

COMUNICATO STAMPA

Standard & Poor's conferma i rating e l'Outlook di UBI Banca

Bergamo, 6 maggio 2011 – Si informa che in data odierna Standard & Poor's ha confermato i seguenti rating e Outlook di UBI Banca:

Short-term Counterparty Credit Rating: A-1
Long-term Counterparty Credit Rating: A
Outlook: Negative

In allegato, il testo del comunicato diffuso dall'Agenzia di Rating.

PRESS RELEASE

Standard & Poor's confirms ratings and Outlook assigned to UBI Banca

Bergamo, 6 May 2011 – The rating agency Standard & Poor's has today confirmed the following ratings and Outlook for UBI Banca:

Short-term Counterparty Credit Rating: A-1
Long-term Counterparty Credit Rating: A
Outlook: Negative

A copy of Standard & Poor's press release is attached.

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Copia del presente comunicato è disponibile sul sito www.ubibanca.it
Copy of this press release is available on the website www.ubibanca.it

May 6, 2011

Research Update:

Italy-Based Unione di Banche Italiane Ratings Affirmed At 'A/A-1'; Outlook Negative

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Overview

- We view positively the €1 billion capital increase that Italy-based Unione di Banche Italiane (UBI) announced.
- However, preprovision profitability deteriorated beyond our expectations in 2010 and no longer supports the current ratings.
- We are affirming our 'A/A-1' ratings on UBI.
- The negative outlook primarily reflects the bank's weak profitability.

Rating Action

On May 6, 2011, Standard & Poor's Ratings Services affirmed its 'A/A-1' long- and short-term counterparty credit ratings on Unione di Banche Italiane Scpa (UBI). The outlook is negative.

Rationale

The affirmation reflects our view that the bank will maintain a sound level of capital after it carries out its announced €1 billion capital increase. It also factors in our expectations that the bank will gradually improve asset quality in the next couple of years.

The ratings on UBI are supported by our opinion of its strong customer franchise in Lombardy--Italy's richest and most populous region--and its stable, retail-oriented funding base. UBI's large exposure to Italian midsize corporations, high sensitivity of revenues to short-term interest rates, and potential risks from relatively high--but declining--single-name loan concentrations constrain the ratings.

We observed a more severe deterioration in preprovision profitability in 2010 than our expectations, despite effective cost control. We consider UBI's profitability to be weaker than international peers' for its rating level. As a proportion of average loans, net operating income before provisions fell from 143 basis points (bps) in 2009 to about 110 bps at year-end 2010, and is likely, in our opinion, to stabilize there in 2011.

We positively view the recently announced €1 billion capital increase, which will likely be finalized in the next few months and will boost UBI's year-end 2010 risk-adjusted capital (RAC) ratio to 7.9% before and 8.9% after diversification adjustments.

UBI's asset quality has deteriorated less than the domestic average, in our

opinion. The ratio of gross nonperforming assets (NPAs) was 7% at end-2010, significantly below our estimate of about 10% for Italy's banking system on the same date.

We believe that UBI will post lower credit losses than we estimate for the Italian banking sector, given its lower-than-peers' exposure to the high-risk real estate development sector, the bank's focus on Lombardy, and conservative risk practices.

UBI is a leading Italian mutual banking group ("banca popolare") with a 5.3% national deposit market share and about 4 million clients. UBI boasts a very strong deposit market share of 12% in Lombardy. We consider UBI to have high systemic importance within the Italian banking sector. We also consider the Italian authorities to be supportive.

Outlook

The negative outlook on UBI reflects our view that the bank's weak earnings offer a modest buffer to absorb any rise in credit losses at its rating level.

Under our base case scenario, we anticipate that NPAs will continue accumulating in 2011 at a rate that is lower than the average for the Italian banking system. Credit provisions will likely decline to 60-65 bps in 2011 from 70 bps in 2010. We believe that earnings bottomed out last year, but expect the recovery to be slow this year.

The gradual recovery in earnings reflects sluggish GDP growth and loan demand as well as a higher cost of funding, linked to the rise in Italian government bond spreads and competition for client funding.

We would consider lowering the ratings if asset quality worsens more than our base case expectation for 2011 or profitability fails to recover from its weak 2010 level.

A revision of the outlook to stable would require a stronger financial profile, notably a recovery of profitability at least to the 2009 level. We may also revise the outlook to stable if the bank's asset quality improves beyond our expectations.

Related Criteria And Research

- Italian Banks Are Facing A Tricky Recovery, April 14, 2011
- FI Criteria: Bank Rating Analysis Methodology Profile, March 18, 2004
- Bank Capital Methodology And Assumptions, Dec. 6, 2010
- Understanding Standard & Poor's Ratings Definitions, June 3, 2009

Ratings List

Ratings Affirmed

Unione di Banche Italiane Scpa	
Counterparty Credit Rating	A/Negative/A-1
Certificate Of Deposit	A/A-1
Senior Unsecured	A
Subordinated	A-

Banca Popolare di Bergamo Funding LLC	
Preference Stock	BBB
Guarantor: Unione di Banche Italiane Scpa.	

NB: This list does not include all ratings affected.

Additional Contact:

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Complete ratings information is available to subscribers of RatingsDirect on the Global Credit Portal at www.globalcreditportal.com. All ratings affected by this rating action can be found on Standard & Poor's public Web site at www.standardandpoors.com. Use the Ratings search box located in the left column. Alternatively, call one of the following Standard & Poor's numbers: Client Support Europe (44) 20-7176-7176; London Press Office (44) 20-7176-3605; Paris (33) 1-4420-6708; Frankfurt (49) 69-33-999-225; Stockholm (46) 8-440-5914; or Moscow 7 (495) 783-4009.

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