

Meeting real needs with concrete solutions.





Every day, life presents new challenges and opportunities. Every day, we each have a new story to tell that involves tangible needs and requires clear answers.

In this year's annual report, we illustrate our way of banking with stories of the people, businesses and institutions who use our customized solutions. You will read stories about how we worked together to promote sports in schools and how we gave a boost to long-established industrial firms by enabling them to update their machinery. You will also learn about how we have supported the development of new computer systems and have provided broad support to the green economy.

These stories were built on entrepreneurship, courageous innovation, respect for tradition, and our strong bonds with local communities.

We strongly believe that being a bank today means making a concrete difference, day in and day out, for those who have chosen to do business with us. It means facing challenges together and creating a world of new opportunities.

These are true stories - snapshots of ordinary life that shape the mosaic of our daily work. At UniCredit, we are creating a world of relationships, where our stakeholders can best meet the changing needs of the times.



Celebrating with three million young Europeans.



Bank Austria is one of the main sponsors of the *Donauinselfest*, or Danube Island Festival, one of the largest open-air events in Europe. The 29th annual celebration of *Donauinselfest* will take place from 22 to 24 June, 2012 in Vienna. Each year, this free public festival attracts as many as three million young people from all over Europe. To appreciate the scale of this event, last year's festival featured 18 "festival islands" and 11 stages spread across 4.5 km and involved more than 2000 artists. The bank's significant sponsorship of *Donauinselfest* underscores Bank Austria's strong support for the social and cultural development of young people from across Europe.

Donauinselfest, Wien, Danube Island

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The following conventional symbols have been used in the tables:

- a dash (-) indicates that the item/figure is inexistent;
- two full stops (.), "n.s." or "n.m." when the figures do not reach the minimum considered significant or are not in any case considered significant;
- "n.a." indicates that the figure is not available.

Any discrepancies between data are solely due to the effect of rounding.

Sponsoring a great orchestra for a great cause.



The Great Orchestra of Christmas Charity, WOSP, is one of Poland's most famous charitable foundations. Donations collected by WOSP the whole year long are used to purchase medical equipments for sick children. Orchestra's public fund raises activity peaks at the day of the Final, when WOSP organizes different events: concerts, games, happenings across Poland, and world-wide. It is a long term commitment lasting now 14 years. And always, Bank Pekao not only donates considerable amount, but furthermore, over a thousand of Pekao employees volunteers at the day of the Final, and many, many more make personal donations to this good cause. Bank Pekao is finding concrete ways to help those in need.

20th Finale of the WOSP in the TV Studio, Bank Pekao colleagues are counting money collected by WOSP volunteers

Introduction

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Board of Directors, Board of Statutory Auditors and External Auditors

Board of Directors, Board of Statutory Auditors and External Auditors as at September 30, 2012

Board of Directors appointed by the Shareholders' Meeting on May 11, 2012 (*)

Giuseppe Vita	Chairman
Candido Foïs	Deputy Vice Chairman
Khadem Abdulla Al Qubaisi Vincenzo Calandra Buonauro Fabrizio Palenzona	Vice Chairmen
Federico Ghizzoni	CEO
Manfred Bischoff Henryka Bochniarz Alessandro Caltagirone Luca Cordero di Montezemolo Francesco Giacomini Helga Jung Friedrich Kadrnoska Marianna Li Calzi Luigi Maramotti Antonio Maria Marocco Lucrezia Reichlin Lorenzo Sassoli de Bianchi Anthony Wyand	Directors
Lorenzo Lampiano	Company Secretary

Board of Statutory Auditors

Maurizio Lauri	Chairman
Cesare Bioni Vincenzo Nicastro Michele Rutigliano Marco Ventoruzzo	Standing Auditors
Massimo Livatino Paolo Domenico Sfameni	Alternate Auditors
Roberto Nicastro	General Manager
Marina Natale	Nominated Official in charge of drawing up Company Accounts
KPMG S.p.A.	External Auditors

(*) Vice Chairman Khadem Abdulla Al Qubaisi handed in his resignation with effect from October 3, 2012.
On October 18, 2012 the Board of Directors appointed Director Luca Cordero di Montezemolo Vice Chairman and co-opted Mr. Mohamed Ali Al Fahim.

UniCredit S.p.A.

A joint stock company

Registered Office in Rome: Via Alessandro Specchi, 16

Head Office in Milan: Piazza Cordusio

Share capital Euro €19,647,948,525.10 fully paid in, Fiscal Code, VAT number and Registration number with the Company Register of Rome: 00348170101

Registered in the Register of Banking Groups and Parent Company of the UniCredit Banking Group, with cod. 02008.1;

Cod. ABI 02008.1

Member of the National Interbank Deposit Guarantee Fund and of the National Compensation Fund

Prefatory Note to the Consolidated Interim Report

General aspects

This Consolidated Interim Report as at **September 30, 2012** has been prepared in consolidated form as dictated by Article 154-*ter* of the Consolidated Finance Act introduced by Legislative Decree no. 195/07 to implement EU Directive 2004/109/EC concerning periodic reporting, as described in the Further Information at the end of this document.

Press releases on significant events during the period, the market presentation on third quarter results and the public disclosure under Pillar III of Basel 2 are also available on UniCredit's website.

Any discrepancies between data disclosed in the Consolidated Interim Report are solely due to the effect of rounding.

Preparation criteria

The structure of this report references quarterly reports from previous periods with condensed reclassified tables for the balance sheet and income statement.

Consolidated Interim Report is accompanied by the following details:

- Highlights;
- Condensed Accounts;
- Quarterly Figures;
- Comparison Q3 2012/2011;
- Segment Reporting (Summary);

as well as:

- Group Results;
- Results by Business Segment;
- Other Information;
- Subsequent Events and Outlook;
- Further Information;
- Declaration by the Nominated Official in charge of drawing up Company Accounts.

Please note that since the third quarter of 2012 leasehold improvements, previously shown under item "Net other expenses/income", have been included in item "Other administrative expenses", together with the relevant rents; previous periods have been restated to increase comparability.

Scope of Consolidation

There were no significant changes in the scope of consolidation during the third quarter of 2012. Where necessary, figures have been restated on a like-for-like basis.

Since December 2011 the scope of consolidation has undergone the following changes:

- with respect to fully consolidated subsidiaries, 8 new companies have been included (of which 1 previously consolidated at equity) and 26 have been excluded (of which 16 mergers into other Group companies) - a decrease of 18 companies and a total of 742 companies as at September 30, 2012;
- with respect to entities consolidated at equity, 4 companies have been excluded (of which 1 now fully consolidated) - a total of 53 companies as at September 30, 2012.

Proportionately consolidated subsidiaries are 30, unchanged compared with December 31, 2011.

Non-current assets and disposal groups held for sale

The main assets reclassified on the basis of IFRS 5 under non-current assets and disposal groups held for sale in the balance sheet as at September 30, 2012 are mainly those related to:

- the Business Oil segment attributable to Italtipetroli group;
- the equity investment in Sofipa SGR S.p.A.;
- the equity investment in Pioneer Investment AG;
- as well as to property owned by some Group companies.

Segment Reporting (Summary)

Segment reporting is presented and commented on the basis of the organizational structure currently used in management reporting of Group results, which consists of the following business segments:

- F&SME Network Italy;
- F&SME Network Germany;
- F&SME Network Austria;
- F&SME Network Poland;
- F&SME Factories;
- Corporate & Investment Banking (CIB);
- Private Banking;
- Asset Management;
- Central Eastern Europe (CEE);
- Group Corporate Center (including Global Banking Services, Corporate Centre, inter-segment adjustments and consolidation adjustments not attributable to individual segments).

Profit and loss data are given in the items of the reclassified income statement down to operating profit.

The ongoing corporate reorganization process, carried out in accordance with the guidelines already approved by the Board of Directors, could lead, in the following periods, to a disclosure of the results by business segments based on different aggregation criteria.

Reclassified Financial Assets

EC Regulation 1004 dated October 15, 2008 transposed the changes made to IAS 39 and IFRS 7 "Reclassification of financial assets" by the IASB. These changes applied as from July 1, 2008 and allow, after initial recognition, the reclassification of certain "held for trading" and "available for sale" financial assets.

The following may be reclassified:

- "Held for trading" and "available for sale" financial assets which would have complied with the IFRS definition of loans and receivables (if they had not been recognized as "held for trading" and "available for sale" financial assets on initial recognition), provided that the entity has the intention and ability to hold them for the foreseeable future or to maturity.
- "Only in rare circumstances" held for trading financial assets failed to satisfy the loans and receivables definition on initial recognition and art. 2 of the above Regulation noted that "the current financial crisis is considered one of such rare circumstances that may justify the use of this option (sc. Reclassification) by the entity".

A portion of financial instruments held for trading and available for sale were reclassified between H2 2008 and H1 2009, as the rare circumstance of the financial crisis had been recognized in respect of assets held for trading.

The following table provides the book value and fair value as at September 30, 2012 of assets which had been reclassified in H2 2008 and H1 2009. The income/expenses that would have been recognized if such reclassifications had not occurred, as well as those effectively recognized through profit or loss or at equity, are also provided.

No further reclassifications have occurred since H2 2009.

Reclassified financial assets: book value, fair value and effects on comprehensive income

(€ '000)

INSTRUMENTS TYPE	ACCOUNTING PORTFOLIO BEFORE RECLASSIFICATION	ACCOUNTING PORTFOLIO AFTER RECLASSIFICATION	CARRYING AMOUNT AS AT 09.30.2012	FAIR VALUE AS AT 09.30.2012	INCOME/EXPENSES ABSENT RECLASSIFICATION (BEFORE TAX)		INCOME/EXPENSE RECOGNIZED DURING THE PERIOD (BEFORE TAX)	
					FROM MEASUREMENT	OTHER	FROM MEASUREMENT	OTHER
A. Debt securities			7,228,278	6,594,446	362,976	242,231	7,755	220,877
	Held for trading	Available for sale	51,329	51,329	1,742	1,179	1,988	(57)
	Held for trading	Held to maturity	195,725	210,035	2,220	4,310	-	3,837
	Held for trading	Loans to Banks	2,051,913	2,108,295	84,190	63,498	-	66,932
	Held for trading	Loans to Customers	4,757,845	4,108,872	230,627	167,658	5,767	144,846
	Available for sale	Loans to Banks	-	-	-	-	-	-
	Available for sale	Loans to Customers	171,466	115,915	44,197	5,586	-	5,319
B. Equity instruments			-	-	-	-	-	-
	Held for trading	Available for sale	-	-	-	-	-	-
C. Loans			341,789	371,119	8,070	18,252	-	20,058
	Held for trading	Available for sale	-	-	-	-	-	-
	Held for trading	Held to maturity	-	-	-	-	-	-
	Held for trading	Loans to Banks	99,172	104,879	4,787	7,762	-	8,814
	Held for trading	Loans to Customers	242,617	266,240	3,283	10,490	-	11,244
	Available for sale	Loans to Banks	-	-	-	-	-	-
	Available for sale	Loans to Customers	-	-	-	-	-	-
D. Units in investment funds			-	-	-	-	-	-
	Held for trading	Available for sale	-	-	-	-	-	-
Total			7,570,067	6,965,565	371,046	260,483	7,755	240,935

Debt securities reclassified in the loans to customers portfolio include structured credit products for an amount of €3,971 million at September 30, 2012.

Creating initiatives that meet real needs.



Together for the Region is an initiative designed to build tighter bonds with regions and communities, particularly with locally based non-profit organizations. For example, in Nuremberg, UniCredit created a new debit card, “My Town - My Bank - My Card.” Part of card proceeds are donated to “Lebenshilfe Nürnberg”, a charitable organization that helps the disabled. The same model has been adopted by more than 50 UniCredit subsidiaries in Germany. Parallel to the donation, the Bank’s local staff has created a corporate volunteer programme, with employees participating in activities that range from providing volunteer companion services to offering professional training. The project received positive local press attention, demonstrating how simple, concrete actions can serve real needs. This is the practical demonstration of how the Group is giving concrete answers to facilitate full integration of persons with disabilities.

Consolidated Interim Report

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Unless otherwise stated, all amounts are in **millions of euros**.

Highlights

Income Statement

(€ million)

	FIRST 9 MONTHS		CHANGE
	2012	2011	
Operating income	19,517	19,143	+ 2.0%
<i>of which: - net interest</i>	11,073	11,607	- 4.6%
- dividends and other income from equity investments	291	333	- 12.8%
- net fees and commissions	5,876	6,109	- 3.8%
Operating costs	(11,365)	(11,707)	- 2.9%
Operating profit	8,153	7,436	+ 9.6%
Profit (loss) before tax	3,229	1,519	+ 112.5%
Net profit (loss) attributable to the Group	1,418	(9,320)	n.s.

The figures in these tables refer to reclassified income statement.

Operating income and Operating profit (loss) related to the first nine months 2011 were restated to take account of:

- the reclassification, carried out by three subsidiaries of the Group in the first half of 2012, of reversals connected with the passing of time from item "Net interest" to item "Net write-downs on loans and provisions for guarantees and commitments" with impact on Operating profit (loss);
- the reclassification of markups incorporated in the sale price of some trading products, traded by some Group entities, which are recognized under item "Net trading, hedging and fair value income" with impact on Operating profit (loss), which were previously recorded under item "Net fees and commissions";
- the reclassification of leasehold improvements from "Net other expenses/income" to "Other administrative expenses".

Balance Sheet

(€ million)

	AMOUNTS AS AT		CHANGE
	09.30.2012	12.31.2011	
Total assets	969,152	926,769	+ 4.6%
Financial assets held for trading	128,825	130,985	- 1.6%
Loans and receivables with customers	561,875	559,553	+ 0.4%
<i>of which: - impaired loans</i>	45,765	40,184	+ 13.9%
Financial liabilities held for trading	125,548	123,286	+ 1.8%
Deposits from customers and debt securities in issue	585,695	561,370	+ 4.3%
<i>of which: - deposits from customers</i>	420,370	398,379	+ 5.5%
- securities in issue	165,325	162,990	+ 1.4%
Shareholders' Equity	62,557	51,479	+ 21.5%

The figures in these tables refer to reclassified balance sheet.

Staff and Branches

	AS AT		CHANGE
	09.30.2012	12.31.2011	
Employees ¹	157,190	160,360	- 3,170
Employees (subsidiaries are consolidated proportionately)	146,810	150,240	- 3,430
Branches ²	9,360	9,496	- 136
<i>of which: - Italy</i>	4,333	4,400	- 67
- Other countries	5,027	5,096	- 69

1. "Full Time Equivalent" data (FTE): number of employees counted for the rate of presence. These figures include all employees of subsidiaries consolidated proportionately, such as Koç Financial Services Group employees.

2. These figures include all branches of subsidiaries consolidated proportionately, such as Koç Financial Services Group branches.

Profitability Ratios

	FIRST 9 MONTHS		CHANGE
	2012	2011	
EPS ¹ (€)	0.26	- 5.15	5.41
Cost/income ratio ²	58.2%	61.2%	- 293bp
EVA ³ (€ million)	(2,763)	(2,435)	- 328

1. €46 million was deducted from 2012 first nine months net profit attributable to the Group of €1,418 million due to disbursements charged to equity relating to the usufruct agreement on own shares entered into as part of the Cashes transaction. EPS for the first nine months of 2011 has been restated following the reverse share split carried out on December 27, 2011.

The M9 2011 EPS calculation used a net loss of €9,447 million instead of €9,320 million due to payments charged to equity relating to the own shares usufruct agreement entered into as part of the Cashes transaction.

2. The cost/income ratio for the first nine months of 2011 differs from that disclosed in the Consolidated Interim Report as at September 30, 2011 following the reclassification of leasehold improvements from "Net other expenses/income" to "Other administrative expenses".

3. Economic Value Added, equal to the difference between NOPAT (net operating profit after tax) and the cost of capital.

Risk Ratios

	AS AT	
	09.30.2012	12.31.2011
Net non-performing loans to customers / Loans to customers	3.59%	3.24%
Net impaired loans to customers / Loans to customers	8.15%	7.18%

Capital Ratios

	AS AT	
	09.30.2012	12.31.2011
Capital for regulatory purposes (€ million)	60,412	56,973
Total risk weighted assets (€ million)	436,751	460,395
Core Tier 1 Ratio	10.67%	8.40%
Total regulatory capital/Total risk-weighted assets	13.83%	12.37%

See § Capital and Value Management - Capital Ratios, for more details.

Ratings

	SHORT-TERM DEBT	MEDIUM AND LONG-TERM	OUTLOOK	STANDALONE RATING
Fitch Ratings	F2	A-	NEGATIVE	a-
Moody's Investors Service	P-2	Baa2	NEGATIVE	C-
Standard & Poor's	A-2	BBB+	NEGATIVE	bbb+

Data as at November 9, 2012.

Condensed Accounts

Consolidated Balance Sheet

(€ million)

ASSETS	AMOUNTS AS AT		CHANGE	
	09.30.2012	12.31.2011	AMOUNT	PERCENT
Cash and cash balances	6,160	9,728	- 3,568	- 36.7%
Financial assets held for trading	128,825	130,985	- 2,160	- 1.6%
Loans and receivables with banks	91,349	56,365	+ 34,984	+ 62.1%
Loans and receivables with customers	561,875	559,553	+ 2,322	+ 0.4%
Financial investments	102,294	99,364	+ 2,931	+ 2.9%
Hedging instruments	24,558	18,069	+ 6,489	+ 35.9%
Property, plant and equipment	11,846	12,198	- 352	- 2.9%
Goodwill	11,691	11,567	+ 124	+ 1.1%
Other intangible assets	4,057	4,118	- 61	- 1.5%
Tax assets	13,306	14,346	- 1,041	- 7.3%
Non-current assets and disposal groups classified as held for sale	357	345	+ 12	+ 3.6%
Other assets	12,834	10,130	+ 2,704	+ 26.7%
Total assets	969,152	926,769	+ 42,383	+ 4.6%

(€ million)

LIABILITIES AND SHAREHOLDERS' EQUITY	AMOUNTS AS AT		CHANGE	
	09.30.2012	12.31.2011	AMOUNT	PERCENT
Deposits from banks	131,825	131,807	+ 18	+ 0.0%
Deposits from customers	420,370	398,379	+ 21,991	+ 5.5%
Debt securities in issue	165,325	162,990	+ 2,335	+ 1.4%
Financial liabilities held for trading	125,548	123,286	+ 2,262	+ 1.8%
Financial liabilities designated at fair value	842	786	+ 56	+ 7.1%
Hedging instruments	22,562	18,050	+ 4,513	+ 25.0%
Provisions for risks and charges	8,180	8,496	- 316	- 3.7%
Tax liabilities	6,224	6,210	+ 14	+ 0.2%
Liabilities included in disposal groups classified as held for sale	42	252	- 210	- 83.3%
Other liabilities	22,069	21,715	+ 354	+ 1.6%
Minorities	3,608	3,318	+ 290	+ 8.7%
Group Shareholders' Equity:	62,557	51,479	+ 11,077	+ 21.5%
- Capital and reserves	61,178	62,417	- 1,239	- 2.0%
- Available-for-sale assets fair value reserve and cash-flow hedging reserve	(39)	(1,731)	+ 1,692	- 97.7%
- Net profit (loss)	1,418	(9,206)	+ 10,624	n.s.
Total liabilities and Shareholders' Equity	969,152	926,769	+ 42,383	+ 4.6%

Consolidated Income Statement

(€ million)

	FIRST 9 MONTHS		CHANGE		
	2012	2011	€M	PERCENT	ADJUSTED ¹
Net interest	11,073	11,607	- 534	- 4.6%	- 3.9%
Dividends and other income from equity investments	291	333	- 43	- 12.8%	- 13.4%
Net fees and commissions	5,876	6,109	- 233	- 3.8%	- 3.2%
Net trading, hedging and fair value income	2,088	864	+ 1,224	+ 141.6%	+ 142.3%
Net other expenses/income	189	229	- 40	- 17.4%	- 16.5%
OPERATING INCOME	19,517	19,143	+ 375	+ 2.0%	+ 2.6%
Payroll costs	(6,833)	(7,032)	+ 198	- 2.8%	- 2.3%
Other administrative expenses	(4,095)	(4,199)	+ 104	- 2.5%	- 2.0%
Recovery of expenses	353	361	- 7	- 2.0%	- 1.8%
Amortisation, depreciation and impairment losses on intangible and tangible assets	(790)	(838)	+ 48	- 5.7%	- 5.1%
Operating costs	(11,365)	(11,707)	+ 342	- 2.9%	- 2.4%
OPERATING PROFIT (LOSS)	8,153	7,436	+ 717	+ 9.6%	+ 10.4%
Net write-downs on loans and provisions for guarantees and commitments	(5,119)	(4,522)	- 597	+ 13.2%	+ 13.6%
NET OPERATING PROFIT (LOSS)	3,033	2,914	+ 120	+ 4.1%	+ 5.5%
Provisions for risks and charges	(122)	(671)	+ 548	- 81.8%	- 81.3%
Integration costs	(24)	(180)	+ 156	- 86.6%	- 86.7%
Net income from investments	342	(543)	+ 886	n.s.	n.s.
PROFIT (LOSS) BEFORE TAX	3,229	1,519	+ 1,710	+ 112.5%	+ 107.1%
Income tax for the period	(1,188)	(1,167)	- 21	+ 1.8%	+ 2.6%
NET PROFIT (LOSS)	2,042	352	+ 1,689	n.s.	n.s.
Profit (Loss) from non-current assets held for sale, after tax	-	-	-	-	-
PROFIT (LOSS) FOR THE PERIOD	2,042	352	+ 1,689	n.s.	n.s.
Minorities	(286)	(287)	+ 1	- 0.3%	+ 2.4%
NET PROFIT (LOSS) ATTRIBUTABLE TO THE GROUP BEFORE PPA	1,756	66	+ 1,690	n.s.	n.s.
Purchase Price Allocation effect	(330)	(716)	+ 386	- 53.9%	- 53.9%
Goodwill impairment	(8)	(8,669)	+ 8,661	- 99.9%	- 99.9%
NET PROFIT (LOSS) ATTRIBUTABLE TO THE GROUP	1,418	(9,320)	+ 10,738	n.s.	n.s.

Notes:

1. Changes at constant foreign exchange rates and perimeter.

Comparative figures as at June 30, 2011 differ from those disclosed in the 2011 First Half Financial Report due to:

- the reclassification, carried out by three subsidiaries of the Group in the first half of 2012, of the reversals connected with the passing of time from item "Net interest" to item "Net write-downs on loans and provisions for guarantees and commitments";
- the recognition under item "Net trading, hedging and fair value income" of the margins incorporated in the sale price of some trading products, traded by some Group entities, which were previously recorded under item "Net fees and commissions".

Please note that since the third quarter of 2012 leasehold improvements, previously shown under item "Net other expenses/income", have been included in item "Other administrative expenses", together with the relevant rents; previous periods have been restated to increase comparability.

Quarterly Figures

Consolidated Balance Sheet

(€ million)

ASSETS	AMOUNTS AS AT			AMOUNTS AS AT			
	09.30.2012	06.30.2012	03.31.2012	12.31.2011	09.30.2011	06.30.2011	03.31.2011
Cash and cash balances	6,160	31,477	19,669	9,728	5,566	6,596	5,982
Financial assets held for trading	128,825	126,175	119,109	130,985	140,008	107,203	106,400
Loans and receivables with banks	91,349	65,463	65,033	56,365	72,474	71,544	67,319
Loans and receivables with customers	561,875	556,815	553,658	559,553	562,447	561,792	558,825
Financial investments	102,294	99,550	103,337	99,364	96,886	97,352	96,373
Hedging instruments	24,558	21,948	19,537	18,069	18,626	10,718	9,828
Property, plant and equipment	11,846	11,947	12,214	12,198	12,288	12,345	12,629
Goodwill	11,691	11,665	11,664	11,567	11,529	20,244	20,293
Other intangible assets	4,057	4,081	4,056	4,118	4,034	5,007	5,061
Tax assets	13,306	13,626	13,649	14,346	13,519	12,329	12,797
Non-current assets and disposal groups classified as held for sale	357	316	329	345	376	798	726
Other assets	12,834	11,886	10,808	10,130	12,544	12,845	14,744
Total assets	969,152	954,950	933,063	926,769	950,296	918,772	910,977

(€ million)

LIABILITIES AND SHAREHOLDERS' EQUITY	AMOUNTS AS AT			AMOUNTS AS AT			
	09.30.2012	06.30.2012	03.31.2012	12.31.2011	09.30.2011	06.30.2011	03.31.2011
Deposits from banks	131,825	127,122	124,876	131,807	139,476	115,688	112,908
Deposits from customers	420,370	417,641	406,232	398,379	392,517	406,713	401,923
Debt securities in issue	165,325	162,787	164,240	162,990	166,714	179,223	180,446
Financial liabilities held for trading	125,548	122,767	117,050	123,286	137,734	98,035	97,016
Financial liabilities designated at fair value	842	787	857	786	912	1,065	1,156
Hedging instruments	22,562	20,641	18,307	18,050	17,265	10,040	8,447
Provisions for risks and charges	8,180	8,241	8,370	8,496	8,615	8,252	8,156
Tax liabilities	6,224	6,217	6,465	6,210	5,873	5,356	5,821
Liabilities included in disposal groups classified as held for sale	42	96	107	252	260	976	761
Other liabilities	22,069	24,175	21,152	21,715	25,367	25,302	26,153
Minorities	3,608	3,445	3,542	3,318	3,271	3,397	3,502
Group Shareholders' Equity:	62,557	61,031	61,865	51,479	52,292	64,726	64,686
- Capital and reserves	61,178	60,982	61,115	62,417	62,621	63,384	64,259
- Available-for-sale assets fair value reserve and cash-flow hedging reserve	(39)	(1,034)	(164)	(1,731)	(1,008)	20	(384)
- Net profit (loss)	1,418	1,083	914	(9,206)	(9,320)	1,321	810
Total liabilities and Shareholders' Equity	969,152	954,950	933,063	926,769	950,296	918,772	910,977

The amount shown in the item "Cash and cash balances" as at March 31, 2012 differs from that disclosed in the Consolidated Interim Report as at March 31, 2012 as a result of the reclassification of demand deposits with Central Banks, previously classified in "Loans and receivables with banks".

With reference to the items "Cash and cash balances" and "Loans and receivables with banks" it should be noted that the change in the amounts as at September 30, 2012, compared with the previous quarter, is due to a different technical use of liquidity.

Consolidated Income Statement

(€ million)

	2012			2011			
	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Net interest	3,594	3,690	3,790	3,817	3,827	3,900	3,880
Dividends and other income from equity investments	68	169	54	47	91	126	117
Net fees and commissions	1,932	1,946	1,997	1,989	1,948	2,042	2,118
Net trading, hedging and fair value income	449	407	1,232	255	(229)	344	750
Net other expenses/income	92	55	43	4	100	55	75
OPERATING INCOME	6,134	6,266	7,117	6,110	5,737	6,467	6,939
Payroll costs	(2,253)	(2,271)	(2,309)	(2,177)	(2,357)	(2,342)	(2,333)
Other administrative expenses	(1,337)	(1,369)	(1,389)	(1,505)	(1,406)	(1,433)	(1,360)
Recovery of expenses	109	135	109	164	143	113	104
Amortisation, depreciation and impairment losses on intangible and tangible assets	(267)	(260)	(263)	(298)	(275)	(279)	(284)
Operating costs	(3,748)	(3,764)	(3,852)	(3,816)	(3,894)	(3,940)	(3,873)
OPERATING PROFIT (LOSS)	2,385	2,502	3,265	2,295	1,842	2,527	3,066
Net write-downs on loans and provisions for guarantees and commitments	(1,811)	(1,910)	(1,398)	(1,493)	(1,844)	(1,178)	(1,500)
NET OPERATING PROFIT (LOSS)	575	592	1,867	801	(2)	1,349	1,566
Provisions for risks and charges	(46)	(61)	(16)	(48)	(266)	(244)	(161)
Integration costs	(4)	(15)	(5)	(90)	(174)	(3)	(3)
Net income from investments	232	81	29	(123)	(612)	(15)	84
PROFIT (LOSS) BEFORE TAX	756	598	1,875	541	(1,054)	1,087	1,486
Income tax for the period	(190)	(252)	(746)	(248)	(149)	(463)	(555)
NET PROFIT (LOSS)	567	346	1,129	292	(1,203)	624	932
Profit (Loss) from non-current assets held for sale, after tax	-	-	-	-	-	-	-
PROFIT (LOSS) FOR THE PERIOD	567	346	1,129	292	(1,203)	624	932
Minorities	(119)	(68)	(98)	(78)	(81)	(99)	(107)
NET PROFIT (LOSS) ATTRIBUTABLE TO THE GROUP BEFORE PPA	447	278	1,031	214	(1,284)	525	825
Purchase Price Allocation effect	(107)	(106)	(117)	(92)	(687)	(14)	(15)
Goodwill impairment	(6)	(2)	-	(8)	(8,669)	-	-
NET PROFIT (LOSS) ATTRIBUTABLE TO THE GROUP	335	169	914	114	(10,641)	511	810

Notes:

Starting from Q1 2012 mark-up embedded in trading transactions sale price, negotiated by some Group's entities, are booked in "Net trading, hedging and fair value income" (before booked in "Net fees and commissions"); previous periods have been reclassified.

Since 2012 comparative figures have differed from those disclosed in the Consolidated Interim Report as at September 30, 2011 due to the reclassification, carried out by three subsidiaries of the Group in the first half of 2012, of the reversals connected with the passing of time from "Net interest" to "Net write-downs on loans and provisions for guarantees and commitments".

Please note that since the third quarter of 2012 leasehold improvements, previously shown under item "Net other expenses/income", have been included in item "Other administrative expenses", together with the relevant rents; previous periods have been restated to increase comparability.

Comparison Q3 2012 / Q3 2011

Condensed Income Statement

(€ million)

	Q3		CHANGE		
	2012	2011	€M	PERCENT	ADJUSTED ¹
Net interest	3,594	3,827	- 233	- 6.1%	- 6.3%
Dividends and other income from equity investments	68	91	- 23	- 25.4%	- 27.7%
Net fees and commissions	1,932	1,948	- 16	- 0.8%	- 1.4%
Net trading, hedging and fair value income	449	(229)	+ 678	n.s.	n.s.
Net other expenses/income	92	100	- 9	- 8.8%	- 8.6%
OPERATING INCOME	6,134	5,737	+ 397	+ 6.9%	+ 6.5%
Payroll costs	(2,253)	(2,357)	+ 104	- 4.4%	- 4.7%
Other administrative expenses	(1,337)	(1,406)	+ 69	- 4.9%	- 5.2%
Recovery of expenses	109	143	- 35	- 24.2%	- 24.3%
Amortisation, depreciation and impairment losses on intangible and tangible assets	(267)	(275)	+ 8	- 2.8%	- 3.4%
Operating costs	(3,748)	(3,894)	+ 146	- 3.7%	- 4.1%
OPERATING PROFIT (LOSS)	2,385	1,842	+ 543	+ 29.5%	+ 28.5%
Net write-downs on loans and provisions for guarantees and commitments	(1,811)	(1,844)	+ 33	- 1.8%	- 1.6%
NET OPERATING PROFIT (LOSS)	575	(2)	+ 576	n.s.	n.s.
Provisions for risks and charges	(46)	(266)	+ 220	- 82.6%	- 82.5%
Integration costs	(4)	(174)	+ 170	- 97.7%	- 97.7%
Net income from investments	232	(612)	+ 844	n.s.	n.s.
PROFIT (LOSS) BEFORE TAX	756	(1,054)	+ 1,810	n.s.	n.s.
Income tax for the period	(190)	(149)	- 41	+ 27.4%	+ 26.4%
NET PROFIT (LOSS)	567	(1,203)	+ 1,769	n.s.	n.s.
Profit (Loss) from non-current assets held for sale, after tax	-	-	-	-	-
PROFIT (LOSS) FOR THE PERIOD	567	(1,203)	+ 1,769	n.s.	n.s.
Minorities	(119)	(81)	- 38	+ 46.8%	+ 45.0%
NET PROFIT (LOSS) ATTRIBUTABLE TO THE GROUP BEFORE PPA	447	(1,284)	+ 1,731	n.s.	n.s.
Purchase Price Allocation effect	(107)	(687)	+ 581	- 84.5%	- 84.5%
Goodwill impairment	(6)	(8,669)	+ 8,664	- 99.9%	- 99.9%
NET PROFIT (LOSS) ATTRIBUTABLE TO THE GROUP	335	(10,641)	+ 10,976	n.s.	n.s.

Notes:

1. Changes at constant exchange rates and perimeter.

Comparative figures as at September 30, 2011 differ from those disclosed in the Consolidated Interim Report as at September 30, 2011 due to:

- the reclassification, carried out by three subsidiaries of the Group in the first half of 2012, of the reversals connected with the passing of time from item "Net interest" to item "Net write-downs on loans and provisions for guarantees and commitments";
- the recognition under item "Net trading, hedging and fair value income" of the margins incorporated in the sale price of some trading products, traded by some Group entities, which were previously recorded under item "Net fees and commissions".

Please note that since the third quarter of 2012 leasehold improvements, previously shown under item "Net other expenses/income", have been included in item "Other administrative expenses", together with the relevant rents; previous periods have been restated to increase comparability.

Segment Reporting (Summary)

Key figures by business segment

(€ million)

	F&SME NETWORK ITALY	F&SME NETWORK GERMANY	F&SME NETWORK AUSTRIA	F&SME NETWORK POLAND	F&SME FACTORIES	CORPORATE & INVESTMENT BANKING	PRIVATE BANKING	ASSET MANAGEMENT	CENTRAL EASTERN EUROPE	GROUP CORPORATE CENTER ¹	CONSOLIDATED GROUP TOTAL
Income statement											
OPERATING INCOME											
First 9 months 2012	4,786	1,098	822	829	1,489	5,473	686	511	3,628	195	19,517
First 9 months 2011	4,704	1,217	838	880	1,444	5,682	675	577	3,522	(396)	19,143
Operating costs											
First 9 months 2012	(3,147)	(1,090)	(672)	(505)	(619)	(2,024)	(419)	(349)	(1,695)	(845)	(11,365)
First 9 months 2011	(3,368)	(1,097)	(661)	(528)	(645)	(2,085)	(432)	(346)	(1,638)	(907)	(11,707)
OPERATING PROFIT											
First 9 months 2012	1,639	7	151	324	870	3,449	268	162	1,933	(650)	8,153
First 9 months 2011	1,336	120	177	352	800	3,597	243	231	1,884	(1,304)	7,436
PROFIT BEFORE TAX											
First 9 months 2012	(4)	19	77	278	300	1,542	249	155	1,274	(661)	3,229
First 9 months 2011	(293)	81	30	282	327	1,819	223	226	1,120	(2,294)	1,519
Balance Sheet											
LOANS TO CUSTOMERS											
as at September 30, 2012	120,245	41,049	20,077	10,785	53,833	224,033	8,467	-	73,317	10,068	561,875
as at September 30, 2011	128,860	44,274	21,381	8,992	54,138	224,234	7,734	-	67,632	5,200	562,447
DEPOSITS FROM CUSTOMERS AND DEBT SECURITIES IN ISSUE											
as at September 30, 2012	134,579	46,383	27,729	13,424	17,387	147,135	39,118	-	64,268	95,673	585,695
as at September 30, 2011	124,562	46,191	27,165	12,016	15,636	130,521	35,262	-	59,447	108,432	559,230
TOTAL RISK WEIGHTED ASSETS											
as at September 30, 2012	52,356	14,870	10,842	9,506	48,378	168,076	5,104	1,891	87,352	38,376	436,751
as at September 30, 2011	57,185	14,608	12,711	8,176	47,149	184,852	4,880	1,797	81,567	37,088	450,011
EVA											
First 9 months 2012	(542)	(103)	(38)	91	(216)	(618)	140	87	150	(1,714)	(2,763)
First 9 months 2011	(649)	(16)	(59)	103	(30)	3	118	141	240	(2,288)	(2,435)
Cost/income ratio											
First 9 months 2012	65.7%	99.3%	81.7%	61.0%	41.6%	37.0%	61.0%	68.3%	46.7%	n.s.	58.2%
First 9 months 2011	71.6%	90.1%	78.9%	60.0%	44.6%	36.7%	64.0%	60.0%	46.5%	n.s.	61.2%
Employees²											
as at September 30, 2012	29,742	7,623	3,848	13,593	6,225	8,757	2,998	1,929	50,534	31,942	157,190
as at September 30, 2011	30,328	7,485	3,892	14,101	6,173	9,465	3,024	1,933	51,466	32,685	160,552

Notes:

Figures were recasted, where necessary, on a like-to-like basis to consider changes in scope of business segments and computation rules.

1. Global Banking Services, Corporate Centre, inter-segment adjustments and consolidation adjustments not attributable to individual segments.

2. "Full Time Equivalent". These figures include all the employees of subsidiaries consolidated proportionately, such as Koç Financial Services.

Group Results

Macroeconomic situation, banking and financial markets

International situation

USA/Eurozone

The global economic recovery weakened further during the summer. More specifically, there were signs of a sharper than predicted slowdown in growth in emerging markets, especially in Asia, combined with the weakness of world trade. In Europe, growth indicators were worse than expected, while in the U.S. they regained momentum after the slowdown in the second quarter. At the same time, tensions in financial markets have eased significantly since the beginning of August, when the ECB announced its intention to proceed with the purchase of government securities under strict conditionality. More recently, markets have received further support following the Fed's announcement of additional monetary stimulus.

In the United States, the economy expanded at a modest rate in the second quarter (annualized quarterly growth rate of 1.3%), following a more moderate growth in consumer spending and investments. During the summer, however, many growth indicators regained momentum. More specifically, the number of jobs created more than doubled over the previous quarter, the housing market showed signs of stabilization, and car sales increased significantly. By contrast, investments suffered due to the uncertain outlook for the global economy and the so-called "fiscal cliff". Against this backdrop, in September the Fed announced further monetary stimulus through a new round of purchases of MBS (mortgage-backed securities) at a pace of \$40 billion per month, and it also made known its intention of keeping rates between 0-0.25% at least through mid-2015. As regards the euro area, after the stabilization of economic activity in the first quarter of the year, the GDP contracted by 0.2% q/q in the second quarter, driven by domestic demand and inventories. The latest growth indicators suggest a further contraction in GDP in the third quarter. Despite the background of weak growth, inflation accelerated from 2.4% in June to 2.7% in September, partly due to a significant rise in energy costs and an increase in indirect taxes.

In July, the ECB cut the benchmark rate and the deposit rate by 25 percentage points, bringing them to 0.75% and 0% respectively. In the September meeting, the ECB announced a new plan for the purchase of government securities (Outright

Monetary Transactions or OMT) that allows the central bank to intervene in the sovereign bond markets of the countries that make a formal request for help and commit to undertaking a series of agreed reforms (strict conditionality). The potential purchase relates to bonds with maturities up to three years, and no ex ante quantitative limits are set.

The plan is aimed at significantly reducing the risk of particularly adverse scenarios while continuing to bring pressure to bear on governments to stay on the path of reform.

Banking and financial markets

During the third quarter, the slowdown in bank lending to the private sector in the euro area, which in August (latest data available) showed a 0.6% year-over-year contraction, continued in line with expectations. The slowdown was due to a sharp fall in loans to businesses, while it is important to note that loans to households showed signs of stabilization, suggesting a possible turning point for loans as a whole. Among the Group's three key countries, in Italy loans to households remained weak, whereas loans to businesses contracted further. By contrast, in Germany the uptrend in loans to the private sector, which in August showed a better than 2% rate of expansion year-over-year (according to the ECB's monthly statistics), attributable to an upturn in both loans to households and loans to businesses, continued.

In Austria, loans to the private sector experienced a slowdown, while continuing to show positive growth rates. The banking industry's deposit base held up in Germany and Austria during the third quarter, while bank deposits in Italy showed marked improvement, although current account deposits continue to decline sharply, year-over-year. With regard to bank interest rates, lending rates remained in a downtrend in all the Group's three key countries, causing a reduction in the bank spread (the difference between the average interest rate on loans and that on deposits). With reference to equity markets, in the wake of possible interventions by the ECB aimed at finding a viable solution to the sovereign debt crisis, the third quarter of the year was characterized by a gradual reduction in the volatility on financial markets and an upward trend in the performance of equity markets, specifically with regard to the German Stock Exchange.

CEE Countries

Growth prospects have deteriorated in CEE after foreign demand slumped and poor weather conditions hit crops. We expect CEE economies to grow 2.5% in 2012 and 3.1% in 2013 (down from 2.6% and 3.4% in our previous forecast), with some countries already facing recession (Croatia, Czech Republic, Hungary, Serbia, and Slovenia).

At the same time, Russia, Turkey, Poland and the Baltics outperform the rest of the region. Despite regional differentiation, weaker economic activity is widespread, the past four quarters representing the lowest period of growth in the region in a decade.

Poor foreign demand hit industrial production the most.

Year-to-date, industrial production is down in the Czech Republic, Poland, Romania and Turkey. Russia remains an outperformer, while Hungary and Slovakia show gains from car exports.

A gradual regional recovery could happen in 2013, when euro area economies are expected to return to growth.

Domestic demand is also suffering because of poor sentiment, weak labor markets and sluggish credit extension. Russia and the Baltics are the outliers, while in Czech Republic, Slovenia, Croatia, Turkey, Slovakia and Hungary, consumption contracted year-to-date.

Meanwhile, inflation worries resurfaced across the region and central banks will find it hard to loosen policies further although they face weak economic growth. That said, key rate cuts are expected in Poland and Hungary, while Russia is the only country likely to tighten monetary policy. Surging food, energy and administered prices put 2012 inflation targets beyond the reach of central banks in all inflation targeting countries. With limited scope for rate cuts, monetary policy easing through FX depreciation is on cards in many countries in the region.

The exceptions are Romania and Ukraine, countries that remain focused on stable currencies.

Despite poor economic performance, portfolio inflows have been very high in 2012, reaching €14.7 billion in the first quarter of 2012 (equivalent to total inflows in 2011). Foreign holdings of domestic debt have increased significantly in Turkey, Hungary and Poland, but CEE countries could face outflows if risk aversion returns.

Romania is an example, with outflows totaling €1.9 billion between May and July 2012. Meanwhile, foreign direct investment remains very weak, falling 13% year-on-year in the first half of 2012 (-56% excluding Turkey and Kazakhstan).

Banking sectors also fare differently, Russia and Turkey enjoying healthy growth due to a lower reliance on funding from mother banks, while other countries face continuing deleveraging.

The most affected are Hungary and Balkan countries (the latter due to exposure to Greece).

Fiscal pictures look good compared to euro area countries, public debt to GDP standing at 46% end last year in CEE ex-CIS and at just 13% of GDP in CIS. Despite worsening growth prospects, fiscal policies remain under control in most CEE countries, but further tightening is needed in Hungary, Serbia, Ukraine, Croatia and Slovenia. Having a better fiscal position, Russia and Kazakhstan, followed by Turkey, Czech Republic and Poland could use fiscal policy to aid growth.

Financing the public debt remains problematic in some of the countries, Hungary, Serbia and Ukraine needing new IMF/EU packages. Romania is the only country still in a program and is expected to sign a new precautionary deal in 2013. As IMF loan repayments come due, Serbia, Hungary, Latvia, Romania and Ukraine face payments of almost €15 billion in 2013 and over €10 billion in aggregate in 2014. The large amount of repayments could put pressure on currencies.

Group Results (CONTINUED)

Main results and performance for the period

Introduction

Net profit (loss) attributable to the Group in the first nine months of 2012 was €1,418 million. This compares to a loss of €9,320 million registered in the first nine months of 2011, heavily affected by extraordinary items (namely impairment of goodwill, trademarks and participations).

Profit (loss) before tax amounted to €3,229 million. Also in this case the extraordinary items listed above limit the significance of the comparison with the year-ago period.

Net operating profit (loss) was €3,033 million, €120 million higher than 2011 (up by 4.1%, or 5.5% at constant exchange rates and perimeter).

The improvement is due to higher **Operating Profit (loss)**, which at €8.153 billion is €717 million higher (up by 9.6%, or 10.4% at constant exchange rates and perimeter) compared to the first nine months of 2011. The improved performance results from the combination of a €375 million increase in **Operating Income** (up by 2% or 2.6% at constant exchange rates and perimeter) and a decrease in **Operating costs** (down by 2.9%, 2.4% at constant exchange rates and perimeter).

These gains were partially compensated by an increase in **Net write downs on loans and provisions for guarantees and commitments**, which are €597 million higher (up by 13.2%, or 13.6% at constant exchange rates and perimeter) than the first nine months of 2011.

Operating income

At €19,517 million the **Operating income** in the first nine months of 2012 is €375 million higher (up by 2%) than the year-ago period.

The increase is mainly due to activities related to **Net trading, hedging and fair value income**, whose results were significantly affected by the successful public bond and ABS (*Asset Backed Securities*) buy-backs completed in the first nine months of the year. These transactions generated a gross gain of €756 million. Without them Operating Income would have decreased by 2% vs. 2011 since other Revenues lines were down compared to last year. Please note that other buy-backs relating to own liabilities were carried out on the secondary market.

Net interest amounted to €11,073 million, down by €534 million over the same period 2011 (down by 4.6%, or 3.9% at constant exchange rates and perimeter).

On top of the negative effect of lower short term interest rates (the average 3-month Euribor in the first nine months of 2012 is 0.70%, 66 basis points lower than the average over the same period in 2011), the decrease is driven by lower commercial loans to customers and an increasing cost of funding. Net interest is also affected by a prudential liquidity management policy (resulting from persistent tensions in the financial markets, due to the sovereign debt crisis) which led to a significant reduction in interbank exposure, at the expense of profitability.

Deposits from customers as of September 2012 were €420.4 billion, up by €27.9 billion over the same period last year, with positive contributions recorded in all Countries.

Loans to customers were €561.9 billion, flat compared to September 2011, with lower volumes in Western European Countries partially offset by CEE countries and Financial Institutions.

Dividends and other income from equity investments were €291 million, down by €43 million over the same period 2011 mainly due to a lower contribution from the Private Equity portfolio.

Net fees and commissions totaled €5,876 million in the first nine months of 2012, 3.8% lower compared to the same period in 2011 (down by 3.2% at constant exchange rates and perimeter). Such a decrease is largely attributable to a drop in investment services (asset management, administrative and bancassurance). Gains were instead recorded on fees related to transactional activities and lending.

Net trading, hedging and fair value income showed an increase of €1,224 million (up by 141.6%) compared to 2011, mainly due to the successful tender offers on Group's bonds and ABS and improving market conditions (resulting from ECB's intervention), which in turn benefited the CIB division.

Finally, **Net other expenses/income** (€189 million) showed a decrease of €40 million compared to the first nine months of 2011, mainly owing to charges due to the Early Repayment Program (ERP, a government-sponsored early repayment scheme for foreign currency debt) in Hungary.

Operating income

(€ million)

	FIRST 9 MONTHS		% CHANGE	2012 Q3	% CHANGE ON Q3 2011	% CHANGE ON Q2 2012
	2011	2012				
Net interest	11,607	11,073	- 4.6%	3,594	- 6.1%	- 2.6%
Dividends and other income from equity investments	333	291	- 12.8%	68	- 25.4%	- 59.9%
Net fees and commissions	6,109	5,876	- 3.8%	1,932	- 0.8%	- 0.7%
Net trading, hedging and fair value income	864	2,088	+ 141.6%	449	n.s.	+ 10.3%
Net other expenses/income	229	189	- 17.4%	92	- 8.8%	+ 66.9%
Operating income	19,143	19,517	+ 2.0%	6,134	+ 6.9%	- 2.1%

Operating costs

Operating costs in the first nine months of 2012 were €11,365 million, down by 2.9% compared to the first nine months of 2011 (down by 2.4% at constant exchange rates and perimeter).

Payroll costs amounted to €6,833 million, decreasing by 2.8% over the first nine months of 2011. The 3,361 reduction in payroll (down by 2.1% to 157,190 Full Time Equivalent, aligned with the Strategic Plan targets) is a key driver in explaining such a trend. Staff reduction was achieved across all geographies, with Italy (-1,108), Poland (-701) and CEE Division (-932) being the greatest contributors.

Other Administrative expenses in the first nine months of 2012 were €4,095 million, 2.5% lower than the 2011 (2% lower at constant exchange rates and perimeter). The focus on cost

containment is particularly visible on discretionary spending such as those related to advertising and marketing (down by 11.8% at constant exchange rates), personnel (down by 16.1% at constant exchange rates) and consulting (down by 11.4% at constant exchange rates). These were partially compensated by administrative and logistic services (up by 14% at constant exchange rates) and Credit inquiry and recovery (up by 11.9% at constant exchange rates).

Amortization, depreciation and impairment losses on intangible and tangible assets totaled €790 million (a 5.7% decrease compared to the same period last year). Such drop is mainly due to extension of the operating life of some tangible and intangible assets connected with IT (hardware and software), as already stated in the report relating to the results of the first quarter of 2012.

Operating costs

(€ million)

	FIRST 9 MONTHS		% CHANGE	2012 Q3	% CHANGE ON Q3 2011	% CHANGE ON Q2 2012
	2011	2012				
Payroll costs	(7,032)	(6,833)	- 2.8%	(2,253)	- 4.4%	- 0.8%
Other administrative expenses	(4,199)	(4,095)	- 2.5%	(1,337)	- 4.9%	- 2.3%
Recovery of expenses	361	353	- 2.0%	109	- 24.2%	- 19.8%
Amortisation, depreciation and impairment losses on intangible and tangible assets	(838)	(790)	- 5.7%	(267)	- 2.8%	+ 2.5%
Operating costs	(11,707)	(11,365)	- 2.9%	(3,748)	- 3.7%	- 0.4%

Group Results (CONTINUED)

Main results and performance for the period (CONTINUED)

Net write-downs on loans and provisions for guarantees and commitments

Net write-downs on loans and provisions for guarantees and commitments were €5,119 million in the first nine months of 2012, up by 13.2% compared the same period of 2011.

This increase brought cost of risk to 123 basis point, up by 15 basis point compared to the first nine months of 2011. This deterioration is mainly due to Germany (which last year benefited from material write-ups) and, namely, Italy where the deteriorating economic backdrop is taking a toll on asset quality.

A positive dynamic was instead recorded in Austria and CEE countries.

The increase of net write downs results from an increase in net Non-Performing Loans, up from 7.18% of total net loans at year-end 2011 to 8.15% as of September 30, 2012. The coverage ratio on non-performing positions was 43.1%, 1.5% lower than year-end 2011, the decrease being due to write-offs of loans with a high level of coverage and re-mix effects (connected to a slightly higher weight of categories with lower coverage ratios).

Loans to customers - asset quality

(€ million)

	NON-PERFORMING LOANS	DOUBTFUL LOANS	RESTRUCTURED LOANS	PAST-DUE LOANS	IMPAIRED LOANS	PERFORMING LOANS	TOTAL CUSTOMERS LOANS
As at 09.30.2012							
Face value	45,639	20,883	7,636	6,254	80,412	518,792	599,204
<i>as a percentage of total loans</i>	<i>7.62%</i>	<i>3.49%</i>	<i>1.27%</i>	<i>1.04%</i>	<i>13.42%</i>	<i>86.58%</i>	
Writedowns	25,441	6,114	2,162	930	34,647	2,682	37,329
<i>as a percentage of face value</i>	<i>55.7%</i>	<i>29.3%</i>	<i>28.3%</i>	<i>14.9%</i>	<i>43.1%</i>	<i>0.5%</i>	
Carrying value	20,198	14,769	5,474	5,324	45,765	516,110	561,875
<i>as a percentage of total loans</i>	<i>3.59%</i>	<i>2.63%</i>	<i>0.97%</i>	<i>0.95%</i>	<i>8.15%</i>	<i>91.85%</i>	
As at 12.31.2011							
Face value	42,245	18,735	7,250	4,301	72,531	522,279	594,810
<i>as a percentage of total loans</i>	<i>7.10%</i>	<i>3.15%</i>	<i>1.22%</i>	<i>0.72%</i>	<i>12.19%</i>	<i>87.81%</i>	
Writedowns	24,127	5,704	1,856	660	32,347	2,910	35,257
<i>as a percentage of face value</i>	<i>57.1%</i>	<i>30.4%</i>	<i>25.6%</i>	<i>15.3%</i>	<i>44.6%</i>	<i>0.6%</i>	
Carrying value	18,118	13,031	5,394	3,641	40,184	519,369	559,553
<i>as a percentage of total loans</i>	<i>3.24%</i>	<i>2.33%</i>	<i>0.96%</i>	<i>0.65%</i>	<i>7.18%</i>	<i>92.82%</i>	

As at September 30, 2012 past-due impaired loans included certain types of exposure which until December 31, 2011 benefited from a temporary or permanent 180-day default trigger.

Loans that benefited from the temporary waiver (i.e. loans to resident firms or firms registered in Italy) fall under Bank of Italy rules that came into force on January 1, 2012; those that benefited from the permanent waiver (i.e. retail loans and loans to public-sector entities resident or registered in Italy) under the Financial Stability Board's recommendations, to which the Group has adhered.

Profit (loss) before tax

Profit (loss) before tax of first nine months of 2012 totaled €3,229 million, up by €1,710 million compared to the same period last year.

Provisions for Risks and charges amounted to -€122 million, showing a strong decrease compared to -€671 million registered in the same period last year (down by 81.8%). 2011 result was penalized by prudential provisions connected to a project finance transaction in Germany.

Integration costs for the period totaled -€24 million, related to restructuring plans launched by Leasing and the Asset Management division.

Finally, **Net income from investments** totaled €342 million compared to -€543 million recorded in the first nine months of 2011, the main contributors being gains realized on the disposal of the London Stock Exchange shareholding (€109 million), of a share of Moscow Interbank Currency Exchange shareholding (€76 million), and Private Equity activity.

Profit (loss) before tax by business segment

(€ million)

	OPERATING INCOME	OPERATING COSTS	PROFIT (LOSS) AND NET WRITE DOWNS ON LOANS	NET OPERATING PROFIT	PROFIT BEFORE TAX	
					FIRST 9 MONTHS 2011	FIRST 9 MONTHS 2012
F&SME Network Italy	4,786	(3,147)	(1,592)	47	(293)	(4)
F&SME Network Germany	1,098	(1,090)	(27)	(20)	81	19
F&SME Network Austria	822	(672)	(73)	77	30	77
F&SME Network Poland	829	(505)	(46)	278	282	278
F&SME Factories	1,489	(619)	(552)	319	327	300
Corporate & Investment Banking	5,473	(2,024)	(2,086)	1,363	1,819	1,542
Private Banking	686	(419)	(13)	255	223	249
Asset Management	511	(349)	-	162	226	155
Central Eastern Europe	3,628	(1,695)	(724)	1,209	1,120	1,274
Group Corporate Center	195	(845)	(7)	(657)	(2,294)	(661)
Total Group	19,517	(11,365)	(5,119)	3,033	1,519	3,229

Group Results (CONTINUED)

Main results and performance for the period (CONTINUED)

Profit (loss) attributable to the Group

Profit (loss) for the period amounted to €2,042 million, affected by €1,188 million in **income tax**. The implied tax rate (36.8%) is much lower than what recorded over the nine months of 2011 (76.8%), which was strongly affected by some extraordinary effects (such as the tax deductibility of write-downs and the revision of the stock of deferred tax assets recognized in the balance).

Minorities amounted to -€286 million, flat compared to first nine months of 2011.

Purchase Price Allocation effects in the first nine months of 2012 totaled -€330 million, a sharp decrease (-53.9%) compared to the same period of 2011. This deterioration is due to the impact of the write downs on the main Group brands in the third quarter of 2011 (the impact of this item was recognized net of the related deferred taxes).

As a result of all these elements the Group registered a **Net profit (loss) attributable to the Group** of €1,418 million.

Profit (loss) attributable to the Group

(€ million)

	FIRST 9 MONTHS		% CHANGE	2012 Q3	% CHANGE ON Q3 2011	% CHANGE ON Q2 2012
	2011	2012				
Operating income	19,143	19,517	+ 2.0%	6,134	+ 6.9%	- 2.1%
Operating cost	(11,707)	(11,365)	- 2.9%	(3,748)	- 3.7%	- 0.4%
Operating profit (loss)	7,436	8,153	+ 9.6%	2,385	29.5%	- 4.7%
Net write-downs on loans and provisions for guarantees and commitments	(4,522)	(5,119)	+ 13.2%	(1,811)	- 1.8%	- 5.2%
Net operating profit (loss)	2,914	3,033	+ 4.1%	575	n.s.	- 3.0%
Provision for risk and charges	(671)	(122)	- 81.8%	(46)	- 82.6%	- 24.0%
Integration costs	(180)	(24)	- 86.6%	(4)	- 97.7%	- 73.6%
Net income from investment	(543)	342	n.s.	232	n.s.	+ 184.9%
Profit (loss) before tax	1,519	3,229	+ 112.5%	756	n.s.	26.5%
Income tax for the period	(1,167)	(1,188)	+ 1.8%	(190)	27.4%	- 24.6%
Profit (loss) for the period	352	2,042	n.s.	567	n.s.	63.7%
Minorities	(287)	(286)	- 0.3%	(119)	46.8%	74.7%
Net profit (loss) attributable to the Group before PPA	66	1,756	n.s.	447	n.s.	61.0%
Purchase Price Allocation effects	(716)	(330)	- 53.9%	(107)	- 84.5%	0.4%
Goodwill impairment	(8,669)	(8)	- 99.9%	(6)	- 99.9%	136.8%
Net profit (loss) attributable to the Group	(9,320)	1,418	n.s.	335	n.s.	98.1%

Capital and Value Management

Principles of value creation and disciplined capital allocation

In order to create value for the shareholders, the Group's strategic guidelines are aimed at optimizing the composition of its business portfolio. This goal is pursued through a process of capital allocation to each business line in relation to its specific risk profile and ability to generate extra income measured as EVA, which is the main performance indicator related to TSR (Total Shareholder Return). The development of Group operations with a view to value creation requires a process for allocating and managing capital governed by different phases in the process of planning and control, articulated as:

- formulation of the proposed propensity for risk and capitalization targets;
- analysis of the risks associated with the value drivers and resulting allocation of capital to the business lines and to the Business Units;
- assignment of performance targets in line with risk;
- analysis of the impact on the Group's value and of the creation of value for shareholders;
- drafting and proposal of the financial plan and dividend policy.

The process of capital allocation is based on a "dual track" logic, considering both economic capital, measured through the full evaluation of risks by risk management models, and regulatory capital, quantified applying internal capitalization targets to regulatory capital requirements.

Capital Ratios

The Group dynamically manages its capital base by monitoring regulatory capital ratios, anticipating the appropriate changes necessary to achieve its targets, and optimizing the composition of its assets and equity. Planning and monitoring refer, on the one hand, to the composition of regulatory capital (Core Tier 1, Tier 1, Lower and Upper Tier 2, and Tier 3 Capital) and, on the other hand, to the Risk-Weighted Assets (RWAs). The Risk-Weighted Assets, for portfolios managed using the Advanced model, not only depend on the nominal value of the assets but also on the relevant credit parameters. Besides volume dynamics, it is also crucial to monitor and forecast the change in the loan quality of the portfolio in view of the macroeconomic scenario (the so-called pro-cyclical effect).

The Core Tier 1 Ratio¹ at September 2012 was 10.67%.

The Tier 1 Ratio and Total Capital Ratio, respectively, were 11.26% and 13.83%.

Capital Ratios

(€ million)

	AS AT	
	09.30.2012	12.31.2011
Total Capital	60,412	56,973
Tier 1 Capital	49,184	42,917
Core Tier 1 Capital	46,593	38,691
Total RWA	436,751	460,395
Total Capital Ratio	13.83%	12.37%
Tier 1 Ratio	11.26%	9.32%
Core Tier 1 Ratio	10.67%	8.40%

The recent economic and financial crisis, which began in 2007, has given rise to intense debate on the need to revise, in a more restrictive sense, the rules for measuring capital and the capital ratios imposed by Basel 2. With the aim to raise the resilience of the banking sector, the Basel Committee on Banking Supervision published the comprehensive reform framework (Basel 3) on December 16, 2010. The package modifies the rules for the levels of banks capital adequacy and introduces limits in terms of liquidity, medium-long term funding and leverage.

The Basel Committee defined a smoothed timeline for the introduction of new rules, with the full implementation by January 2019 after a phase-in starting from January 2013. On July 20, 2011, a legislative proposal drawn up by the European Commission with a view to implementing the Basel 3 standards in Europe was published. Specifically, the proposal involves two separate legislative instruments: a Directive (CRD IV) and a Regulation (CRR), which will include the majority of the measures relating to capital requirements, the provisions of which will be directly binding and applicable within each European Union Member State. The Commission's proposal is currently being analyzed by the European Parliament and the Council of the European Union with a view to definitively approving it in 2012.

On October 3, 2012 the European Banking Authority (EBA) and Banca d'Italia announced the results relating to the capital exercise and the fulfillment of the Recommendation issued by the EBA in December 2011. UniCredit's Core Tier 1 ratio, including the sovereign capital buffer as defined in the EBA's Recommendation of December 8, 2011, exceeds 9%.

1. Core Tier 1 Ratio is defined according to the internal methodology, as currently it's not included in the Prudential Reporting Schemes.

Group Results (CONTINUED)

Capital and Value Management (CONTINUED)

Shareholders' Equity attributable to the Group

The **Shareholders' Equity attributable to the Group**, including the **profit for the period** (€1,418 million), amounted to €62,557 million at September 30, 2012, compared to €51,479 million at December 31, 2011.

The following table shows the main changes that occurred in the first nine months of 2012.

Shareholders' Equity attributable to the Group (€ million)

Shareholders' Equity as at December 31, 2011	51,479
Capital increase (net of capitalized costs)	7,355
Disbursements related to Cashes transaction ("canoni di usufrutto")	(46)
Dividend payment	-
Forex translation reserve	592
Change in afs / cash-flow hedge reserve	1,692
Others	68
Net profit (loss) for the period	1,418
Shareholders' Equity as at September 30, 2012	62,557

Information on Risks

UniCredit group monitors and manages its risks through rigorous methodologies and procedures proving to be effective through all phases of the economic cycle.

The control and steering of the Group's risks are exerted by the Parent Company's Risk Management function which pursues its own steering, coordination and control role in particular through the "Portfolio Risk Managers" which are responsible for the relevant risks, from a Group and cross-divisional perspective. Furthermore, the model provides for a specific point of reference for Italy, the "CRO Italy" function, to which the responsibilities related to credit, operational and reputational risks of the Italian perimeter, as well as the managerial coordination of Risk Management functions in the Italian Legal Entities, have been assigned.

In particular, the Risk Management function is responsible for the following tasks:

- optimizing Group's asset quality, minimizing the cost of risks, in accordance with the risk / return targets assigned to each Business Area;
- defining, together with the Planning, Finance & Administration function, the Group's risk appetite and evaluating capital adequacy, within the Internal Capital Adequacy Assessment Process (ICAAP), in compliance with Basel II, Pillar II requirements;
- defining - in compliance with Basel II standards and Bank of Italy requirements - the Group rules, methodologies, guidelines, policies and strategies for risk management, and,

in cooperation with the Organization department, the relevant processes and their implementation;

- setting up a credit and concentration risk control system both of single counterpart/economic groups and significant clusters (e.g. as industrial areas/economic sectors), monitoring and reporting the limits defined beforehand;
- defining and providing to the Business Areas and to the Legal Entities the valuation, managerial, monitoring and reporting criteria of the risks and ensuring the consistency of systems and control procedures both at Group and Legal Entity level;
- ensure that Business Areas, when achieving their targets, develop businesses and products (e.g. innovation of credit products, competitive opportunities linked to Basel accords, etc.) which are in line with the current risk appetite;
- verifying, by means of the initial and on-going validation process, the adequacy of the risk measurement systems adopted throughout the Group, steering the methodological choices towards higher and homogeneous qualitative standards and controlling the coherence in using the above systems within the processes;
- setting up an adequate system of preventive risk analysis, in order to quantify the impacts of a quick worsening of the economic cycle or of other shock factors (i.e. Stress Test) on the Group's economic and financial structure. This holds for single risk types as well as their integration and comparison to available capital;
- creating and spreading a risk culture across the whole Group.

In conformity with the Risk Management function architecture, and in order to strengthen the capacity of independent steering,

coordination and control of Group risks, improving the efficiency and the flexibility on the risk decision process and addressing the interaction between the relevant risk stakeholders, three distinct levels of Risk Committees are in place:

- the “Group Risk Committee” responsible for the Group strategic risk decisions;
- the “Group Portfolio Risks Committees”, tasked with addressing, controlling and managing the different portfolio risks;
- the “Group Transactional Committees” in charge of evaluating the single counterparties / transactions impacting the overall portfolio risk profile.

Measuring the risk profile is a fundamental element of the Internal Capital Adequacy Assessment Process (ICAAP) under Basel II Pillar II.

The Group's approach to ICAAP relies on the definition of the “Risk Governance”, as a preliminary requirement, while the process consists of following phases:

- perimeter definition and risk identification;
- risk profile assessment;
- risk appetite² setting and capital allocation; and
- monitoring and reporting.

Capital adequacy is assessed considering the balance between the assumed risks, both Pillar I and Pillar II, and the available capital.

With respect to Pillar II, the relevant metric is the Risk Taking Capacity, which is the ratio between available capital (Available Financial Resources - AFR) and Internal Capital.

Internal Capital is the capital needed to face the potential losses inherent in the Group's business activities and it takes into consideration all risk types identifiable by the Group as quantified in terms of Economic Capital in line with Pillar II requirements (credit, market, operational, business, financial investment and real estate risks including the effects of diversification between risk types (‘interdiversification’) and within each portfolio type (‘intradiversification’) and a prudential cushion for the model risk and the variability of the economic cycle).

As a milestone of ICAAP, the Group defines the risk appetite as the variability in terms of results, both short and long term, that Senior Management is willing to accept to support a defined strategy.

The risk appetite framework is based on three dimensions:

- Capital adequacy;

- Profitability and risks;
- Liquidity and funding.

It is approved by Board of Directors and is regularly monitored and reported, at least quarterly, to the relevant committees. In addition, a yearly consolidated report on capital adequacy in accordance with Banca d'Italia guidelines and including an overview of the main Group companies is prepared and sent to Regulator.

According to Pillar II provisions, credit risk strategies for the Group's credit portfolio are an advanced credit risk management tool. In conformity with both the budget process and the Pillar II / Risk Appetite framework, they are aimed at providing the concrete deployment of risk appetite targets by Division, Business Line and Country, considering the expected vulnerability of the Group credit portfolios to adverse economic downturns as well as the quantification of the sectorial concentration risk. Individual portfolios are optimized according to a risk/return approach, in order to ensure the correct pursuing of business targets while controlling the impact on credit risk.

Furthermore, the monitoring of credit strategies allows the activation of the necessary actions in case of deterioration of the risk profile compared to predefined targets in order to promote a sound risk management.

Again with regard to Pillar II, during the year a monitoring and reporting activity was set up and finalized on credit concentration risk, analyzing credit overdrafts with respect to concentration limits based on economic capital absorption, consistent with Risk Appetite targets. In order to streamline the management of these overdrafts, both Risk Management and Business Functions are involved and an ongoing monitoring is conducted on action plans for reducing exposures exceeding these limits. In order to keep the credit concentration risk under control, the underwriting credit process towards large exposures has been strengthened at Group level through the revision of the process for issuing of a non-binding opinion by the Parent Company.

The activity was continued for implementing the credit stress test model on a specific IT platform in order to support both Legal Entities and Parent Company functions for simulating stress test exercises on credit risk.

During the first half of 2012 the inclusion of Group Credit Portfolio Model (GCPM) in the ICAAP processes of the main Group legal entities in Austria, Germany and Italy was completed. Principles, rules, methodological and procedural standards for the calculation of economic capital for credit risk according Basel II Pillar II were revised.

² Risk Appetite can be defined as the variability in results, both in the short and in the long term, that an organization and its senior executives are willing to accept in support of a defined strategy.

The main purpose of the UniCredit group's risk appetite is to ensure that the business develops within the risk appetite set by the Board of Directors in compliance with national and international regulations. The aim is not to prevent risk-taking, but to pursue the implementation of the UniCredit group's strategy in accordance with the risk appetite set by the Board of Directors.

Group Results (CONTINUED)

Information on Risks (CONTINUED)

In their role as sub-holding companies, the main legal entities in Germany and Austria can run analysis on the portfolios belonging to their perimeters, also on behalf of the smaller legal entities. In order to allow different consolidation views, the tool provides a differentiated treatment of infragroup exposures, with proper netting where it is needed.

Besides an innovation in the functionalities of the CPM tool, the CPM Roll Out project unified the Group methodologies on credit portfolio analysis, making available to the main legal entities across the Group the same tool (including methodology and parameterization) previously available at Parent Company level. The roll out has been the outcome of a collaboration effort among the credit risk management functions in the Parent Company, Germany and Austria and the internal IT provider UBIS. The resulting homogeneity in the portfolio analysis methodologies allow a comparison of risk return profiles of the portfolios and as a consequence can be used to steer the business areas.

During last months, credit monitoring activities performed by dedicated departments of the Group Risk Management function have been further reinforced.

These activities focus on the analysis of the main drivers and parameters of credit risk such as values of EAD (exposure at default), EL (expected loss), migration, cost of risk etc., in order to promptly initiate any counter-measures on portfolios, sub-portfolios or individual counterparties. The timely identification and consistent management of exposures with a deteriorating risk profile allow to intervene at a phase preceding potential default, when there is still the capability for repayment and, subsequently, to put in place appropriate corrective initiatives.

During the first half of 2012 the Global Policy "Group General Principles for Credit Activity" was reviewed; the policy defines the general principles and rules to guide, govern and standardise the credit risk assessment and management.

Within the One4C re-organization path and in order to assure a closer proximity to territory and to customers, the "Italy Turnaround Project" has been launched and it provided for a re-organization of business support structures in Italy with an impact on GRM steering and control roles through the re-definition of the Territorial Hubs. With reference to the strengthening of the supervision of monitoring, restructuring and workout activities of the exposures to customers, some structures of CRO Italy have been revised in order to improve highest risk positions management and ensuring a prompt and timely implementation of the necessary actions. These changes are intended to fully implement the organizational changes done during the first half for what regards coordination and monitoring on these exposures.

In order to enhance the counterparty credit risk management, further changes impacted Holding Company organizational structure and processes and, in accordance, a set of Group Policies are under release.

As regards operational risk, UniCredit has developed an internal model for measuring the capital requirement (AMA). The measurement of operational risk relies on internal loss data, external loss data (consortium and public data), hypothetical loss data stemming from scenario analyses and risk indicators. An allocation mechanism identifies individual Group entities' capital requirements reflecting their operational risk exposure.

The AMA approach was formally approved by the Supervisory Authority in 2008 and it has already been rolled out to all the main Group Entities.

With respect to reputational risk, over the last years UniCredit has defined an approach for the identification, analysis and management of the reputational risk stemming from banking activities.

In 2010 this approach resulted in the approval by UniCredit's Board of Directors of the Group Reputational Risk Governance Guidelines that delineate a set of principles and rules for the measurement and control of reputational risk; these are currently being implemented in the Group Entities.

During 2011 particular attention was given to "tax havens" and non-cooperative jurisdictions by issuing, in collaboration with Tax Affairs, a Group Policy describing the rules and principles for the management of new activities in these territories. Furthermore, during 2012 two policies regarding the involvement of the Bank with counterparts engaged in activities related to Water Infrastructure (Dams) and Mining industries have been approved.

With respect to Market Risk, as far as the trading book is concerned, VaR daily reporting is now a consolidated process along with its backtesting (based on the new harmonized internal model).

At the same time, Parent Company and local Market Risk functions have intensified portfolios' risk monitoring activities, with particular reference to Investment Banking, through the definition of Limits and Warning Levels.

In particular, the following concepts have been activated: VaR Limits and VaR Warning Levels at all levels of the portfolio tree, and Granular Risks Limits concerning various risk factors (interest rates, exchange rates, index and stock prices, credit spreads etc.) at sub-portfolio/desk level.

Loss Warning Levels and Stress Test Warning Levels have also been defined.

Finally, since December 2011, in compliance with Basel 2.5 provisions, additional limits have been set to apply on SVaR, IRC and CRM measures on the Trading Book.

Liquidity risk, for its particular nature, is addressed by means of gap analyses, liquidity stress testing, and complementary measures (mainly through a set of indicators: e.g. loan to deposit gap, leverage ratio). In particular, gap analyses are performed within two distinct time horizons:

- liquidity imbalance mismatch approach on a daily basis, which controls for the short term liquidity risk arising from the overnight up to a 3 months maturity;
- gap ratios on a monthly basis, which control the medium to long term risk (structural liquidity) from the 1Y maturity onwards.

Liquidity risk is a low probability, high impact event. Therefore stress testing is an excellent tool to reveal potential vulnerabilities in the Balance Sheet. The Bank uses several scenarios ranging from general market crisis to idiosyncratic crisis, and combinations hereof. Moreover, the liquidity framework is also integrated by complementary measures, included in the Group's Risk Appetite framework. One of these is the loan-to-depo gap, which is calculated on a quarterly basis and which measures to what extent the commercial loan portfolio is financed through commercial liabilities.

In this context, the Parent Company takes into account all of the assets, liabilities, off-balance sheet positions and present and future events which generate certain or potential cash flows for the Group, thereby protecting the Group Banks/Companies from risks related to the transformation of maturity.

Finally, the following are some specific risk factors linked, in particular, with market liquidity, interest rate fluctuations, exchange rates, and the performance of financial markets that are affected by the current global financial conditions and which the Group results depend upon in varying measure.

Constant monitoring and management of these risk factors makes it possible to continue to follow the going-concern principle in preparing the interim report on operations.

Interest-Rate Risk

Group's results are affected by interest rate trends and fluctuations in Europe as well as in the other markets where the Group operates. In particular, the results of banking and lending transactions depend also on proper management of interest rate exposure's sensitivity.

Interest Rate Risk originates from four main sources:

- Repricing (refixing) risk: arises from timing differences in the maturity (for fixed rate) and repricing (for floating rate) of assets, liabilities and of off-balance-sheet positions. Such repricing mismatches can expose the bank's income and underlying economic value to unanticipated fluctuations as interest rates vary.
- Yield curve risk: arises when unanticipated shifts in the slope and shape of the yield curve have adverse effects on a bank's income or underlying economic value.
- Basis risk: arises from imperfect correlation in the adjustment of the rates earned and paid on different instruments with otherwise similar repricing characteristics. When interest rates change, these differences can give rise to unexpected changes in the cash flows and earnings spread between assets, liabilities and off-balance-sheet instruments of similar maturities or repricing frequencies.
- Option risk: arises from implicit and explicit options embedded in assets, liabilities and off-balance-sheet instruments.

Currency Risk

A significant portion of Group business is carried out in currencies other than Euro, predominantly those of CEE countries and the US dollar. The Group is therefore exposed to risks linked with fluctuations in exchange rates and in local money markets. Since the financial statement and interim report are denominated in Euro, the necessary currency conversions are accomplished in accordance with applicable accounting standards. Any change in exchange rates may therefore affect the Group's overall performance.

Group Results (CONTINUED)

Information on Risks (CONTINUED)

Financial Risk

Group results depend significantly on financial markets. Specifically, volatility and the performance of financial markets affect:

- inflows of assets under management and administration, and thus earned selling commissions;
- management commissions, due to lower asset volume (direct effect) and redemptions caused by unsatisfactory performance (indirect effect);
- the Markets unit's (in the Investment Bank) trading profits, specifically on sales and brokerage of financial instruments;
- the overall results of the banking and trading books.

Information on Sovereign Exposures

With reference to the Group's sovereign exposures³, the book value of sovereign debt securities as at September 30, 2012 amounted to €92,689 million (€89,875 million as at June 30, 2012), of which about 93% concentrated in eight countries; Italy, with €42,477 million (€40,983 million as at June 30, 2012), represents about 46% of the total.

For each one of the eight countries, the table below shows the book value of the exposures broken down by portfolio as at September 30, 2012.

Breakdown of Sovereign Debt Securities by Country and Portfolio

(€ '000)

COUNTRY / PORTFOLIO	AMOUNTS AS AT 09.30.2012 BOOK VALUE
- Italy	42,477,150
financial assets/liabilities held for trading (net exposures*)	5,093,109
financial assets at fair value through profit or loss	680,098
available for sale financial assets	33,272,050
loans and receivables	223,378
held to maturity investments	3,208,515
- Germany	20,666,264
financial assets/liabilities held for trading (net exposures*)	1,787,295
financial assets at fair value through profit or loss	14,996,575
available for sale financial assets	319,080
loans and receivables	3,563,314
held to maturity investments	-
- Poland	8,015,217
financial assets/liabilities held for trading (net exposures*)	228,364
financial assets at fair value through profit or loss	-
available for sale financial assets	6,051,661
loans and receivables	859,915
held to maturity investments	875,277
- Austria	5,215,467
financial assets/liabilities held for trading (net exposures*)	195,738
financial assets at fair value through profit or loss	20,885
available for sale financial assets	4,785,999
loans and receivables	62,111
held to maturity investments	150,734
- Turkey**	3,977,944
financial assets/liabilities held for trading (net exposures*)	94,396
financial assets at fair value through profit or loss	-
available for sale financial assets	1,821,066
loans and receivables	-
held to maturity investments	2,062,482
- Czech Republic	2,464,799
financial assets/liabilities held for trading (net exposures*)	196,061
financial assets at fair value through profit or loss	221,889
available for sale financial assets	2,046,441
loans and receivables	-
held to maturity investments	408
- Hungary	1,559,258
financial assets/liabilities held for trading (net exposures*)	60,855
financial assets at fair value through profit or loss	-
available for sale financial assets	1,449,502
loans and receivables	29,305
held to maturity investments	19,596
- Spain	1,431,129
financial assets/liabilities held for trading (net exposures*)	8,755
financial assets at fair value through profit or loss	328,423
available for sale financial assets	1,083,302
loans and receivables	-
held to maturity investments	10,649
Total on-balance sheet exposures	85,807,228

* Including exposures in Credit Derivatives.

** Amounts recognized using proportionate consolidation with reference to the ownership percentage for exposures held by joint ventures.

3. Sovereign exposures are bonds issued by and loans given to central and local governments and governmental bodies. ABSs are not included.

The remaining 7% of the total of sovereign debt securities, amounting to €6,881 million with reference to the book values as at September 30, 2012, is divided into 47 countries, among which the US (€261 million), Ireland (€53 million), and Portugal (€28 million). These exposures were not subject to impairment at September 30, 2012, with the exception of those towards Greece.

With reference to these exposures, please note that on February 21, 2012, the Greek Republic and the public sector (EU Member States and the International Monetary Fund-IMF) reached a mutual agreement conditional on the participation of private investors in the new bailout plan, which besides calling for further financial support from the public sector provided for an offer to swap old Greek bonds with new financial instruments.

More specifically, these instruments consist of (i) European Financial Stability Facility (EFSF) notes with a face value of 15% of the exchanged bonds, (ii) new Greek government bonds with maturities between 10 and 30 years and a face value of 31.5% of the exchanged bonds and (iii) GDP-linked securities.

From February 24 to March 8, 2012, the Greek Republic carried out the bond swap and subsequently enforced the Collective Action Clauses (CAC) on all holders of bonds governed by Greek law who had rejected the voluntary deal. The participation in Greece's bond swap offer and the subsequent change in market prices have entailed an overall loss in the consolidated Income Statement as at September 30, 2012 of €18.5 million.

The book value of the exposure to Greece totals €26 million as at September 30, 2012, with a nominal value of €125 million.

In addition to the exposures to sovereign debt securities, loans⁴ given to central and local governments and governmental bodies must be taken into account.

The table below shows the total amount as at September 30, 2012 of loans given to countries towards which the overall exposure exceeds €150 million, representing more than 97% of the total.

Breakdown of Sovereign Loans by Country

(€ '000)

COUNTRY	AMOUNTS AS AT 09.30.2012 BOOK VALUE
- Germany*	9,640,175
- Italy	7,833,994
- Austria**	5,881,771
- Croatia	2,305,407
- Poland	1,796,504
- Indonesia	546,153
- Slovenia	267,044
- Turkey***	256,431
- Hungary	248,780
- Brazil	217,804
- Serbia	194,119
- Bosnia-Herzegovina	174,398
Total on-balance sheet exposures	29,362,580

* Of which 1,163,331 in financial assets held for trading and those at fair value through profit or loss.

** Of which 237,345 in financial assets at fair value through profit or loss.

*** Amounts recognized using proportionate consolidation with reference to the ownership percentage for exposures held by joint ventures.

Lastly, it should be noted that derivatives are traded within the ISDA master agreement and accompanied by Credit Support Annexes, which provide for the use of cash collaterals or low-risk eligible securities.

4. Excluding tax items.

Result by Business Segment

Family & Small Medium Enterprise (F&SME)

F&SME Network Italy

The primary goal of the Family & SME Division is to allow individuals, households, small and medium enterprises to meet their financial needs by offering them a complete range of reliable, high-quality products and services at a competitive

price. The Group's major strengths in retail banking are the experience of its employees and the central role played by customer satisfaction. UniCredit holds a strategic position in the retail banking segment in Italy thanks to its nearly 4,000 branches throughout the country.

Income Statement, Key Ratios and Indicators

(€ million)

F&SME NETWORK ITALY	FIRST 9 MONTHS		% CHANGE	2012 Q3	% CHANGE ON Q3 2011	% CHANGE ON Q2 2012
	2011	2012				
Operating income	4,704	4,786	+ 1.7%	1,515	- 2.6%	- 7.4%
Operating costs	(3,368)	(3,147)	- 6.6%	(1,001)	- 9.6%	- 6.0%
Net write-downs on loans	(1,534)	(1,592)	+ 3.8%	(509)	+ 2.2%	- 14.2%
Net operating profit	(198)	47	- 123.8%	5	- 109.6%	- 121.5%
Profit before tax	(293)	(4)	- 98.7%	(18)	- 82.8%	- 58.7%
Loans to customers eop	128,860	120,245	- 6.7%	120,245	- 6.7%	- 1.1%
Customer deposits (incl. Securities in issue) eop	124,562	134,579	+ 8.0%	134,579	+ 8.0%	+ 1.3%
Total RWA eop	57,185	52,356	- 8.4%	52,356	- 8.4%	- 3.0%
EVA	(649)	(542)	- 16.5%	(170)	- 16.8%	- 15.0%
Absorbed Capital	4,372	5,748	+ 31.5%	5,565	+ 25.3%	- 4.0%
RARORAC	- 19.80%	- 12.58%	n.s.	- 12.25%	n.s.	157bp
Cost/Income	+ 71.6%	+ 65.7%	- 584bp	+ 66.1%	- 516bp	96bp
Cost of Risk	1.60%	1.73%	13bp	1.68%	14bp	- 25bp
Full Time Equivalent eop	30,328	29,742	- 1.9%	29,742	- 1.9%	- 1.2%

The F&SME Network Italy closed the first nine months of 2012 with an **operating income** of €4,786 million, up by 1.7% over the first nine months of 2011. This trend was due to an increase in net interest margin, as a combination of maintaining the average volume of deposits and increase of liquidity spreads on sight deposits that offset the higher cost of funding and the decreasing volumes on loans. The decrease on fees is due to the contraction of upfront fees on sales of investments products, only partially offset by increased fees on loans. Compared with the previous quarter, operating income decreased by 7.4%. This decrease is due to the combined effect of the decline in euribor in the third quarter 2012 and to lower loans and payment fees.

The **operating costs** amounted €3,147 million, down by 6.6% over the previous year thanks to the savings on other administrative expenses and efficiency on structural staff expenses, linked to the reduction of FTEs (-1.9% y/y). Compared to the previous quarter, however, the operating costs were down by 6.0%, primarily thanks to the saving on other administrative expenses (advertising campaign paid in the second quarter) and thanks to cost reduction policies. HR costs were strongly down thanks to funds release related to variable salary and to reduction of FTEs in the third quarter (-1.2%).

The increase in revenues and cost efficiency, had a positive effect on **cost/income**, that in September 2012 showed a value of 65.7%, lower than the value of September 2011 (-584 bp).

Net write-downs on loans amounted to €1,592 million, representing an increase over the first nine months of 2011 (+3.8%), due to the worsening macroeconomic scenario. The **cost of risk**, at the end of September 2012, was 173 bp, +13 basis points compared to the value recorded in September 2011. Compared with the previous quarter net write-downs on loans recorded a reduction (-14.2%), thanks to improvement in non-performing portfolio and to the lower flows to default in the small and medium enterprises portfolio, driving to a reduction in the cost of risk (-25 bp). The F&SME Network Italy closed the first nine months of 2012 with a **profit before tax** of -€4 million, improving compared to the previous year.

As at September 30, 2012 the volume of **loans to customers** was €120,245 million, representing a decline of 6.7% compared to September 2011, due to the declining stock of medium and long term loans (individuals and enterprises). **Customer deposits (including securities in issue)** totaled €134,579 million, an increase of 8.0% from September 2011. **Risk weighted assets** amounted at €52,356 million, a decrease of 8.4% over the same period of previous year. This drop is due to the reduction of loan volumes, news flows to default and regulation changes (PD90 and CDR3), that more than offset the increase related to the roll out of the new RIC model and to the rating shifts.

F&SME Network Germany

The primary goal of the Family & SME Division is to allow individuals, households and small and medium enterprises to meet their financial needs by offering them a complete range of reliable, high-quality products and services at a competitive price.

The Group's major strengths in retail banking are the experience of its employees and the central role played by customer satisfaction. UniCredit holds a strategic position in the retail banking segment in Germany thanks to its nearly 620 branches throughout the country.

Income Statement, Key Ratios and Indicators

(€ million)

F&SME NETWORK GERMANY	FIRST 9 MONTHS		% CHANGE	2012 Q3	% CHANGE ON Q3 2011	% CHANGE ON Q2 2012
	2011	2012				
Operating income	1,217	1,098	- 9.8%	367	- 11.6%	- 1.8%
Operating costs	(1,097)	(1,090)	- 0.6%	(363)	- 2.5%	- 0.5%
Net write-downs on loans	(28)	(27)	- 2.7%	(20)	+ 28.4%	n.s.
Net operating profit	92	(20)	- 121.5%	(16)	- 157.2%	- 239.4%
Profit before tax	81	19	- 75.9%	3	- 88.5%	- 76.5%
Loans to customers eop	44,274	41,049	- 7.3%	41,049	- 7.3%	- 2.2%
Customer deposits (incl. Securities in issue) eop	46,191	46,383	+ 0.4%	46,383	+ 0.4%	- 5.5%
Total RWA eop	14,608	14,870	+ 1.8%	14,870	+ 1.8%	- 0.9%
EVA	(16)	(103)	n.s.	(36)	n.s.	+ 23.4%
Absorbed Capital	1,004	1,397	+ 39.2%	1,396	+ 42.0%	- 0.5%
RARORAC	- 2.10%	- 9.81%	n.s.	- 10.45%	n.s.	- 203bp
Cost/Income	+ 90.1%	+ 99.3%	n.s.	+ 99.0%	n.s.	130bp
Cost of Risk	0.08%	0.09%	0bp	0.19%	5bp	21bp
Full Time Equivalent eop	7,485	7,623	+ 1.8%	7,623	+ 1.8%	+ 0.2%

In the first nine months 2012 F&SME Network Germany reported an **operating income** of €1,098 million, down by 9.8% compared to the first nine months 2011, mainly due to negative spreads on deposits in the course of negative development of market rates, not compensated by higher volumes and re-pricing actions. The lending margin continued to decline due to decreasing lending volumes. Commissions could be kept stable despite the ongoing reluctance from customers to decide for investments with longer maturity. Compared to the previous quarter, F&SME Germany registered a slight decrease in the operating income (-1.8%).

Operating costs totaled €1,090 million, a slight decrease of 0.6%. This result expresses the strict cost discipline. Despite growing FTE for enforcing the network sales capacities and higher allocations for pension funds - both leading to higher staff expenses - other administrative expenses could be decreased. Compared to last quarter the operating expenses stayed stable as well (-0.5%).

Despite the stable cost situation, the **cost/income**, which as at September 30, 2011 was 90.1%, at the end of September 2012 amounted to 99.3%.

Net write-downs on loans (€27 million) stabilized furthermore on an extreme low level confirming effectiveness of internal risk policies. The positive development of the German economy contributes as well. The various initiatives implemented in the loan portfolio in 2011 (e.g. recalibration of the rating and the respective LGD of private and SME customers) bear fruits as well in 2012, leading to further releases of general loan loss provisions. The low level of new provisions and an increased number of releases of existing provisions led to very low **cost of risk** (9bp), even compensating a negative one off booking in Q3.

F&SME Network Germany reported in the first nine months of 2012 a **profit before tax** of €19 million, down compared with the same period of 2011, mainly due to the decreasing trend of spreads for deposits.

F&SME Network Germany ended September 2012 with a volume of **loans to customers** of €41,049 million, down by 7.3% compared to September of the previous year. **Customer deposits (including securities in issue)** amounted to €46,383 (+0.4% y/y).

Risk weighted assets were slightly up (due to higher operational risks) at €14,870 million with an increase of 1.8%.

Result by Business Segment (CONTINUED)

Family & Small Medium Enterprise (F&SME) (CONTINUED)

F&SME Network Austria

The primary goal of the Family & SME Division is to allow individuals, households and small enterprises to meet their financial needs by offering them a complete range of reliable, high-quality products and services at a competitive price.

The Group's major strengths in retail banking are the experience of its employees and the central role played by customer satisfaction. UniCredit holds a strategic position in the retail banking segment in Austria thanks to its nearly 280 branches throughout the country.

Income Statement, Key Ratios and Indicators

(€ million)

F&SME NETWORK AUSTRIA	FIRST 9 MONTHS		% CHANGE	2012 Q3	% CHANGE ON Q3 2011	% CHANGE ON Q2 2012
	2011	2012				
Operating income	838	822	- 1.8%	271	- 3.4%	- 2.9%
Operating costs	(661)	(672)	+ 1.6%	(227)	+ 1.2%	+ 1.7%
Net write-downs on loans	(155)	(73)	- 52.9%	(27)	- 50.8%	+ 106.1%
Net operating profit	21	77	+ 264.5%	16	n.s.	- 61.1%
Profit before tax	30	77	+ 156.5%	16	n.s.	- 62.7%
Loans to customers eop	21,381	20,077	- 6.1%	20,077	- 6.1%	- 3.1%
Customer deposits (incl. Securities in issue) eop	27,165	27,729	+ 2.1%	27,729	+ 2.1%	- 2.5%
Total RWA eop	12,711	10,842	- 14.7%	10,842	- 14.7%	- 1.2%
EVA	(59)	(38)	- 34.4%	(21)	- 32.5%	n.s.
Absorbed Capital	1,077	1,123	+ 4.3%	1,130	- 0.4%	- 3.6%
RARORAC	- 7.25%	- 4.56%	269bp	- 7.27%	346bp	n.s.
Cost/Income	+ 78.9%	+ 81.7%	277bp	+ 84.0%	380bp	376bp
Cost of Risk	0.96%	0.47%	- 48bp	0.53%	- 48bp	27bp
Full Time Equivalent eop	3,892	3,848	- 1.1%	3,848	- 1.1%	+ 0.2%

During the first nine months of 2012, F&SME Network Austria recorded an **operating income** of €822 million, slightly down (-1.8%) compared to the same period in 2011, although the 2012 was characterized by uncertainty among customers and by declining interest rates. The decrease is due to a lower fee income (mainly lower upfront fees for sales of mutual funds and other securities business following the low investment appetite among all customer groups), only partially offset by the increase of net interest income (positive spread and volume effect on the deposits).

Operating costs stood at €672 million, an increase by 1.6% from the first nine months of 2011. This increase is related to HR-costs, due to overtime worked in connection with the implementation of the Payments Directive and extensive adjustments ahead of the changeover to EuroSIG, the Group-wide IT platform (which was successfully completed at the end of October).

In combination with weaker revenues, these additional costs led to a rise in the cost/income ratio to 84.0% in Q3 2012, and the **cost/income** ratio for the first nine months increased to 81.7%. Despite the ongoing programme of opening specialized offices for SMEs competence centres for independent professionals, non-staff expenses were stable.

The **net write-downs on loans** totaled €73 million, sharply down from the first nine months of 2011 (-52.9%). The **cost of risk** at

the end of September 2012 posted a value of 0.47%, the lowest level in five years, with a 48 bp drop from the first nine months of 2011.

The release of specific provisions as a result of improved asset quality was accompanied by a reduction of the IBNR provision for performing loans thanks to progress in methodology. Slightly higher net write-downs on loans in Q3 reflected economic trends, but the cost of risk was still low, at 53 bp.

F&SME Network Austria ended the first nine months of 2012 with a **profit before tax** of €77 million, a sharp increase compared to the first nine months of 2011, mainly thanks to the significant decrease in net write-downs on loans.

As of September 30, 2012, the volume of **loans to customers** stood at €20,077 million, lower by 6.1% compared to September 2011, a trend which was influenced by exchange rate effects (CHF/EUR).

The decline was strongest in the area of personal loans and short-term overdrafts, while mortgages remained more or less unchanged. **Customer deposits** (including securities in issue) totaled €27,729 million, significantly higher than in September 2011 (+2.1%), although there was a slight decline in deposits most recently, F&SME Austria is a net funding provider. **Risk weighted assets** came in at €10,842 million, a significant drop of 14.7% from September 2011, above all thanks to a reduction of the overall loans volume (incl. FX-effect) and thanks to the improvements in risk methodology and in the asset quality.

F&SME Network Poland

The primary goal of the Family & SME Division in Poland is to allow individuals, households, small and medium enterprises to satisfy their financial needs by offering them a complete range of reliable, high-quality products and

services at a competitive price. The Group's major strengths in retail banking are the experience of its employees and the central role played by customer satisfaction. UniCredit holds a strategic position in the retail banking segment in Poland, thanks to its nearly 1,000 branches throughout the country.

Income Statement, Key Ratios and Indicators

(€ million)

F&SME NETWORK POLAND	FIRST 9 MONTHS		% CHANGE	2012 Q3	% CHANGE ON Q3 2011	% CHANGE ON Q2 2012
	2011	2012				
Operating income	880	829	- 5.8%	286	- 4.4%	+ 5.7%
Operating costs	(528)	(505)	- 4.2%	(173)	+ 0.9%	+ 3.9%
Net write-downs on loans	(71)	(46)	- 35.9%	(18)	- 10.4%	+ 25.7%
Net operating profit	282	278	- 1.2%	94	- 11.7%	+ 5.8%
Profit before tax	282	278	- 1.2%	94	- 11.8%	+ 5.6%
Loans to customers eop	8,992	10,785	+ 19.9%	10,785	+ 19.9%	+ 5.9%
Customer deposits (incl. Securities in issue) eop	12,016	13,424	+ 11.7%	13,424	+ 11.7%	+ 1.4%
Total RWA eop	8,176	9,506	+ 16.3%	9,506	+ 16.3%	+ 3.8%
EVA	103	91	- 12.3%	30	- 25.2%	+ 6.4%
Absorbed Capital	388	474	+ 22.1%	498	+ 26.1%	+ 4.5%
RARORAC	+ 35.47%	+ 25.49%	n.s.	+ 24.27%	n.s.	42bp
Cost/Income	+ 60.0%	+ 61.0%	101bp	+ 60.6%	318bp	- 106bp
Cost of Risk	1.05%	0.60%	- 44bp	0.70%	- 19bp	12bp
Full Time Equivalent eop	14,101	13,593	- 3.6%	13,593	- 3.6%	- 0.8%

In the first nine months of 2012 F&SME Network Poland reported an **operating income** of €829 million, lower by 5.8% compared to the first nine months of 2011. Key driver is net non-interest income, which decreased comparing to the first nine months of 2011 due to the decreasing fees related to investment products and slowdown in consumer lending market, partially balanced by NII, which rose at fixed exchange rate thanks to growing volumes of loans and deposits.

Compared with the previous quarter the operating income increased by 5.7% thanks to net interest income driven by improvement of term deposits spreads and net non-interest on stable level with positive contribution of trading income thanks to positive impact of re-pricing.

Operating costs, in the first nine months of 2012 stood at €505 million decreasing by 4.2% comparing to the first nine months of 2011, thanks to increased efficiency and reduction of HR costs. Strict control of costs and growth of revenues had a positive effect on the **cost/income**, which in first nine months of 2012 amounted to 61.0% (an improvement of 101 bp comparing to the first nine months of 2011).

The improvement of the cost efficiency is supported by the further development of electronic banking system functionalities. The number of individuals with an access to electronic banking Pekao24 increased in the last 12 months by 13.1%. The number of business client with the access to electronic banking system PekaoFIRMA24 increased in the last year by 12.5%.

Net write-downs on loans totaled to €46 million, which showed a clear improvement trend compared to the first nine months of 2011 thanks to the improvement of defaults rates on retail loan portfolio.

The F&SME Network Poland ended third quarter 2012 with **profit before tax** of €278 million, with a slight decrease compared to the same period of 2011 (-1.2%), primarily due to a lower operating income partially reimbursed by the improvement in costs and risk provisions.

As at September 30, 2012 **loans to customers** volume was of €10,785 million, which increased by 19.9% comparing to the end of September 2011. The F&SME Network Poland improved its competitive position in the retail market both in cash loans and mortgage loans.

As at September 30, 2012 **customer deposits** (including securities in issue) stood at €13,424 million, growing by +11.7% compared to same period of previous year.

Risk weighted assets came in at €9,506 million, an increase of 16.3% from September 2011 and of 3.8% from previous quarter.

Result by Business Segment (CONTINUED)

Family & Small Medium Enterprise (F&SME) (CONTINUED)

F&SME Factories

In addition to the F&SME Networks in Italy, Germany, Austria and Poland, the F&SME Division includes the following product companies:

- **Asset Gathering:** includes Group banks (FinecoBank in Italy, DAB Bank in Germany and DAT Bank in Austria) that offer the banking and investment services of traditional banks, differentiating themselves by specializing in online trading and a pronounced bent towards technological innovation.
- **Consumer Finance:** product line specializing in the consumer credit business, which supports the Networks with solutions capable of meeting families' multiple needs for consumer financing.

- **Leasing:** product line specializing in the leasing business, which supports the Networks with solutions capable of meeting the multiple financing needs of businesses.
- **Factoring:** product line specializing in the business of extending credit against commercial invoices assigned by customers. Through factoring, companies may obtain access to credit by assigning their invoices and benefitting from a series of additional services (management, collection and credit insurance).

These companies seek to pursue excellence in terms of products and services and provide efficient sales and after-sales assistance by also supporting the Networks to improve the level of customer satisfaction.

Income Statement, Key Ratios and Indicators

(€ million)

F&SME FACTORIES	FIRST 9 MONTHS		% CHANGE	2012 Q3	% CHANGE ON Q3 2011	% CHANGE ON Q2 2012
	2011	2012				
Operating income	1,444	1,489	+ 3.1%	473	- 2.4%	- 9.6%
Operating costs	(645)	(619)	- 4.0%	(198)	- 5.6%	- 5.5%
Net write-downs on loans	(445)	(552)	+ 23.9%	(161)	+ 10.7%	- 36.5%
Net operating profit	354	319	- 10.0%	113	- 12.2%	+ 92.2%
Profit before tax	327	300	- 8.2%	106	+ 25.4%	+ 111.7%
Loans to customers eop	54,138	53,833	- 0.6%	53,833	- 0.6%	- 1.7%
Customer deposits (incl. Securities in issue) eop	15,636	17,387	+ 11.2%	17,387	+ 11.2%	+ 5.1%
Total RWA eop	47,149	48,378	+ 2.6%	48,378	+ 2.6%	+ 0.9%
EVA	(30)	(216)	n.s.	(54)	n.s.	- 55.2%
Absorbed Capital	3,200	4,336	+ 35.5%	4,347	+ 35.2%	+ 0.7%
RARORAC	- 1.25%	- 6.64%	- 539bp	- 4.93%	- 524bp	n.s.
Cost/Income	+ 44.6%	+ 41.6%	- 307bp	+ 41.9%	- 140bp	181bp
Cost of Risk	1.10%	1.34%	24bp	1.19%	11bp	- 66bp
Full Time Equivalent eop	6,173	6,225	+ 0.8%	6,225	+ 0.8%	+ 0.3%

The F&SME Factories closed the first nine months of 2012 with an **operating income** of €1,489 million, up by 3.1% over the first nine months of 2011. This trend is due to increasing net interest margin, mainly thanks to spread effect and increasing volumes on deposits of asset gathering. Fees are decreasing mainly due to lower negotiation fees in asset gathering and lower bancassurance fees related to consumer credit products. Compared to the previous quarter the operating income was down by 9.6%, mainly because of leasing net interest margin decrease due to the rising cost of borrowing, especially in Italy and to asset gathering due to lower spread on deposits.

Operating costs amounted to €619 million, down over the first nine months of 2011 (-4.0%) due to savings in consumer finance and leasing. In the consumer finance the high part of savings is due to the lower HR costs in Italy, thanks to the support business structures efficiency.

In Leasing savings mainly depend on FTEs reduction, with HR cost impacts, and on cost efficiency actions with direct effects on other administrative expenses (travel, consultancy etc.). Compared to the previous quarter, costs have decreased by 5.5%, mainly in the other administrative expenses.

The increase in revenues and the cost efficiency had a positive impact on **cost/income** in September 2012, recording a value of 41.6%, down from the value of September 2011 (-307 bp).

The **net write-downs on loans** amounted to €552 million, with an increase compared to first nine months of 2011 (+23.9%) mainly due to higher new flows to default in leasing portfolio, owing to both the macroeconomic environment and the deterioration of asset quality in some countries (Ukraine).

The **cost of risk** in 2012 raised to 134 basis points, up by 24 basis points compared to the value recorded in the first nine months of 2011. Compared to the previous quarter the net write-downs on loans showed a decrease (-36.5%) with a positive effect on cost of risk (-66 basis points).

The F&SME Factories perimeter closed the first nine months of 2012 with a **profit before tax** of €300 million, slowing down compared to the same period of the previous year (-8.2%).

At the end of September 2012 **loans to customers** came to €53,833 million, with a slight decrease of 0.6% compared to September 2011. The **customer deposits** (including securities in issue) were €17,387 million, with an increase of 11.2% compared with the same period of 2011 thanks to the good performance in the asset gathering. At the end of September 2012, the **risk weighted assets** came in at €48,378 million, increasing of 2.6% compared with the same period of the previous year. The RWA increase was due to both the change in weighting categories of same assets in leasing and the change of the weight of public entities in factoring perimeter, caused by the Italian rating downgrade.

Result by Business Segment (CONTINUED)

Corporate & Investment Banking (CIB)

Introduction

The Corporate & Investment Banking (CIB) division is dedicated to corporate customers with revenues of over €50 million and institutional customers of the UniCredit group.

The business model adopted is focused on a clear distinction between coverage and local distribution (Network) areas, and those areas dedicated to centralized specialization of dedicated products or services, namely Financing & Advisory (F&A), Markets and Global Transaction Banking (GTB).

Income Statement, Key Ratios and Indicators

(€ million)

CORPORATE & INVESTMENT BANKING	FIRST 9 MONTHS		% CHANGE	2012 Q3	% CHANGE ON Q3 2011	% CHANGE ON Q2 2012
	2011	2012				
Operating income	5,682	5,473	- 3.7%	1,738	+ 23.4%	+ 0.3%
Operating costs	(2,085)	(2,024)	- 2.9%	(670)	- 3.3%	+ 1.2%
Net write-downs on loans	(1,485)	(2,086)	+ 40.5%	(728)	- 10.7%	- 17.8%
Net operating profit	2,112	1,363	- 35.5%	340	n.s.	+ 83.7%
Profit before tax	1,819	1,542	- 15.2%	466	- 251.9%	+ 127.0%
Loans to customers eop	224,234	224,033	- 0.1%	224,033	- 0.1%	+ 3.2%
Customer deposits (incl. Securities in issue) eop	130,521	147,135	+ 12.7%	147,135	+ 12.7%	+ 1.0%
Total RWA eop	184,852	168,076	- 9.1%	168,076	- 9.1%	- 5.4%
EVA	3	(618)	n.s.	(281)	- 55.9%	- 21.9%
Absorbed Capital	13,437	17,074	+ 27.1%	16,681	+ 28.0%	- 2.1%
RARORAC	+ 0.03%	- 4.82%	- 486bp	- 6.75%	n.s.	171bp
Cost/Income	+ 36.7%	+ 37.0%	28bp	+ 38.6%	n.s.	36bp
Cost of Risk	0.89%	1.28%	39bp	1.32%	- 14bp	- 32bp
Full Time Equivalent eop	9,465	8,757	- 7.5%	8,757	- 7.5%	- 2.1%

The Corporate & Investment Banking division ended the first nine months of 2012 with a **net profit** of €1,044 million, down from 2011 (-€144 million y/y), though an improvement on the second quarter of 2012 (+€177 million q/q).

Operating income was €5,473 million, down by 3.7% y/y, reflecting a macroeconomic environment still under pressure.

Net interest margin as at September 2012 was €3,593 million, down €28 million y/y driven primarily by the unfavorable rates development and rise in funding costs and in spite of improved performance in trade-related interests and rates operations.

Dividends and other income from equity investments also fell (-€32 million y/y). **Net fees and commissions** record a decrease (-6.7% y/y) due to the overall slowdown in macroeconomic scenario, a reduction in client activity in financial markets as well as regulatory changes; y/y comparison was also affected by perimeter changes⁵. **Net trading income** as at September 2012 was €629 million, down by 12.4% y/y, on the back of a still volatile market environment.

The quarterly trend, on the other hand, showed operating income largely flat.

Operating costs as at September 2012 were €2,024 million, sharply down (-2.9% y/y) compared to 2011 thanks primarily to a decrease in **payroll costs** (-5.1% y/y) following a material reduction in FTEs (-709 FTEs y/y) and the overall business refocusing.

Compared with the second quarter of 2012, on the other hand, **operating costs** were up 1.2% q/q.

As at September 2012, **net write-downs on loans and provisions** amounted to €2,086 million recording a deterioration from 2011 levels (+40.5% y/y) due to a less favorable credit environment in Germany and Italy.

The quarterly trend was positive instead with **net write-downs on loans and provisions**, down 17.8% q/q.

Net operating profit as at September 2012 was €1,363 million, down compared to 2011 (-35.5% y/y), mainly impacted by reduction in revenues and increase in net write-downs on loans and provisions; opposite dynamic on quarterly trend (+€155 million q/q).

Income from investments as at September 2012 was €140 million (+€155 million y/y) mostly benefiting from favorable dismissal of investments.

5. Exit of UMCC from consolidation scope and dismissal of Cash Equity business within Markets throughout 2011.

As at September 30, 2012 **loans to customers** recorded stable volumes compared to 2011 but increasing on a quarterly basis (+3.2% q/q).

Customer deposits (including securities in issue) were up by 12.7% compared to September 2011 as a result of clear repositioning actions within the deposits market; an increase also for quarterly trend (+1% q/q).

Risk weighted assets were down compared to 2011 levels (-9.1% y/y) reflecting a visible reduction mainly in credit risk, and in spite of the increase in market risk component due to implementation of Basel 2.5 directives. Quarterly trend was also positive (-5.4% q/q).

EVA as at September 2012 was -€618 million, down compared to 2011 (-€621 million y/y) following a slowdown in operating profitability and a simultaneous rise in cost of capital.

The trend was positive, however, quarter-on-quarter (+€79 million q/q). As at September 2012, the **cost/income** ratio stood at 37%, slightly up from 2011 (+28bp y/y) and on the quarterly trend (+36bp q/q).

The **cost of risk** for September 2012 was 1.3%, up by 39bp compared to 2011 but down by 32bp compared to the previous quarter.

The **FTE** (Full Time Equivalent) trend fell by 7.5% compared to September 2011 following the overall restructuring plan; same dynamic to be noticed in quarterly trend (-2.1% q/q).

Result by Business Segment (CONTINUED)

Private Banking

Introduction

The Private Banking division provides high net worth individuals with solutions and services to manage their personal wealth. Among others it is catering to the needs of entrepreneurs, top managers and other opinion leaders thus serving some of UniCredit's key clients. Independent advisory

leading to advanced solutions, an uncompromising focus on customer value and constantly striving for excellence are the core values of Private Banking.

The division boasts trustful and lasting relationships with more than 200,000 clients in Italy, Germany, Austria, Luxembourg and Poland, managed by more than 1,200 private bankers located in about 250 branch offices.

Income Statement, Key Ratios and Indicators

(€ million)

PRIVATE BANKING	FIRST 9 MONTHS		% CHANGE	2012 Q3	% CHANGE ON Q3 2011	% CHANGE ON Q2 2012
	2011	2012				
Operating income	675	686	+ 1.7%	224	+ 2.5%	+ 0.0%
Operating costs	(432)	(419)	- 3.1%	(138)	- 3.7%	- 0.0%
Net write-downs on loans	(5)	(13)	+ 180.8%	(10)	n.s.	n.s.
Net operating profit	238	255	+ 6.9%	76	+ 0.5%	- 9.2%
Profit before tax	223	249	+ 11.9%	85	+ 36.5%	+ 17.5%
Loans to customers eop	7,734	8,467	+ 9.5%	8,467	+ 9.5%	+ 2.1%
Customer deposits (incl. Securities in issue) eop	35,262	39,118	+ 10.9%	39,118	+ 10.9%	+ 4.9%
Total RWA eop	4,880	5,104	+ 4.6%	5,104	+ 4.6%	+ 2.9%
EVA	118	140	+ 18.4%	50	+ 42.1%	+ 16.0%
Absorbed Capital	415	453	+ 9.1%	466	+ 8.7%	+ 3.4%
RARORAC	+ 38.06%	+ 41.28%	322bp	+ 42.69%	n.s.	463bp
Cost/Income	+ 64.0%	+ 61.0%	- 302bp	+ 61.8%	- 401bp	- 4bp
Full Time Equivalent eop	3,024	2,998	- 0.9%	2,998	- 0.9%	- 0.4%

The **total financial assets under management and administration** by the division were €150.3 billion as of September 30, 2012, up by 5.5% compared to December 31, 2011.

Net of extraordinary items⁶, at the end of first nine months 2012, financial assets were slightly above €122 billion, increasing by €6.9 billion (+6%) from the beginning of the year.

Net inflows of ordinary assets, as of September 30, 2012, were positive by €1.7 billion, of which €0.6 billion achieved in third quarter. Inflows on deposits were relevant (+€3.2 billion at the end of September), slightly positive the flows on asset under management (+€0.2 billion), while outflows on asset under administration were quite significant (-€1.7 billion). The performance effect in the first nine months 2012 was overall very positive, even if with a quite volatile trend, amounting to +€5.1 billion, of which +€3.2 billion in the third quarter of the year.

In terms of economic performance, **profit before tax** for the Private Banking division as of September 30, 2012 was €249 million, up by 11.9% y/y.

Operating income of €686 million was up by 1.7% y/y driven by the good trend of **net interest** (+5.6% y/y) mainly thanks to higher contribution from deposit business in Italy, while **net fees and commissions** went slightly down y/y (-1.4%). **Return on ordinary financial assets** (ROA), as of September 30, 2012, was equal to 77bp, an increase compared to the 74bp in the same period of 2011.

Operating costs amounted to €419 million down by 3.1% on the same nine months of the previous year. Staff expenses decreased (-2.4% y/y) mainly thanks to the lower variable component in Italy and Poland, while the increase of other administrative expenses (+4.5% y/y) was attributable to higher tax charges on securities accounts in Italy, that were fully offset by expenses recovery. Actually, total operating costs excluding payroll costs fell by 3.9% y/y, as a result of effective expenditure containment actions.

Marked improvement on **cost/income** ratio, that as of September 30, 2012 stood at 61% compared to 64% as of the same period of 2011.

6. Extraordinary transactions are those that, because of their nature, large size and low or non-existent earning potential, are not attributable to any ordinary company assets (primarily assets of institutional clients and business client shareholding).

A 10.2% rise y/y in **gross operating profit**, but **net operating profit** went up by 6.9% y/y, impacted by higher net write-downs on loans (partially due to an accounting effect offset by risk provisions releases).

An overview on the **operating results of the business lines** spotlights a sharp growth of the net operating profit in Italy (+39.4% y/y) and Austria (+7.8% y/y); slowdown in Germany⁷ (-42.6% y/y) and Poland (-44.6% y/y).

During third quarter the Private Banking Division supported the newly released guaranteed mandate solution based exclusively on ETFs, “UniCredit Green” in Italy, which attracted over €0.4 billion of assets in the short period since its launch. Additionally, the innovative “Depot Global” in Germany (a new advisory service based on a flat fee, the first of its kind in the German market) which has over €0.5 billion of assets under management is being checked for a potential roll-out also to Austria. The Division also continues to focus on many initiatives for the strategic goal of the synergies with CIB and SME business. The latest development is the Online-Tool “Amico” which crucially support private bankers in their relationship with entrepreneurs.

7. Including Luxembourg.

Result by Business Segment (CONTINUED)

Asset Management

Introduction

Asset Management operates under the Pioneer Investments brand, the asset management company within the UniCredit group specializing in the management of customer investments worldwide.

The Business Line, a partner of many leading international financial institutions, offers investors a broad range of financial solutions, including mutual funds, assets administration services and portfolios for institutional investors.

In the course of 2012, Pioneer Investments started an organic growth strategic plan which will further enhance the quality of Pioneer Investments' product offering while maintaining focus on delivering an outstanding level of client service. Furthermore, its commercial relationship with UniCredit was strengthened through a distribution agreement that sets specific requirements in terms of performance and quality of service provided by Pioneer.

Income Statement, Key Ratios and Indicators

(€ million)

ASSET MANAGEMENT	FIRST 9 MONTHS		% CHANGE	2012 Q3	% CHANGE ON Q3 2011	% CHANGE ON Q2 2012
	2011	2012				
Operating income	577	511	- 11.4%	172	- 1.3%	+ 1.0%
Operating costs	(346)	(349)	+ 0.9%	(125)	+ 12.0%	+ 8.4%
Net write-downs on loans	-	-	n.s.	-	n.s.	n.s.
Net operating profit	231	162	- 29.8%	47	- 24.9%	- 14.6%
Profit before tax	226	155	- 31.4%	45	- 23.5%	- 16.4%
EVA	141	87	- 38.5%	24	- 40.2%	- 20.9%
Absorbed Capital	307	300	- 2.1%	298	- 3.4%	- 0.9%
RARORAC	+ 61.20%	+ 38.44%	n.s.	+ 32.50%	n.s.	n.s.
Cost/Income	+ 60.0%	+ 68.3%	n.s.	+ 72.5%	n.s.	500bp
Full Time Equivalent eop	1,933	1,929	- 0.2%	1,929	- 0.2%	+ 0.1%

In the first nine months of 2012 Asset Management reported **operating profit** of €162 million, down 29.8% over the corresponding period of 2011.

Operating income stood at €511 million, down €66 million (-11.4%) compared to the first nine months of 2011.

Such a decrease is primarily attributable to lower **net fees and commissions** (-€64 million) as a result of lower AuM.

In the first nine months of 2012 **operating costs** slightly increased compared to the corresponding period of 2011 (+€3 million or +0.9%) mainly due to negative fx effect (-€6 million or -1.8% at constant Fx).

Compared to the data of the second quarter of the current year **operating profit** for the third quarter of 2012 was down (-€8 million or -14.6%).

Such a decrease is essentially attributable to higher operating costs (+€10 million) mainly as a consequence of higher **variable HR costs** driven by higher revenues (+€2 million).

Because of the above factors, in the first nine months of the current year **profit before tax** totaled €155 million, down €71 million (-31.4%) compared to the corresponding period of 2011.

The Business Line's results are reflected in the following value indicators: EVA was €87 million in the first nine months of 2012 compared to €141 million in first nine months of the previous year (-38.5%); the **cost/income** ratio stood at 68.3% in the first nine months of 2012, having been impacted by substantial revenue decrease.

At the end of September 2012, Asset Management had 1,929 FTEs, substantially in line with September of previous year: leavers have been off-set by switch of temporary workforce into permanent staff.

Assets under management as of September 30, 2012 totaled €157 billion, down 3.2% since the beginning of the year.

The decrease is driven by restructuring initiatives which envisaged the transfer of low margin assets from AuM to AuA and the transfer of assets to UniCredit group (total impact -€11.0 billion) starting from January 1, 2012. Net of this extraordinary effect AuM at the end of September increased by 3.8% since the beginning of the year, mainly driven by positive market effect.

Central Eastern Europe (CEE)

Introduction

UniCredit is a market leader in Central and Eastern Europe, where it has a broad network of about 2,700 branches. Its regional footprint is diverse and includes a direct presence in 18 countries. The Group's market position in CEE provides local banks with substantial competitive advantages.

This includes the sharing of best practices, significant economies of scale, access to international markets and strong brand recognition. Moreover, the diversified portfolio in this region enables modular growth and increased market penetration for UniCredit's global product lines.

Income Statement, Key Ratios and Indicators

(€ million)

CENTRAL EASTERN EUROPE	FIRST 9 MONTHS		% CHANGE	2012 Q3	% CHANGE ON Q3 2011	% CHANGE ON Q2 2012
	2011	2012				
Operating income	3,522	3,628	+ 3.0%	1,280	+ 7.3%	+ 5.4%
Operating costs	(1,638)	(1,695)	+ 3.5%	(573)	+ 5.1%	- 0.4%
Net write-downs on loans	(752)	(724)	- 3.7%	(242)	+ 2.8%	- 7.5%
Net operating profit	1,132	1,209	+ 6.8%	465	+ 12.6%	+ 23.2%
Profit before tax	1,120	1,274	+ 13.8%	535	+ 45.7%	+ 42.3%
Loans to customers eop	67,632	73,317	+ 8.4%	73,317	+ 8.4%	+ 0.9%
Customer deposits (incl. Securities in issue) eop	59,447	64,268	+ 8.1%	64,268	+ 8.1%	+ 2.5%
Total RWA eop	81,567	87,352	+ 7.1%	87,352	+ 7.1%	- 1.2%
EVA	240	150	- 37.4%	88	+ 16.7%	+ 145.9%
Absorbed Capital	6,635	7,894	+ 19.0%	8,126	+ 20.4%	+ 3.8%
RARORAC	+ 4.83%	+ 2.54%	- 229bp	+ 4.33%	- 14bp	250bp
Cost/Income	+ 46.5%	+ 46.7%	21bp	+ 44.7%	- 91bp	- 260bp
Cost of Risk	1.50%	1.34%	- 16bp	1.33%	- 7bp	- 13bp
Full Time Equivalent eop	51,466	50,534	- 1.8%	50,534	- 1.8%	- 0.2%

In Q3 2012, the CEE area of UniCredit group achieved a **net operating profit** of €465 million which, at constant exchange rates, represents an increase of 22% over the preceding quarter and once again underlines the solid operative performance of the division and the further easing of net write-downs on loans.

Operating income continued its stable, positive development, increasing by 4.5% at constant rates over the previous quarter to €1,280 million.

Net interest margin and **net fees and commissions** increased by approximately 3% each, at constant rates, to €863 million and €270 million, respectively, thanks to the strong business performance in this quarter mainly in Russia and Turkey. The **net trading income** of €108 million, up by over 2%, is largely defined by FX-trading positions traded for clients and the mark-to-market valuation of hedging derivatives. The **net other expenses/income** of €43 million include the seasonal income of the Croatian tourism subsidiary.

Operating costs at €573 million were slightly lower than in the second quarter (-1.4% at constant rates) reflecting the ongoing cost containment efforts across the region. Cost efficiency is high, with a cost/income ratio in Q3 2012 of 44.7%, representing an improvement of 91 bp over the prior quarter.

Despite the continued challenges in the macro-economic environment the risk related to the loan portfolio eased further in the third quarter of this year. **Net write-downs on loans** amounted to €242 million remaining almost 7.5% below the previous quarter. The cost of risk ratio (in percent of the average loan volume) therefore shows a further improvement to 1.33% in Q3 2012 which is 13 bp lower than in the preceding quarter.

In the non-operative area, the division recorded a **Net income from investments** of €76.5 million in the Q3 2012 which was largely driven by the partial sale of the participation in the Moscow Stock Exchange. The division's **profit before tax** of €535 million therefore shows a 40% increase (at constant rates) above the previous quarter.

Loans to customers (net of provisions) stood at €73.3 billion at the end of the third quarter which, at constant rates, represents a 0.7% increase versus the prior quarter. **Customer deposits** (including securities in issue) at €64.3 billion increased by 2.5% on Q2, further improving the commercial funding position within the region.

At the end of the third quarter the division employed a staff of 50,534 FTE (full-time equivalents) across the whole region. This represents a reduction of 983 FTE versus the year-end 2011 which is principally due to further reorganizational activities in the Ukraine and Kazakhstan, counterbalanced by only moderate staff increases in select countries to support the ongoing business and network expansion.

Other Information

Rationalization of Group operations and other corporate transactions

In keeping with its organizational and business model, the Group has completed several projects to rationalize and reorganize the operations of certain internal units and subsidiaries with the aim of achieving greater synergies and cost reductions.

Rationalization of the support units and companies of the Group's Global Banking Services

The plan designed to rationalize the support units and companies of the Group Global Banking Services area, which is fully described in the 2011 financial statements, has been completed as far the Italian businesses are concerned by finalizing the merger, effective from January 1, 2012, of UniCredit Real Estate ScpA into UniCredit S.p.A. and of UniCredit Business Partner ScpA into UniCredit Business Integrated Solutions ScpA (UBIS). At the same time, UniCredit S.p.A. transferred its "General Real Estate Services" and "Information and Communication Technology, Security (ICT), Global Sourcing and Operations" business units to UBIS.

With regard to the reorganization of operations and units in the Global Banking Services area of foreign businesses, it should be noted that:

- in Austria the corporate reorganization was achieved through the merger of UniCredit Business Partner GmbH (a back-office, controlled by UBIS) into UniCredit Business Integrated Solutions Austria GmbH (an IT company of which UBIS acquired control from UniCredit Bank Austria AG), effective from February 1, 2012, while certain remaining and final merger transactions are currently being finalized; against this backdrop, in September UniCredit Bank Austria sold its subsidiary Domus Facility Management GmbH to the above-mentioned UniCredit Business Integrated Solutions Austria, into which the company sold is expected to merge in the first quarter of 2013;
- in Germany the reorganization was completed by merging all middle- and back-office, procurement, facility management operations, as well as some operating activities falling within the real estate facility management into a single company, UniCredit Global Business Services GmbH (a company wholly owned by UniCredit Bank AG).

Following the aforementioned transactions, UBIS assumed the role of operating sub-holding to provide the Group's support services both in Italy and abroad.

In this role the company will ensure a global vision for external and domestic customers' requests in terms of priorities and opportunities and will maximize the effectiveness of investments by combining the technologies and tools being used.

In addition to the aforementioned reorganization of operations in the Global Banking Services area, the executive plan to qualify UBIS as the sole company providing support services also called for maintaining a strategic focus on extra captive market segments through specific subsidiary or associated companies if oriented towards special markets, co-branding actions, partnerships or joint ventures to grow such markets.

Against this backdrop, an initiative designed to rationalize support services for the Human Resources processes ("HR administrative services") was developed with Hewlett Packard (HP) by setting up a company specializing in the provision of such services and signing a multi-year agreement with the newly-established company for the provision of HR administrative services to Group companies in Italy and in Austria. On May 1 the plan was finalized with the transfer from UBIS to the above-mentioned company, called ES Share Service Center S.p.A. (ES SSC), of the unit responsible for managing the HR administrative services, previously in UCBP and transferred to UBIS after the absorption of UCBP. As a result of the transfer, UBIS now holds 49% of ES SSC, with HP holding 51%.

The Family Office project: establishment of a dedicated consultancy (SIM)

The "Private - Ultra High Net Worth Individuals" (individuals with a disposable income of more than €10 million) market segment is strategic for the Group in terms of highest profitability and asset growth rates. Against this backdrop, UniCredit decided to launch the Family Office project, which provides for the establishment of a consultancy dedicated to the needs of the "business families" belonging to the above-mentioned segment.

The new consultancy (established in September 2011 and called Cordusio Sim Advisory & Family Office), which last April received CONSOB's authorization to operate, will be the entity within the Group dedicated to the offering of consultancy services focusing on investment and integrated financial solutions (e.g. account aggregation/consolidation services, integrated planning, business advisory & governance of business families), i.e. advice on how to manage the portfolios of clients of the Group's entities and of third-party intermediaries, and on the asset protection.

The consultancy, which was originally supposed to start operations in July 2012, began operating last October. It is wholly owned by Cordusio Fiduciaria in order to capitalize on both the synergies resulting from decades of expertise and the well-established brand as well as to optimize processes, reduce costs and improve the effectiveness of the activity.

Merger of Pioneer Alternative Investment Management SGRpA and Pioneer Investment Management SGRpA

In order to rationalize and streamline the corporate structure of the Pioneer Investments Italia conglomerate, in January 2012 UniCredit launched a project providing for the merger of Pioneer Alternative Investment Management SGRpA (PAIM - a company promoting and managing hedge funds) into Pioneer Investment Management SGRpA (PIM - a mutual fund management and asset management service company), companies with very similar organizational and operational characteristics.

The merger, authorized by Banca d'Italia and approved by PAIM's and PIM's meetings in June, became effective on September 1, 2012.

Merger of Family Credit Network S.p.A.

In order to rationalize and streamline the Group structure, reduce costs and facilitate risk management, in March a plan was approved that provides for the merger of Family Credit Network S.p.A. (FCN) into UniCredit S.p.A., and allows the Parent Company to directly grant "financing against salary-guaranteed loans" and loans through financial intermediaries/financial agents/credit brokers.

After obtaining authorization from Banca d'Italia, the transaction was approved by the acquiree's meeting on July 31, 2012 and by the acquirer's Board of Directors on August 3, 2012 (pursuant to art. 2505 of the Civil Code). On October 16, 2012 the deed of merger relating to the above-mentioned plan was finally drawn up with effect from November 10, 2012.

Sale of the stake in Sofipa SGR S.p.A.

On July 19, 2012 UniCredit S.p.A. signed an agreement for the sale of its stake (100% of share capital) in Sofipa SGR S.p.A. (Sofipa) to Cuneo e Associati S.p.A. and Paolo Zapparoli, shareholders of Synergo SGR S.p.A..

Under the terms of the transaction, Sofipa will be sold at a price equal to its shareholders' equity as at June 30, 2012.

The agreement provides that UniCredit S.p.A. will, *inter alia*, subscribe for €50 million of shares in Sinergia II, the fund launched by Synergo SGR S.p.A. in 2011 targeting investments in medium-sized Italian enterprises, whose fundraising phase is nearing completion.

The closing is expected to take place by the end of this year, subject to the fulfillment of certain conditions, including the buyers obtaining the necessary authorization from the relevant regulatory authorities.

Other transactions involving the Group

Sale of the stake held in London Stock Exchange Group Plc

The sale, through an accelerated bookbuilt offering, of the entire stake worth €198.3 million in London Stock Exchange Group plc was closed last May (16.6 million ordinary shares representing 6.1% of share capital), resulting in a positive contribution to net income on a consolidated basis of approximately €121.5 million.

Sale of 3.4% of the stake held in MICEX-RTS

Last July, ZAO UniCredit Bank reduced its stake in MICEX-RTS, Moscow's Stock Exchange, from 9.6% to 6.2% by selling 3.4% of its shareholding to the American private equity fund Cartesian Capital Plc and to the Russian Direct Investment Fund (RDIF). The transaction resulted in a gross capital gain on a consolidated basis of €75.6 million.

Sale of the oil business segment of Compagnia Italtroli S.p.A.

On July 30, 2012 the agreement for the sale of the oil business segment of Compagnia Italtroli S.p.A. was signed. The transaction, subject to the necessary approval and to the completion of the corporate reorganization relating to the business segment being sold, is expected to be completed by the end of the current financial year.

Project for the reorganization of the Group's Italian businesses

In order to carry on the process of rationalization of the Group, in line with the current organizational model, last July UniCredit embarked on a project for the rationalization of certain activities carried out by Italian subsidiaries, through direct merger into UniCredit S.p.A. or its subsidiaries.

Specifically, the project – which will be implemented in stages by the end of 2013 – aims to reduce the complexity of the Group, simplify the governance and reduce costs, and provides for:

- the merger into UniCredit of UniCredit Audit (which provides Audit services for Italian companies), UniManagement (which provides management training services for the Group), UniCredit

Other information (CONTINUED)

Rationalization of Group operations and other corporate transactions (CONTINUED)

Merchant (which manages certain minority investments and some investments of Principal Investments) and UniCredit Logistics (a company for the development of infrastructure and logistics services);

- the merger into UniCredit Leasing and into I-Faber of Fineco Leasing (specializing in real estate leasing) and Joinet (an e-commerce service company), respectively;
- the liquidation of Localmind (consulting company specializing in the distribution of the operating units of the Group's banks across the country).

With reference to the foregoing, please note that during the meeting held on August 3, 2012 UniCredit S.p.A.'s Board of Directors approved the project for the merger into UniCredit S.p.A. of UniCredit Audit S.C.p.A., UniCredit Logistics S.r.l., UniCredit Merchant S.p.A. and UniManagement. In December the project for the merger will be submitted to the acquirees' meetings and to the acquirer's Board of Directors for approval (pursuant to art. 2505 of Civil Code).

The merger is expected to become effective by the end of the first quarter of 2013.

Certifications and other communications

With reference to paragraph 8 of Art. 5 - "Public information on transactions with related parties" of Consob Regulation containing provisions relating to transactions with related parties (adopted by Consob with Resolution No. 17221 of March 12, 2010, as subsequently amended by Resolution No. 17389 of June 23, 2010), it should be noted that:

- a) according to the "Procedures for transactions with related parties", adopted by UniCredit S.p.A.'s Board of Directors on November 9, 2010 and published on the website www.unicreditgroup.eu, in Q3 2012 the Bank's Presidio Unico received no reports of transactions of greater significance;
- b) in Q3 2012, no transactions with related parties as defined by Article 2427, paragraph 22-bis of the Civil Code were conducted, under different conditions from normal market conditions materially affecting the Group's financial and economic situation;
- c) in Q3 2012, there were no changes or developments in the individual transactions with related parties already described in the latest annual report that had a material effect on the Group's financial position or results during the reference period.

Capital Strengthening

UniCredit S.p.A.'s Extraordinary Shareholders' Meeting, held in Rome on December 15, 2011, approved the capital strengthening measures announced to the market on November 14, 2011.

More specifically, the Shareholders' Meeting approved:

- the capitalization of the share premium reserve originated by the CASHES shares through a free capital increase, pursuant to Article 2442 of the Italian Civil Code;
- the cancellation of the nominal value of UniCredit ordinary and savings shares;
- a share capital increase by way of a rights issue for a total maximum amount of €7.5 billion to be carried out through the issuance of new ordinary shares with regular beneficial ownership rights to be offered on a pre-emptive basis to existing holders of UniCredit ordinary and savings shares, pursuant to Article 2441, first, second and third paragraph of the Italian Civil Code;
- a reverse stock split of ordinary and savings shares based on a ratio of 1 new ordinary or savings share for every 10 existing ordinary or savings shares;
- an amendment to UniCredit's Articles of Association enabling the Board of Directors to offer shareholders the chance to receive dividends either in cash or UniCredit ordinary shares (scrip dividend) or a mix of cash and ordinary shares.

UniCredit S.p.A.'s Board of Directors has also announced its intention not to submit to the Shareholders' Meeting, in 2012, any proposals for the payment of dividends with respect to its 2011 financial results, as per Bank of Italy's paper dated March 2, 2012.

Therefore, in 2011 the following steps were taken:

- the €2,499,217,969.50 free capital increase, through the allocation to capital of an equivalent amount transferred from the "Issue-premium reserve";
- the cancellation of the nominal value of UniCredit S.p.A. ordinary and savings shares;
- the reverse stock split of ordinary and savings shares based on the ratio approved by the Extraordinary Shareholders' Meeting on December 15, 2011. As a result of this initiative, the number of ordinary and savings shares has decreased from 19,274,251,710 to 1,927,425,171 and from 24,238,980 to 2,423,898 respectively.

On January 4, 2012 the Board of Directors of UniCredit S.p.A. approved the terms and the timetable of the pre-emptive offer of ordinary shares to existing shareholders based on the resolution of the Extraordinary Shareholders' Meeting of December 15, 2011:

- the new ordinary shares, with no par value, have been offered on a pre-emptive basis to existing holders of ordinary and savings shares of the Company at the price of €1.943 per share, at the subscription ratio of 2 new ordinary shares for every 1 ordinary and/or savings share held;
- a maximum of 3,859,602,938 new ordinary shares will be issued, increasing the Company's share capital by, and for an aggregate amount of, €7,499,208,508.53.

During the subscription period (January 9, 2012 - January 27, 2012 in Italy, Germany and Austria and January 12, 2012 - January 27, 2012 in Poland), 1,925,199,755 subscription rights were exercised and, thus, 3,850,399,510 shares were subscribed representing 99.8% of the total shares offered, for an aggregate amount of €7,481,326,247.93.

The unexercised rights, relating to the subscription of 9,203,428 UniCredit S.p.A. ordinary shares, have been offered by UniCredit, through UniCredit Bank AG, Milan Branch, on the Stock Exchange, pursuant to Article 2441, paragraph 3, of the Italian Civil Code. All the rights were sold during the first trading session on February 1, 2012 and the new shares were subsequently subscribed. The capital increase was therefore fully subscribed.

On March 27, 2012, the Board of Directors resolved the issue of the UniCredit ordinary shares promised under the already approved Group Key Resources Plan, following the verification of the achievement of the performance targets set in the Plan. To that effect, the Board of Directors confirmed its approval for a free increase in share capital for an amount of €276,700.57 corresponding to 84,023 ordinary shares.

Furthermore, in execution of the Group Senior Executive Plan, the Board of Directors has resolved an increase in UniCredit share capital for a maximum number of 9,222,891 ordinary shares, corresponding to maximum €46,114,455, at the service of the exercise of the performance stock options, exercisable as of the year following the 4-year performance period (2012-2015) and until December 31, 2022, conditional upon achieving of performance conditions set by the Board of Directors and subsequently verified at the end of the 4-year period of reference.

Subsequent Events and Outlook

Subsequent Events

After September 30, 2012 the reference date of this Consolidated Interim Report, no significant events occurred such that the situation given in the report would be liable to change.

Outlook

The global economic recovery has weakened further during the third quarter. In particular, there have been signs pointing to a faster than expected slowdown in emerging markets' growth, especially in Asia, combined with weaker world trade data. In Europe, economic growth indicators were worse than expectations. At the same time, ECB's intention to purchase (under strict conditionality) short term government bonds eased tensions on financial markets to a significant extent.

In the third quarter of 2012, the Italian GDP is expected to contract again, albeit at a marginally lower pace. Domestic demand (private consumption as well as investments) remains affected by the fiscal consolidation measures adopted in 2011 and is likely to continue to constrain economic growth. In Austria and Germany, countries in which the group is well established, the growth scenario should be more benign.

In July the ECB cut the refi and deposit facility rate by 25 basis points to 0.75% and 0%, respectively. In the September meeting the ECB announced the introduction of the OMT, a new government bond purchase scheme directed to countries that formally request support and subject to conditionality. The purpose of the plan is to reduce significantly tail risk, without lifting pressure on governments to proceed with reforms.

The support of the ECB coupled with the ongoing strengthening of the capital base of European banks should allow a gradual normalization of the credit intermediation activity.

Despite the ongoing deterioration of the macroeconomic environment, in the first three quarters of 2012 UniCredit shows a good resilience in gross operating profit, driven by a broader stability in Revenues (also thanks to the buy-back of bond issued by the Group) and the cost containment initiative. However, the unfavorable macroeconomic environment, particularly in Italy, still leads to a deterioration of the asset quality, that keeps loan loss provisions at an important level. The capital position and liquidity were further strengthened in line with the targets.

During the last part of the year, Group results will continue to depend on the international developments. The recent actions taken by European Authorities (ECB in particular) have somewhat softened the pressure on peripheral countries government yields. In spite of this, the outlook for the Italian economy remains weak. This will continue to weigh on the Group income statement, both on revenues and on loan loss provisions.

The benefit of UniCredit's geographical and business diversification will keep being an important mitigation factor.

In line with the pillars of the industrial plan, the Group will keep a particular focus on the capital and liquidity position and on the cost containment program. Further benefits are expected from the simplification of the organizational structure already approved by the Board of Directors.

Milan - November 13, 2012

Chairman
GIUSEPPE VITA



THE BOARD OF DIRECTORS

CEO
FEDERICO GHIZZONI



Further information

The Consolidated Interim Report as at September 30, 2012, which is presented in reclassified or condensed form, was prepared under IFRS.

For the purpose of the Consolidated Interim Report as at September 30, 2012 it was deemed appropriate to assess assets and liabilities assuming that the Group constantly uses them. The effects related to any disposals of equity investments, currently being arranged, will be recognized in the following period.

For consolidation purposes, the Accounts as at September 30, 2012 of the Parent Company and subsidiaries were used and were properly reclassified and adjusted to take into account consolidation requirements, and modified as necessary to bring them into line with Group accounting principles.

In those cases in which the accounts did not fully reflect the reporting of items on an accruals basis, such as certain administrative expenses, the accounting figure was supplemented by estimates based on the budget.

All intercompany balance sheet and operating figures of a material amount were eliminated. All unreconciled amounts were posted to other assets or liabilities or to net other income/expenses, if not related to interests or commissions.

This Consolidated Interim Report is not audited by the External Auditors.

Declaration by the Nominated Official in charge of drawing up Company Accounts

The undersigned Marina Natale, in her capacity as the Nominated Official in charge of drawing up UniCredit S.p.A.'s company accounts,

DECLARES

as prescribed by paragraph 2 of art. 154 bis of the "Testo Unico della Finanza" (the "Single Financial Services Act") that the Consolidated Interim Report as at September 30, 2012 agrees with the documentary records, ledgers and accounting data.

Milan - November 13, 2012

Nominated Official in charge
of drawing up Company Accounts

MARINA NATALE



Sorter pages: UniCredit
Creative concept: Marco Ferri

Design, Graphic development and Composition:
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The emissions connected to the printing and distribution of the Consolidated Interim Report as at September 30, 2012, have been compensated with the support of Officinae Verdi, through Gold Standard credits gained through the development of RES projects. The Gold Standard is supported by WWF because it is the most rigorous certification standard globally for carbon offset projects.



