



UBI Banca Presentation:

Consolidated Results as at 31st December 2007

in

CONFERENCE CALL

on

Thursday the 27th of March 2008

at

15:00 Continental European Time

2:00 p.m. UK Time

Mr. Giampiero Auletta Armenise, C.E.O.
and Mr. Victor Massiah, General Manager
represented the company

Good afternoon. Thank you for your participation to UBI presentation of 2007 results. Here with me in Bergamo on behalf of UBI, Mr. Massiah and some other colleagues are participating to the conference.

Net profit of EUR940m in 2007 with an increase of over 10% over the last year. This is the starting of our participation in the executive summary. Net profit, excluding the effect of purchase price allocation, exceeded EUR1,020m compared to EUR930m of the previous year.

Dividend proposed to the General Shareholder Meeting, EUR0.95 per share with an increase of 19%, for a total amount exceeding EUR600m already accounted for in the following data regarding capital ratio. Solid capital ratio with our risk profile, low risk profile, Core Tier 1 that exceeds 6.8% with an improvement of 58 basis points over the last year. The Tier 1 that exceeds 7.4%, a total capital ratio exceeding 10%.

The risk profile of the Group is a low risk profile. U.S. subprime mortgages, we have no direct exposure and negligible indirect exposure. U.S. monolines, no direct exposure and negligible indirect exposure.

Net Interbank position of EUR4.3b as at the end of last year with the decrease of 10% compared to the previous year, substantially stable in the first part of 2008.

Conservative approach to derivative activity with customers with limited risk exposure, correct procedures and controls.

In terms of operating performance, we consider 2007 a good year. As you can see, in normalized terms we have achieved good results in terms of net interest margin growth, a growth rate close to 11%, 10.9% to be more precise. A net commission growth, excluding performance fees, was close to 3%. Operating income growth close to 7%, net operating income growth close to 11% and net profits from continuing operations before tax, growth rate exceeding 13%.

Our commercial performance was also, in my view, quite satisfactory. A growth in lending to customer exceeding 12%, greater than the market performance. Higher than what had been achieved at system level. The confirmation of excellent credit quality is another key aspect of our activity and performance. The cost of credit, as you can see, was at very satisfactory level. 27 basis points. On a normalized basis 37 basis points considering the one off alignment of collective impairment calculation on loans.

Direct funding grew by 5.8%.

Indirect funding, assets under management was reduced by over 4% in the second half of the year as a consequence of the crisis, of the market crisis.

Assets under custody grew by 1.5%.

Integration process is running in advance compared to the plan with 32% of activities completed as at the end of last year compared to the 30% target set in the Industrial Plan. A number close to two-thirds of integration costs were sustained in 2007 and the further quarter of integration costs are going to be booked in 2008. 80% of integration activities are expected to be completed by year end 2008. In February we have successfully completed the IT migration of Banca Commercio e Industria onto the target platform, completely in line with our target and expectations.

The 2008 outlook is, despite the crisis, is coherent with Industrial Plan target if the base case scenario is confirmed. When I say base case scenario, I mean stable interest rates in Europe, at 4%, and a significant slowdown in growth but not recession.

Assets and liabilities, growth in customers' total wealth, but as a consequence of the market crisis a different mix compared to 2006 and also compared to what we were expecting in our Industrial Plan. Total funding grew by EUR3.2bn. In indirect funding we had a decrease of EUR1.8bn, that was more than compensated by the increase in direct deposit and bonds from ordinary customers. That grew by EUR3.2bn.

Direct funding is composed by 85% of sources coming from ordinary customers while 15% of customers -- sorry, funding base derives from institutional entities. You know that we have suspended in the second half of 2007, the euro medium term program. We have not issued any more after July. The last issue was 750m, seven years bond at a cost lower than 20 basis points. From that date we have suspended our program. We have no issue also in the first part of 2008 and we are working in activating alternative forms of institutional funding that we expect will have a cost particularly attractive for us, especially covered bonds. But, as indicated in the slide, we rely mainly on ordinary customers funding base.

Indirect funding, we had a decrease in the second half of the year in assets under management. A significant decrease, as you can see. 7.3% reduction on a yearly basis in assets under management. This decrease was combined with a, I would say, significant

increase of Bancassurance products, plus 6.1%, and a slight increase in assets under custody, plus 1.5%.

The integration of our factories in assets under management, so UBI Pramerica and Capitalgest, has become effective on the January 18 last; we have defined our new range of target of products, reducing from the original 66 the number of products to the actual 36, that is available, it's going to be available from the beginning of April throughout our networks.

Lending, a confirmed strong growth higher than system level. 12.4% for UBI and a little bit less than 10 at system level.

In terms of sources of this growth, as you can see we have achieved a growth of 8.2% through our network banks and we have achieved significant growth rate, exceeding 20% through our factories, through our product companies. Banca 24-7, 62% growth rate. In the Leasing area we have an 18% growth rate, in CBI Factor a 9% growth rate, in Centrobanca a growth close to 7.5%.

In terms of geographical breakdown we confirm that our core geographical area is Northern Italy where we concentrate 83% of our total lending.

In terms of concentration of risk, we consider UBI adequately positioned with an adequate diversification of risk. As you can see the first ten positions represent 5% of total loans. The first 50 position, 12% of total loans. No exposure higher than 10% of supervisory capital is in the Bank as at the end of last year.

Market segment breakdown in terms of growth rate. We had a Retail lending growth close to 11%, Corporate Lending 7.6, Private Banking Lending 20%. These growth rates do not include obviously those of our factories. I refer just to the core banking perimeter activities of our network banks.

Income Statement, we start our presentation describing the impact of purchase price allocation. The purchase price allocated is EUR4.2bn. EUR3.2bn were allocated to goodwill, so three-quarters of the total. EUR1bn were allocated to assets and liabilities in the terms that are described in the slide. In terms of impact on profit and losses, for some years this is going to be negative as always in these cases. As you can see we are going to have -- well, we had already in 2007, and we are going to have in the following years an impact of EUR81m in terms of net profit, a negative impact of EUR81m. And

an impact on cost/income of 2.5 percentage points as a consequence of lower net operating income amounting to EUR150m.

In 2007 we have benefited from a re-calculation of deferred taxation as a consequence of the new legislation brought by the financial law, 2008 financial law. That has a positive effect, produced a positive effect of 2007 taxation of approximately EUR89m.

In the following slide is provided a recap of our economic performance in 2007. On a normalized basis, as you can see, we have achieved a growth in operating income close to 7%, a growth in net operating income close to 11%, a growth in profit on continuing operations before tax exceeding 13% and a growth in net profit exceeding 7%. The difference between the two is explained on a normalized basis by the increase in taxation of exceeding 20%, unfortunately related to the new taxation of dividends within the Groups, the company Group, that was also brought by the new fiscal legislation. That is going to have a positive impact in 2008 but unfortunately, increase the tax rate in 2007 through this additional item, negative item, fiscal item. For UBI this is estimated as EUR33m, EUR34m.

Next page, net interest income growth, 10.9%, or 12.9% net of capitalization positive contribution. The significant growth in interest income is deriving from ordinary customer activities. As you can see, if you limit this activity in your analysis you will find that we achieved an increase close to 18% in interest income thanks to strong growth in volumes and an improvement in spreads that has widened by 9 basis points.

Net contribution from capitalization policies was still favorable in 2007. A EUR10m positive contribution, but very much lower than the 2007 contribution that exceeded EUR51m. In terms of volumes we have reduced capitalization policies for our policies from EUR5.4b as at the end of 2006 to EUR1.2b as at the end of 2007.

Net commission growth was close to 3% net of performance fees. Performances fees were EUR12.6m compared to EUR40m in the previous year. The main trends in net commission are the following ones: growth in net commissions from indirect funding, plus 5% mainly thanks to substantially stable commission on assets under management. This is an interesting point to outline. Despite the sharp decrease in volumes in the second half of last year we have not yet suffered from the reduction in commission on assets under management because the average volume in the year was substantially stable. Obviously, this is going to produce a more significant impact in 2008. But we are proving to be able to sustain the growth of our net commissions thanks to the positive evolution of all other items that I will now mention. In 2007 the contribution coming

from insurance policies was positive by 17%. Other indirect commissions, indirect deposit commission, in the funding commission grew by 27%.

The commission from ordinary banking services decreased by 1.4% mainly as a consequence of ordinary current accounts decrease, lower payment than in cash and commissions from customers. These were the two areas in which there was a reduction.

Looking at the commission from innovative services such as Non-Life Bancassurance, CPI policies, investment banking, the growth was exceeding 34% and other services such as depositary bank growth was exceeding 8%. This growth overall, more than compensated, this is a very important aspect, the reduction of commissions on ordinary banking services commissions. So this is an important and positive aspect that also explains why we are relatively positive on our ability to compensate the reduction in ordinary banking services with the growth in innovative services commission. The Group is characterized by a low contribution from fees that represent 6% of total net commissions.

Results from trading and hedging activities, 2007 results from trading was positive for EUR51m compared to EUR125m in 2006. This is derived from the negative market conditions. This is also proved by the fact that 86% of this result was achieved in the first half of the year while in the second half of the year there was virtually no contribution from this item as a consequence of the crisis.

In 2007 we also had a lower contribution from non-recurring items, EUR20m compared to EUR100m in 2006, that at that time was derived from the sale of our stake of Banca Italease and the disposal of non-performing loans.

Staff cost, an increase of 0.5% considering the one-off positive effect of new severance fund rules. Plus 4% in normalized terms. The impact of the new rules on severance funds was positive for EUR49m. The impact of amendments to provision of UBI Bank and Banca Popolare di Bergamo corporate bylaws was negative for EUR22m in 2007 and EUR18m for comparative reason in 2006. This is something new. We are going to change the bylaw of our parent company, of our major network bank in order to harmonize the treatment, the accounting treatment of our personnel costs and we have accounted for these in anticipated terms, already in 2007. We obviously aspect an approval of this change in title by the next Shareholder Meeting.

The increase of staff costs is mainly due to the renewal of national contract and the evolution of wages. What is more important to outline is the structural evolution of our personnel in terms of the number of headcounts. The voluntary redundancy plan of UBI, as you remember, involves 1,700 resources, 1,300 integration to the new UBI Industrial

Plan, 400 resources coming from the former BPU and Banca Lombarda plans. These two plans were successfully completed in 2007 and this explains also the favorable evolution. We will see that we have reduced by over 300 people the number of headcounts at UBI last year. While the new plan, the UBI Banca plan, the 2008/2010 plan is providing for additional 960 voluntary exits within 2007. As at January 2008, over 99% of additional to the voluntary exit plan were received and the exit table, the exit schedule is indicated in the slide.

Other administrative expenses growth has been decelerating progressively during 2007. As at year end the growth rate for the whole year has been 3.7%.

Net operating income on a normalized basis grew by 10.9%, 11% let's say. This means that we have originated in 2007 EUR180m additional net operating income. That allowed us to improve our normalized costing from, excluding the purchase price allocation effect, by over 1.3 full percentage points from 57.4 to 56.1 as you can see at the bottom of the slide. I have already mentioned the fact that the impact of purchase price allocation on cost/income is of 2.5 percentage points.

Credit quality is fully confirmed, our top profile, in terms of asset quality. Net impairment losses on loans were EUR249m compared to EUR239m in the previous year. And the cost of credit on a normalized term was at the minimum historical level price of 27 basis points, much lower than the Industrial Plan target. So it's very important, over budget in cost of credit in 2007.

We have to mention the fact that this, as I mentioned, were the normalized results. If you look at the stated results, the net impairment losses on loans were EUR346m. Why? Because we had a 97 one-off impact deriving by EUR85m from the standardization of the collective impairments on performing loans. We have aligned the two to, let's say, standard methodology for collecting impairment throughout the Group, aligning former Bank BPU to Banca Lombarda and we had also, let's say suffered, a EUR12m one-off impact deriving from Help Rental Services, a company operating within Banca Lombarda Group, former Banca Lombarda Group.

The expected impact in the future years of the new collective impairment calculation is very limited. It is -- so the one-off impact is the most important element as described already. In the following years we expect an impact around 1 basis point in terms of cost of credit per year.

In terms of non-performing and impaired loans, we confirm our top 1.56 basis point ratio, unvaried compared to 2006.

Capital ratio, we confirm the positive evolution of our capital ratio. We have improved our Core Tier 1 by 58 basis points to 6.86 basis point. The ratio include the effect of the successfully negotiation of Prudential joint venture and the effect of the purchase price allocation that was positive by 30 basis points last year and is going to be positive also in 2008, but with a lower contribution amounting to 20 basis points.

The outlook for 2008, we confirm that we expect to achieve the economic performance indicated in our Industrial Plan and the dividend target. So far we have no reason to, let's say, not believe in the achievability of these results. The net profit is going to be achieved also, obviously thanks to a favorable tax rate and through a different revenue mix. There is going to be, in 2008, a further change in the composition of revenues. The interest margin is going to increase its importance within our revenue sources so interest margin is going to remain strong. Maybe a little bit weaker than in 2007, but stronger than forecasted in our Industrial Plan and it's going to provide a very important contribution to our revenues. The first indication in the first months of 2008 are coherent with these statements.

Commissions are going to be, let's say, a little bit weaker than in 2007 and also in comparison with the Industrial Plan target. I have already mentioned the fact that the negative impact in terms of net commissions on assets under management is going to be felt in 2008 more than in 2007 because of the evolution of volumes. And as we have already mentioned, as to how we are acting in order to counteract and compensate this obviously negative trend that is going to be for every player in the market as a consequence of the market crisis.

Costs are expected to grow moderately compared to the 2007 figure. Cost of credit is expected to evidence a positive evolution. The cost of credit in our expectation is going to be at a level lower than indicated for 2008 in our Industrial Plan. As I mentioned, I recalled the fact that the target for 2008 in the Industrial Plan was 35 basis points. We expect to do better than this.

Integration and costs, extraordinary results are going both to be lower in 2008 than in 2007, the explanation is provided in the slide.

Conclusions: the first year of activity, 2007, of the new UBI Banca Group, has confirmed that we are achieving a strong performance in terms of continuing operations and that we enjoy a solid commercial positioning. We enjoyed a top credit quality

among the large banking groups in Italy, so an excellent low risk profile is characterizing our Group. We are achieving good progress in terms of integration activities. We are combining solid capital ratios and favorable shareholders' remuneration as made clear when I illustrated the proposed unitary dividend for 2008. That is EUR0.95.

So thank you for your attention.

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