UBI Banca
UNIONE DI BANCHE ITALIANE

PRESS RELEASE

Net Profit up by 69,5% to 64,6 million euro compared to 38,1 million euro as at 31st March 2010

- **Operating income up to 862,5 million euro (+1,2%)**
- **Operating expenses down to 595,5 million euro (-3,5%)**
- **Cost of credit of 41 basis points (54 in the first quarter of 2010)**
- **Pre-tax profit from continuing operations up to 149,7 million euro (+46,5%)**

- **Capital ratios[1] unchanged compared to the end of 2010: core tier one ratio of 6,94%, tier one ratio of 7,45% and total capital ratio of 11,12%**

- **Lending +5% to 102,7 billion euro**
- **Direct funding +6,5% to 104,8 billion euro**
- **Indirect funding -2,7% to 78 billion euro**
- **Total funding +2,4% to 182,8 billion euro**

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Bergamo, 13th May 2011 – The Management Board of Unione di Banche Italiane Scpa (UBI Banca) approved the consolidated results for the first quarter of 2011, which ended with a profit of **64,6 million euro compared to 38,1 million euro achieved in the same period of 2010**. The two results are comparable because no non recurring items were recognised in either of the two quarters.

The results for the first quarter of 2011 were generally positive, despite the continuation of the gradual increase in the cost of funding in the sector nationally. **Net operating income** recorded growth of **+13,3%** compared to the first quarter of 2010, the result of growth of **+1,2% in operating income**, a reduction in **operating expenses** of **-3,5%** and a sharp fall in **impairment losses on loans** of **-20,1%**, to give a cost of credit of **41 basis points** of total loans, compared to 54 basis points in the same period of 2010.

In detail, **operating income** rose from 852,5 million euro to 862,5 million euro (+1,2%).

Net interest income (inclusive of the purchase price allocation) amounted to 527,5 million euro, a decrease of 1,1% compared to 533,3 million euro in the first quarter of 2010.
In 2010, institutional funding by the Group included placements of 3,5 billion euro as part of covered bond and EMTN programmes; in the last four months of 2010 alone issuances on international markets amounted to 2,5 billion euro. This activity also continued into the first quarter of the year with 700 million euro of EMTN issues and 1,75 billion euro of covered bond issues. The strong acceleration in issuance activities allowed the Group to complete by 90% the replacement of institutional bonds expiring for the whole of 2011, making it virtually independent from any further market turbulence.
The **higher cost** of the bond issues, both on ordinary and institutional customers, had a negative impact on interest expense of approximately 60 million euro compared to the same quarter of 2010 and approximately 20 million euro compared to the fourth quarter of 2010.

[1] Do not include the effect of the announced capital increase and the possible benefit deriving from the convertible bond. Furthermore, in compliance with regulations, quarterly ratios do not include the profit for the period.
Including profit for the period and an hypothesis of dividend, core tier 1 ratio would approximately stand at 7%.

The gradual withdrawal from higher risk business announced by Banca 24/7, consisting primarily of special purpose and personal loans, which had begun in previous years, brought to a reduction in the relative interest income but, on the other hand, produced positive effects in terms of cost of credit. More specifically, the current quarter, compared to the fourth quarter 2010, shows a reduction in interest income of -3,3 million more than compensated by lower impairment losses for approximately 8 million euro.

Net commission income amounting to 292 million euro was basically unchanged compared 293,6 million euro in March 2010, which included up front commissions on the sale of third party bonds which were slightly higher than in the current quarter (18,8 million euro compared to 16,2 million euro).
A comparison with the last quarter of 2010, which recorded a result of 313,8 million euro, must consider the absence of items normally recognised at the end of the year amounting to approximately 20 million euro (including performance fees and insurance commission bonuses).

The **net result for financial activities**[2]**,** which showed income of 14,6 million euro compared to -4,9 million euro in the first quarter of 2010, continued to account for a modest percentage of total operating income (1,7%). It must be considered, however, that 83% of the Group's financial assets consist of available-for-sale financial assets, for which the reserve in equity registered in the quarter a change of +109 million euro.

Operating expenses fell year-on-year by 3,5% from 617 million euro to 595,5 million euro (-2,3% compared to the fourth quarter of 2010). In detail:

- **personnel expense** of 364,7 million euro fell by 1,7% compared to the first quarter of 2010, benefiting from a progressive reduction in average personnel numbers and despite pro-quota provisions for variable remuneration in relation to expected improved profits for 2011. These provisions also explain the performance of the item compared to the fourth quarter of 2010, which benefited from a change in the calculation of the variable part of remunerations.
- **other administrative expenses,** amounting to 171,1 million euro, fell significantly (-7,4%) compared to the first quarter of 2010 (184,8 million euro) and also with regard to the fourth quarter of 2010 (201,3 million euro), which demonstrates the effectiveness of the attentive policies to manage and optimise costs pursued by the Group.
- **net impairment losses on property, equipment and investment property and intangible assets** (inclusive of the purchase price allocation) totalled 59,7 million euro, practically unchanged compared to 61,1 million euro for the same quarter of 2010 and to 64 million euro in the fourth quarter of 2010.

Net operating income amounted to approximately 267 million euro, an increase of 13,3% compared to 235,6 million euro in the first quarter of 2010.

Net impairment losses on loans of 105,4 million euro were recognised, compared to 131,9 million euro in the first quarter of 2010, to give a cost of credit of 0,41%, compared to 0,54% recognised in the first quarter of 2010.
More specifically, collective net impairment losses were recognised amounting to 9,4 million euro (26,5 million euro in the first quarter of 2010): coverage for the performing loan portfolio was 0,53%, practically unchanged compared to both 31st December 2010 and twelve months before (0,54% in both cases).
Specific impairment losses recognised on deteriorated loans fell to 164,2 million euro (177,8 million in 2010), while reversals were virtually unchanged compared to twelve months before at 68,2 million euro compared to 72,4 million euro in the first quarter of 2010.

The performance described above resulted in a **pre-tax profit from continuing operations** of 149,7 million euro compared to 102,2 million euro before (+46,5%).

Taxes on income for the period from continuing operations amounted to 76,9 million euro, an increase compared to 59,9 million euro in the first quarter of 2010, but with a tax rate of 51,4%, lower than 58,6%

[2] The net result for financial activities: net income/expense on trading, hedging and disposal and repurchase activity and on assets and liabilities at fair value.

registered in March 2010. The change in the tax rate is attributable to the lower taxation as a consequence of the change in impairment losses on loans, which are not deductible for IRAP (local production tax) purposes.

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The statement of financial position

Group **loans to customers** amounted to 102,7 billion euro as at 31st March 2011, an increase of 5% year-on-year and of 0,9% compared to December 2010. The growth remains concentrated in the core segments of the Group's business: for the network banks and Banca 24/7 the retail segment recorded year-on-year growth of 4,1% and for the network banks only the core corporate segment recorded growth of 8,7%.

The quality of the lending portfolio remained high, although conditioned by the still difficult economic situation: total deteriorated net loans amounted to 5,6 billion euro (5,3 billion euro as at 31st December 2010) accounting for 5,5% of total net loans (5,2% at the end of December 2010).

Net non-performing loans, amounting to 2,1 billion euro, increased by 6,8% during the quarter compared to an increase of 9,7% recorded in the last quarter of 2010. The ratio of net non-performing loans to net loans was 2,02% compared to 1,91% in December 2010. The coverage for non performing loans stood at 47,9% (48,7% at the end of 2010), a decrease due to a greater percentage of positions secured by mortgages (44,3% compared to 43,8% in December 2010). If account is taken of this aspect and of write offs occurred during the year as a result of bankruptcy proceedings, the coverage for non-performing loans is 78,8% compared to 80,1% at the end of 2010.

Net impaired loans, amounting to 2,2 billion euro, recorded growth of 9,8% during the quarter compared to +6,4% for the last quarter of 2010. The ratio of net impaired loans to net loans was 2,2%, compared to 2% at the end of December 2010. Total coverage for impaired loans was 20,8% compared to 22,4% in December 2010; this class of loan was also affected by the greater percentage of positions secured by mortgages (63,3% compared to 60,7% in December 2010).

Total funding from customers recorded growth of 2,4% to 182,8 billion euro in March 2011 (-1% compared to December 2010).
Within the item, **amounts due to customers** amounted to 104,8 billion euro, an increase of 6,5% compared to March 2010, but down by 1,8% compared to December 2010. In detail, the part relating to amounts **due to customers** increased by 6,4% year-on-year to 56 billion euro. Items relating to current accounts, term deposits and customer repurchase agreements remained stable at 47 billion euro, while repurchase agreements with the *Cassa di Compensazione e Garanzia* - use to fund investments made in June 2010 in Italian government securities - increased compared to March 2010 to 8,1 billion euro (4,8 billion euro at March 2010) but were down compared to December 2010 (9,2 billion euro) as a result of partial disposals of securities classified within the trading portfolio.
The item **securities issued,** amounting to 48,7 billion euro, increased by 6,6% year-on-year and by 1,2% compared to December 2010. More specifically the item benefited in the first quarter of 2011 from growth of 4,2% in institutional funding to 19,6 billion euro, while funding from ordinary customers was basically stable at 27,5 billion euro.
As already reported, activity on institutional markets included medium-to-long term institutional issuances amounting to 2,45 billion euro (1,75 billion euro of covered bonds and 0,7 billion euro of EMTNs).

Net interbank exposure at the end of the period was contained at -2,8 billion euro (-2,3 billion euro in December 2010).

Indirect funding from ordinary customers amounted to approximately 78 billion euro, a decrease of 2,7% year-on-year and practically unchanged compared to December 2010. As at 31 March 2011, assets under management (not including insurance policies) amounted to 29,6 billion euro, insurance policies to 12,3 billion euro and assets under custody to 36,1 billion euro.

Consolidated **equity** of the UBI Banca Group as at 31st March 2011, excluding profit for the period, amounted to 11.089 million euro (10.807 million euro at the end of December 2010).

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Total human resources of the UBI Group numbered 19.597 as at 31st March 2011, a decrease of 786 compared to 20.383 in March 2010. The branch network at the end of the period consisted of 1.894 branches in Italy and nine abroad.

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Declaration of the Senior Officer Responsible for preparing the corporate accounting documents

Elisabetta Stegher, as the Senior Officer Responsible for preparing the corporate accounting documents of Unione di Banche Italiane Scpa, hereby declares, in compliance with the second paragraph of article 154 *bis* of the *Testo unico delle disposizioni in materia di intermediazione finanziaria* (Consolidated Finance Act), that the financial information contained in this press release is reliably based on the records contained in corporate documents and accounting records.

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Business outlook

The increase in short term interest rates should favour a recovery in net interest income, despite competitive pressure on funding costs expected to be recovered through constant repricing action on loans to customers.
The general level of operating income is expected to improve as a result, amongst other things, of progressive repricing action taken on commission items.
Operating expenses are expected as a whole to remain unchanged compared to 2010. It should nevertheless be considered that the achievement of this forecast is dependent on the outcome of national labour contract negotiations. Constant measures are being taken to contain other administrative expenses.
The result for the first quarter of 2011 confirmed the forecast improvement in the quality of credit, which should allow for the whole of 2011 the recognition of lower adjustments to loans compared to 2010, even if still affected by the unfavourable economic environment.
Consequently, also on the basis of the first quarter results, an improvement compared to 2010 in profits on ordinary activities is expected for 2011.

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Attachments
Financial statements

UBI Banca Group:

- Reclassified consolidated statement of financial position
- Reclassified consolidated income statement
- Quarterly evolution of reclassified consolidated income statement

Notes to the financial statements

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

To allow a vision that is more consistent with a management accounting style, reclassified financial statements have been prepared. The comments on the performance of the main statement of financial position and income statement items are made on the basis of the reclassified financial statements.

The "notes on the reclassified financial statements" contained in the periodic financial reports of the Group may be consulted for a fuller comprehension of the rules followed in preparing the reclassified financial statements.

UBI Banca Group: Reclassified consolidated statement of financial position

ASSETS *(Figures in thousands of euro)*	31.3.2011 A	31.12.2010 B	Changes A-B	% changes A/B	31.3.2010 C	Changes A-C	% changes A/C
Cash and cash equivalents	569.052	609.040	-39.988	-6,6%	637.113	-68.061	-10,7%
Financial assets held for trading	1.613.809	2.732.751	-1.118.942	-40,9%	1.990.806	-376.997	-18,9%
Financial assets at fair value	474.114	147.286	326.828	n.s.	159.658	314.456	n.s.
Available-for-sale financial assets	10.252.511	10.252.619	-108	0,0%	7.123.883	3.128.628	43,9%
Loans to banks	4.510.008	3.120.352	1.389.656	44,5%	2.996.834	1.513.174	50,5%
Loans to customers	102.702.444	101.814.829	887.615	0,9%	97.805.640	4.896.804	5,0%
Hedging derivatives	351.398	591.127	-239.729	-40,6%	743.946	-392.548	-52,8%
Fair value change in hedged financial assets (+/-)	194.086	429.073	-234.987	-54,8%	450.741	-256.655	-56,9%
Equity investments	378.196	368.894	9.302	2,5%	419.289	-41.093	-9,8%
Property, equipment and investment property	2.086.769	2.112.664	-25.895	-1,2%	2.087.323	-554	0,0%
Intangible assets	5.452.328	5.475.385	-23.057	-0,4%	5.497.679	-45.351	-0,8%
of which: goodwill	*4.416.659*	*4.416.660*	*-1*	*0,0%*	*4.401.911*	*14.748*	*0,3%*
Tax assets	1.704.774	1.723.231	-18.457	-1,1%	1.616.739	88.035	5,4%
Non-current assets and disposal groups held for sale	6.023	8.429	-2.406	-28,5%	134.769	-128.746	-95,5%
Other assets	2.442.098	1.172.889	1.269.209	108,2%	2.351.971	90.127	3,8%
Total assets	**132.737.610**	**130.558.569**	**2.179.041**	**1,7%**	**124.016.391**	**8.721.219**	**7,0%**

LIABILITIES AND EQUITY *(Figures in thousands of euro)*	31.3.2011 A	31.12.2010 B	Changes A-B	% changes A/B	31.3.2010 C	Changes A-C	% changes A/C
Due to banks	7.332.517	5.383.977	1.948.540	36,2%	4.612.141	2.720.376	59,0%
Due to customers	56.144.592	58.666.157	-2.521.565	-4,3%	52.754.329	3.390.263	6,4%
Securities issued	48.678.875	48.093.888	584.987	1,2%	45.670.177	3.008.698	6,6%
Financial liabilities held for trading	1.040.163	954.423	85.740	9,0%	948.995	91.168	9,6%
Hedging derivatives	1.020.994	1.228.056	-207.062	-16,9%	1.130.958	-109.964	-9,7%
Tax liabilities	1.083.134	993.389	89.745	9,0%	1.277.497	-194.363	-15,2%
Liabilities associated with assets held for sale	-	-	-	-	803.894	-803.894	-100,0%
Other liabilities	4.606.189	2.600.165	2.006.024	77,1%	3.859.410	746.779	19,3%
Post-employment benefits	382.333	393.163	-10.830	-2,8%	414.667	-32.334	-7,8%
Provisions for risks and charges:	321.912	303.572	18.340	6,0%	277.233	44.679	16,1%
a) pension and similar obligations	67.317	68.082	-765	-1,1%	70.982	-3.665	-5,2%
b) other provisions	254.595	235.490	19.105	8,1%	206.251	48.344	23,4%
Share capital, share premiums, reserves and fair value reserves	11.088.990	10.806.898	282.092	2,6%	11.351.150	-262.160	-2,3%
Non-controlling interests	973.302	962.760	10.542	1,1%	877.815	95.487	10,9%
Profit for the period/year	64.609	172.121	n.s.	n.s.	38.125	26.484	69,5%
Total liabilities and equity	**132.737.610**	**130.558.569**	**2.179.041**	**1,7%**	**124.016.391**	**8.721.219**	**7,0%**

UBI Banca Group: Reclassified consolidated income statement

Figures in thousands of euro	31.3.2011 A	31.3.2010 B	Changes A-B	% changes A/B	31.12.2010 C
Net interest income	527.537	533.333	(5.796)	(1,1%)	2.142.526
of which: effects of the purchase price allocation	*(13.836)*	*(16.549)*	*(2.713)*	*(16,4%)*	*(61.141)*
Net interest income excluding the effects of the PPA	*541.373*	*549.882*	*(8.509)*	*(1,5%)*	*2.203.667*
Dividends and similar income	2.110	1.375	735	53,5%	24.099
Profit of equity-accounted investees	4.669	5.023	(354)	(7,0%)	17.613
Net commission income	291.936	293.628	(1.692)	(0,6%)	1.185.297
Net income (loss) from trading, hedging and disposal/repurchase activities and from assets/liabilities at fair value	14.612	(4.922)	19.534	n.s.	34.044
Other net operating income	21.653	24.092	(2.439)	(10,1%)	92.482
Operating income	**862.517**	**852.529**	**9.988**	**1,2%**	**3.496.061**
Operating income excluding the effects of the PPA	***876.353***	***869.078***	***7.275***	***0,8%***	***3.557.202***
Personnel expense	(364.727)	(371.032)	(6.305)	(1,7%)	(1.451.584)
Other administrative expenses	(171.081)	(184.835)	(13.754)	(7,4%)	(769.744)
Net impairment losses on property, equipment and investment property and intangible assets	(59.724)	(61.086)	(1.362)	(2,2%)	(247.236)
of which: effects of the purchase price allocation	*(17.456)*	*(18.722)*	*(1.266)*	*(6,8%)*	*(74.889)*
Net impairment losses on property, equipment and investment property and intangible assets excluding the effects of the PPA	*(42.268)*	*(42.364)*	*(96)*	*(0,2%)*	*(172.347)*
Operating expenses	**(595.532)**	**(616.953)**	**(21.421)**	**(3,5%)**	**(2.468.564)**
Operating expenses excluding the effects of the PPA	***(578.076)***	***(598.231)***	***(20.155)***	***(3,4%)***	***(2.393.675)***
Net operating income	**266.985**	**235.576**	**31.409**	**13,3%**	**1.027.497**
Net operating income excluding the effects of the PPA	***298.277***	***270.847***	***27.430***	***10,1%***	***1.163.527***
Net impairment losses on loans	(105.374)	(131.859)	(26.485)	(20,1%)	(706.932)
Net impairment losses on other assets and liabilities	(1.633)	615	2.248	n.s.	(49.721)
Net provisions for risks and charges	(10.419)	(2.215)	8.204	n.s.	(27.209)
Profit from the disposal of equity investments and net impairment losses on goodwill	181	92	89	96,7%	90.700
Pre-tax profit from continuing operations	**149.740**	**102.209**	**47.531**	**46,5%**	**334.335**
Pre-tax profit from continuing operations excluding the effects of the PPA	***181.032***	***137.480***	***43.552***	***31,7%***	***470.365***
Taxes on income for the period/year from continuing operations	(76.918)	(59.858)	17.060	28,5%	(231.980)
of which: effects of the purchase price allocation	*10.070*	*11.352*	*(1.282)*	*(11,3%)*	*43.770*
Post-tax profit from discontinued operations	-	322	(322)	*(100,0%)*	83.368
Profit (loss) for the period/year attributable to non-controlling interests	(8.213)	(4.548)	3.665	80,6%	(13.602)
of which: effects of the purchase price allocation	*2.302*	*2.514*	*(212)*	*(8,4%)*	*10.034*
Profit for the period/year attributable to the shareholders of the Parent excluding the effects of the PPA	*83.529*	*59.530*	*23.999*	*40,3%*	*254.347*
Profit for the period/year attributable to the shareholders of the Parent	**64.609**	**38.125**	**26.484**	**69,5%**	**172.121**

Total impact of the purchase price allocation on the income statement	*(18.920)*	*(21.405)*	*(2.485)*	*(11,6%)*	*(82.226)*

UBI Banca Group: Quarterly evolution of reclassified consolidated income statement

Figures in thousands of euro	2011 1st Quarter	2010 4th Quarter	2010 3rd Quarter	2010 2nd Quarter	2010 1st Quarter
Net interest income	527.537	548.555	543.197	517.441	533.333
of which: effects of the purchase price allocation	*(13.836)*	*(14.598)*	*(14.060)*	*(15.934)*	*(16.549)*
Net interest income excluding the effects of the PPA	*541.373*	*563.153*	*557.257*	*533.375*	*549.882*
Dividends and similar income	2.110	3.531	2.331	16.862	1.375
Profit (loss) of equity-accounted investees	4.669	(1.867)	8.414	6.043	5.023
Net commission income	291.936	313.767	263.973	313.929	293.628
of which performance fees	-	*15.384*	-	-	-
Net income (loss) from trading, hedging and disposal/repurchase activities and from assets/liabilities at fair value	14.612	20.573	19.357	(964)	(4.922)
Other net operating income	21.653	25.893	25.327	17.170	24.092
Operating income	**862.517**	**910.452**	**862.599**	**870.481**	**852.529**
Operating income excluding the effects of the PPA	***876.353***	***925.050***	***876.659***	***886.415***	***869.078***
Personnel expense	(364.727)	(344.469)	(359.587)	(376.496)	(371.032)
Other administrative expenses	(171.081)	(201.335)	(183.844)	(199.730)	(184.835)
Net impairment losses on property, equipment and investment property and intangible assets	(59.724)	(63.996)	(60.425)	(61.729)	(61.086)
of which: effects of the purchase price allocation	*(17.456)*	*(18.722)*	*(18.723)*	*(18.722)*	*(18.722)*
Net impairment losses on property, equipment and investment property and intangible assets excluding the effects of the PPA	*(42.268)*	*(45.274)*	*(41.702)*	*(43.007)*	*(42.364)*
Operating expenses	**(595.532)**	**(609.800)**	**(603.856)**	**(637.955)**	**(616.953)**
Operating expenses excluding the effects of the PPA	***(578.076)***	***(591.078)***	***(585.133)***	***(619.233)***	***(598.231)***
Net operating income	**266.985**	**300.652**	**258.743**	**232.526**	**235.576**
Net operating income excluding the effects of the PPA	***298.277***	***333.972***	***291.526***	***267.182***	***270.847***
Net impairment losses on loans	(105.374)	(251.217)	(134.011)	(189.845)	(131.859)
Net impairment losses on other assets and liabilities	(1.633)	(31.529)	(147)	(18.660)	615
Net provisions for risks and charges	(10.419)	(15.204)	(5.383)	(4.407)	(2.215)
Profits (loss) from disposal of equity investments and net impairment losses on goodwill	181	12.346	80.498	(2.236)	92
Pre-tax profit from continuing operations	**149.740**	**15.048**	**199.700**	**17.378**	**102.209**
Pre-tax profit from continuing operations excluding the effects of the PPA	***181.032***	***48.368***	***232.483***	***52.034***	***137.480***
Taxes on income for the period/year from continuing operations	(76.918)	(34.693)	(103.144)	(34.285)	(59.858)
of which: effects of the purchase price allocation	*10.070*	*10.720*	*10.545*	*11.153*	*11.352*
Post-tax profit (loss) from discontinued operations	-	(1)	12	83.035	322
Profit (loss) for the period/year attributable to non-controlling interests	(8.213)	(5.967)	(908)	(2.179)	(4.548)
of which: effects of the purchase price allocation	*2.302*	*2.503*	*2.395*	*2.622*	*2.514*
Profit (loss) for the period/year attributable to the shareholders of the Parent excluding the effects of the PPA	*83.529*	*(5.516)*	*115.503*	*84.830*	*59.530*
Profit (loss) for the period/year attributable to the shareholders of the Parent	**64.609**	**(25.613)**	**95.660**	**63.949**	**38.125**
Total impact of the purchase price allocation on the income statement	*(18.920)*	*(20.097)*	*(19.843)*	*(20.881)*	*(21.405)*