657.253	15.058.154
40. Financial liabilities held for trading	633.666	842.341	811.082
60. Hedging derivatives	58.604	54.001	41.089
80. Tax liabilities	446.489	606.326	385.112
a) current	319.944	458.290	298.909
b) deferred	126.545	148.036	86.203
100. Other liabilities	1.011.153	1.421.759	875.060
110. Staff severance provisions	45.115	51.037	52.938
120. Provisions for liabilities and charges:	16.191	8.993	56.742
b) other provisions	16.191	8.993	56.742
130. Valuation reserves	(255.587)	24.456	30.474
160. Reserves	1.623.711	1.411.660	1.402.751
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 (+/-)	605.277	827.781	759.424
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	59.176.073	51.981.893	49.358.888

The mandatory financial statements as at 30th September 2007 were affected by the reclassification of repurchase and reverse repurchase agreements with an institutional counterparty from the item "net interbank position" to the item "due to/from customers".

The figures as at 30th September 2007 and as at 31st December 2007 contain results for the period that do not include the contribution from the former Banca Lombarda e Piemontese for the first quarter.

Income statement

Figures in thousands of euro	30.9.2008	31.12.2007	30.9.2007	3rd Quarter 2008	3rd Quarter 2007
10. Interest and similar income	1.331.853	1.242.693	882.058	495.233	367.894
20. Interest expense and similar	(1.517.858)	(1.426.879)	(1.010.554)	(568.416)	(417.215)
30. Net interest income	(186.005)	(184.186)	(128.496)	(73.183)	(49.321)
40. Commission income	27.799	41.966	29.874	8.841	12.446
50. Commission expense	(18.302)	(24.126)	(17.281)	(6.093)	(6.586)
60. Net commission income	9.497	17.840	12.593	2.748	5.860
70. Dividends and similar income	903.204	972.115	970.831	1.285	195
80. Net profit (loss) from trading	(17.374)	23.706	20.743	17.483	(4.820)
90. Net profit (loss) from hedging activity	5.763	1.514	385	1.030	(229)
100. Net profit (loss) from sale or the repurchase of:	7.368	24.119	3.661	237	191
a) loans	1	-	-	-	-
b) available-for-sale financial assets	7.243	23.989	3.687	174	181
d) financial liabilities	124	130	(26)	63	10
110. Net profit (loss) on financial assets/liabilities held at fair value	(52.748)	1.549	(148)	(51.128)	(148)
120. Gross income	669.705	856.657	879.569	(101.528)	(48.272)
130. Net impairment losses on:	(19)	(7.135)	(6.145)	6	(6.150)
a) loans	517	(1.208)	288	357	262
b) available-for-sale financial assets	(52)	(43)	(3)	-	-
d) other financial transactions	(484)	(5.884)	(6.430)	(351)	(6.412)
140. Net financial operating income	669.686	849.522	873.424	(101.522)	(54.422)
150. Administrative expenses	(257.998)	(476.334)	(353.873)	(79.336)	(106.702)
a) staff costs	(127.999)	(268.712)	(217.877)	(39.752)	(60.414)
b) other administrative expenses	(129.999)	(207.622)	(135.996)	(39.584)	(46.288)
160. Net provisions for liabilities and charges	(604)	(3.732)	(2.115)	772	(751)
170. Net impairment losses on property, plant and equipment	(29.943)	(59.288)	(46.654)	(9.456)	(10.488)
180. Net impairment losses on intangible assets	(16.617)	(35.697)	(34.418)	(5.000)	(8.937)
190. Other operating income / (expense)	143.262	297.561	249.303	46.952	85.908
200. Operating costs	(161.900)	(277.490)	(187.757)	(46.068)	(40.970)
210. Profits (losses) of equity investments	18.902	(279)	(208)	535	(69)
240. Profits (losses) on disposal of investments	(29)	256	13	(13)	(8)
250. Profit (loss) on continuing operations before tax	526.659	572.009	685.472	(147.068)	(95.469)
260. Taxes on income for the period for continuing operations	78.618	255.850	73.976	43.848	25.880
270. Profit after tax on continuing operations	605.277	827.859	759.448	(103.220)	(69.589)
280. Profit (loss) after tax from discontinued operations	-	(78)	(24)	-	(24)
290. Profit for the period	605.277	827.781	759.424	(103.220)	(69.613)

The income statements to 30th September 2007 and for the third quarter of 2007 do not incorporate the effects of the purchase price allocation.

The figures to 30th September 2007 and to 31st December 2007 do not include the items for the former Banca Lombarda e Piemontese for the first quarter.

Statement of changes in shareholders' 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 previous year profit		Changes January - September 2008							Shareholders' equity as at 30.9.2008
				Reserves	Dividends and other uses	Changes in reserves	Transactions affecting equity					Profit (loss) for the period	
							New share issues	Purchase of own shares	Extraordinar y distribution of dividends	Change in capital instruments	Derivatives on own shares		
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
Valuation reserves:	24.456	-	24.456			-280.043							-255.587
a) available-for-sale financial assets	-5.502	-	-5.502			-280.015							-285.517
b) cash flow hedging	-	-	-			-							-
c) exchange rate differences	-243	-	-243			-							-243
d) special revaluation laws	29.297	-	29.297			-							29.297
e) other	904	-	904			-28							876
Capital instruments	-		-										-
Own shares:	-		-				-	-					-
a) of the parent bank	-		-				-	-					-
b) of subsidiaries	-		-				-	-					-
Profit (loss) for the period	827.781	-	827.781	-211.308	-616.473							605.277	605.277
Shareholders' equity	10.962.140	-	10.962.140	-	-616.473	-279.300	-	-	-	-	-	605.277	10.671.644

Statement of changes in shareholders' equity for the period ended 30th September 2007

Figures in thousands of euro	Balances as at 31.12.2006	Changes in opening balances	Balances as at 1.1.2007	Allocation of previous year profit		Changes January - September 2007								Shareholders' equity as at 30.9.2007	
				Reserves	Dividends and other uses	Changes in reserves	Transactions affecting equity					Profit (loss) for the period			
							New share issues	Purchase of own shares	Extraordinary distribution of dividends	Change in capital instruments	Derivatives on own shares		Stock options		
Share capital:	861.207		861.207	-			736.658	-							1.597.865
a) ordinary shares	861.207		861.207	-			736.658	-							1.597.865
b) other shares	-		-	-			-	-							-
Share premiums	1.545.611		1.545.611	-	-235.365		5.790.132								7.100.378
Reserves	1.206.999	-	1.206.999	206.699	-904	-10.043	-	-	-	-	-	-	-		1.402.751
a) of profits	965.994	-	965.994	206.699	-904		-	-	-						1.171.789
b) other	241.005	-	241.005	-		-10.043	-	-	-						230.962
Valuation reserves:	51.040	-	51.040			-20.566									30.474
a) available-for-sale financial assets	26.707	-	26.707			-26.403									304
b) cash flow hedging	-	-	-			-									-
c) exchange rate differences	-243	-	-243			-									-243
d) special revaluation laws	29.297	-	29.297			-									29.297
e) other	-4.721	-	-4.721			5.837									1.116
Capital instruments	-		-												-
Own shares:	-		-												-
a) of the parent bank	-		-												-
b) of subsidiaries	-		-												-
Profit (loss) for the period	496.987	-	496.987	-206.699	-290.288									759.424	759.424
Shareholders' equity	4.161.844	-	4.161.844	-	-526.557	-30.609	6.526.790	-	-	-	-	-	-	759.424	10.890.892

The effects of the change in accounting policy for actuarial gains and losses in relation to benefit plans for employees amounting to 4.721 thousand euro have been inserted in the line "Valuation reserves e) other", as "Changes in opening balances". In the mandatory balance sheet this change has been made directly as at 31st December 2006.

The movements in "reserves of profits" include a charge of -5.762 thousand euro related to the goodwill of 8,6 million euro (net of taxes), recognised in the half year accounts as at 30th June 2007 within the item "Goodwill", following the transfer of the depository bank operations from Banca Regionale Europea to the Parent Bank. In the circumstance of the absence of international accounting standards for transactions between companies belonging to the same group (termed "a business combination under common control" as per IFRS 3), UBI Banca considered it best to follow the recommendations subsequently received from the Assirevi (Italian Association of Auditors) which stated that in the case of transactions "lacking in economic substance", the greater amount paid is to be posted as a reduction from shareholders' equity.

Statement of cash flows (indirect method)

Figures in thousands of euro	30.9.2008	30.9.2007
A. OPERATING ACTIVITIES		
1. Ordinary activities	-17.908	14.436
- net profit for the period (+/-)	605.277	759.424
- gains/losses on financial assets held for trading and on financial assets/liabilities at fair value (+/-)	94.943	-37.423
- gains/losses on hedging activities (-/+)	-5.763	-385
- net impairment losses on loans (+/-)	19	6.146
- net impairment losses on property, plant and equipment and intangible fixed assets (+/-)	46.559	81.072
- net provisions for liabilities and charges and other expense/income (+/-)	7.153	43.635
- outstanding taxes and duties	312.670	298.510
- other adjustments (+/-)	-1.078.766	-1.136.543
2. Liquidity generated/absorbed by financial assets	-7.658.713	-1.380.709
- financial assets held for trading	1.284.374	817.237
- financial assets at fair value	-61.127	2.323.358
- available-for-sale financial assets	-709.134	-240.488
- loans to banks	-9.198.778	-2.180.139
- loans to customers	1.025.952	-2.100.677
3. Liquidity generated/absorbed by financial liabilities	7.761.905	1.083.752
- due to banks	7.917.039	-2.051.301
- due to customers	887.892	2.198.726
- securities issued	-545.137	1.221.903
- financial liabilities held for trading	-208.799	-100.022
- other liabilities	-289.090	-185.554
Net liquidity generated/absorbed by operating activities	85.284	-282.521
B. INVESTING ACTIVITIES		
1. Liquidity generated by	894.370	1.027.767
- disposals of equity investments	40.417	-
- dividends received on equity investments	837.679	960.609
- disposals of held-to-maturity financial assets	15.000	67.061
- disposals of property, plant and equipment	1.274	97
- disposals of intangible assets	-	-
2. Liquidity absorbed by	-297.127	-220.185
- purchases of equity investments	-133.070	-128.098
- purchases of held-to-maturity financial assets	-159.546	-66.695
- purchases of property, plant and equipment	-3.355	-11.918
- purchases of intangible assets	-1.156	-13.474
- purchases of lines of business	-	-
Net liquidity generated/absorbed by investing activities	597.243	807.582
C. FUNDING ACTIVITIES		
- issues/purchases of own shares	-	-
- distribution of dividends and other uses	-616.474	-526.557
Net liquidity generated/absorbed by funding activities	-616.474	-526.557
NET LIQUIDITY GENERATED/ABSORBED DURING THE PERIOD	66.053	-1.496

Key: (+) generated (-) absorbed

Reconciliation

Figures in thousands of euro	30.9.2008	30.9.2007
Cash and cash equivalents at beginning of period	66.812	69
Inflow of cash and cash equivalents as at 1.4.2007 following the merger	-	48.886
Total liquidity generated/absorbed	66.053	-1.496
Cash and cash equivalents at the end of the period	132.865	47.459

Contacts

All information on periodical financial reporting is available on the website www.ubi.it.

*Investor Relations: Tel. 035-392217
Email: investor.relations@ubibanca.it*

*External communication: Tel. 030-2433591; Cell. 335-8268310
email: relesterne@ubibanca.it*

*Shareholders Office: Tel. 035-392155;
email: soci@ubibanca.it*