

# **MERGER WITH THE BANCA LOMBARDA E PIEMONTESE GROUP**



# **Unione di Banche Italiane Scpa – UBI Banca**

## **Corporate Boards, Management and Independent Auditors from 1<sup>st</sup> April 2007**

An Extraordinary General Meeting of 3<sup>rd</sup> March 2007 appointed the members of the Supervisory Board.

### **Supervisory Board**

Chairman  
Senior Deputy Chairman

Gino Trombi  
Giuseppe Calvi  
Luigi Bellini  
Mario Cattaneo  
Paolo Ferro-Luzzi  
Virginio Fidanza  
Enio Fontana  
Carlo Garavaglia  
Pietro Gussalli Beretta  
Giuseppe Lucchini  
Italo Lucchini  
Federico Manzoni  
Mario Mazzoleni  
Andrea Moltrasio  
Toti S. Musumeci  
Sergio Orlandi  
Alessandro Pedersoli  
Giorgio Perolari  
Sergio Pivato  
Franco Polotti\*  
Pierfrancesco Rampinelli Rota\*\*  
Roberto Sestini  
Romain Zaleski

The members of the Management Board and of the General Management were appointed on the 2nd of April, 2007.

### **Management Board**

Chairman  
Deputy Chairman  
Managing Director

Emilio Zanetti  
Corrado Faissola  
Giampiero Auletta Armenise  
Piero Bertolotto  
Mario Boselli  
Giuseppe Camadini  
Mario Cera  
Giorgio Frigeri  
Alfredo Gusmini  
Flavio Pizzini

### **General Management**

General Manager  
Joint General Manager  
Deputy General Manager  
Deputy General Manager  
Deputy General Manager  
Deputy General Manager  
Deputy General Manager  
Deputy General Manager

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

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\* Replaced by Alberto Folonari, appointed as a member of the Supervisory Board by the shareholders' meeting of 5<sup>th</sup> May 2007.  
\*\* Replaced by Giovanni Bazoli, appointed as a member of the Supervisory Board by the shareholders' meeting of 5<sup>th</sup> May 2007.

# The merger project

## THE PRINCIPAL STAGES

The process of merging the Banche Popolari Unite Group and the Banca Lombarda e Piemontese Group took place in a series of technical, legal and authorisation stages (summarised below) preparatory to the start of the industrial project.

- **13<sup>th</sup> November 2006:** the Boards of Directors of Banche Popolari Unite Scpa and BPU Banca and Banca Lombarda e Piemontese S.p.A. (for which the members of the shareholders' agreement had already unanimously passed a resolution in favour) approved a **Memorandum of Intent** concerning the project to merge Banca Lombarda into BPU Banca in order to create a new banking Group;
- **14<sup>th</sup> November 2006:** the merger project was presented to the press and to the national and international financial community; at the same time the agencies Standard & Poor's, Moody's and Fitch confirmed their ratings of the BPU Banca Group (the reasons given are summarised in the section "The rating", later in this report);
- **12<sup>th</sup> December 2006:** the due diligence investigations stipulated in the Memorandum of Intent signed on 13<sup>th</sup> November were concluded positively and the Boards of Directors of both the banks unanimously approved the **merger project**, confirming the share exchange ratio of 0,83 BPU Banca shares for each Banca Lombarda share and convened Extraordinary General Meetings for 3<sup>rd</sup> March 2007 (in second call);
- **19<sup>th</sup> January 2007:** the respective Boards of Directors made final decisions on the merger project approving the amendments and/or additions made to it communicated to the relative authorities;
- **26<sup>th</sup> January 2007:** on the basis of the investigation it had conducted, the **Bank of Italy** authorised the merger project with resolution No. 93, in accordance with Art. 57, paragraph 1, of the consolidated banking law, in response to the application for authorisation presented by BPU Banca on 18<sup>th</sup> December 2006.
- **29<sup>th</sup> January 2007:** the documentation required under Art. 2501 *septies* of the Italian Civil Code was made available at the offices of the companies participating in the merger (and also on the respective corporate web sites) and at Borsa Italiana Spa;
- **6<sup>th</sup> February 2007:** the **Autorità Garante della Concorrenza e del Mercato (Antitrust Authority)** commenced its **examination** of the merger operation to verify whether it would have the effect of distorting provincial markets in the sectors of bank funding, lending and the distribution of mutual funds, customer portfolio managements and life insurance products.  
BPU Banca had presented the necessary application to the Antitrust Authority in accordance with articles 16 *et seq.* of Law No. 287/1990 on 22<sup>nd</sup> January 2007. The authorisation process did not compromise the legal validity of the merger;
- **16<sup>th</sup> February 2007:** with resolution No. 2504 of 15<sup>th</sup> February 2007, the **ISVAP** (Insurance Authority) **authorised** BPU Banca to acquire the **substantial interest** in Lombarda Vita Spa (49,9% of the share capital held by Banca Lombarda) in response to the application filed on 15<sup>th</sup> December 2006 in accordance with Art. 68 of Legislative Decree No. 209/2005;
- **19<sup>th</sup> February 2007:** the **Information Document** prepared in compliance with Art. 70, paragraph 4, of the Issuers Regulations (CONSOB – Italian securities market authority - Resolution No. 11971 of 14<sup>th</sup> May 1999 and subsequent amendments and additions) was published jointly by the two banks, the CONSOB and Borsa Italiana Spa were informed and it was made available to the public at the respective registered offices and on the respective web sites of the two banks;
- **3<sup>rd</sup> March 2007:** with a majority of 99,6% (6.984 registered shareholders in favour out of 7.009 Members present, 16 against and 9 abstentions), an Extraordinary General Meeting of BPU Banca approved the project to merge Banca Lombarda e Piemontese Spa into Banche Popolari Unite Scpa in accordance with articles 2501 *et seq.* of the Italian Civil Code, on the basis of the exchange ratio and the procedures and provisions stipulated in

the merger project, which, amongst other things, involved the following: an increase in the share capital at the service of the merger for a maximum nominal amount of 736.658.047,50 euro through the issue of a maximum of 294.663.219 ordinary shares of Banche Popolare Unite Scpa with a nominal value of 2,50 euro each; the adoption of a new corporate name and a new text for the by-laws, which, amongst other things adopts a “dualistic” system of administration and control.

*Unione di Banche Italiane Scpa – UBI Banca* is the registered name of the new Parent Bank approved by the shareholders.

On that same date the shareholders appointed a Supervisory Board in accordance with the new by-laws for the financial years 2007-2008-2009 and also the Chairman (Gino Trombi) and the Senior Deputy Chairman of the Supervisory Board (Giuseppe Calvi);

- **3<sup>rd</sup> March 2007:** an **Extraordinary General Meeting** of Banca Lombarda, with 72% of the share capital present, approved the project to merge into BPU Banca, with the vote in favour of 99,9% of the share capital present.

The merger will take effect for accounting and tax purposes from the date on which the merger becomes legally effective and therefore as of the date of the last registration of the merger deed with the Brescia and Bergamo Company Registrars or as of the subsequent date specified in that deed and in any case not prior to **1<sup>st</sup> April 2007**.

- **16<sup>th</sup> March 2007:** in the course of the investigation started on 6<sup>th</sup> February by the Antitrust Authority, both UBI Banca and Banca Lombarda e Piemontese made a commitment to that authority that, to summarise, UBI Banca would take the following corrective action, which it is trusted will be of an appropriate nature to enable the prescribed authorisation to be granted:

1. UBI Banca agrees to transfer to one or more independent third parties, who are not shareholders of the new bank, a number of branches comprised of between 11 and 22 in the province of Brescia and a number of branches comprised of between 6 and 12 in the province of Bergamo.

The concrete manner in which the actual number of branches to be disposed of will be determined will guarantee that the market share of UBI Banca will be brought below the threshold of 35% of the funding markets of Bergamo and Brescia. The contracts to transfer the relative lines of business will be signed within 7 months of the date of notification of transaction being authorised, while execution of the contracts will occur within 10 months of that same notification date;

2. UBI Banca agrees not to sign shareholders' voting or consultation agreements which might be concluded on Intesa SanPaolo Spa;
3. UBI Banca agrees not to reconstitute the *Gruppo Lombardo* (Lombardo Group), or not to join it if it should be reformed by former members of the group and in any case not to stipulate any sub-shareholders' agreement that might be concluded in relation to Intesa SanPaolo Spa, having participants and/or aims and/or contents similar to those of the agreement which bound the shareholders brought together in the *Gruppo Lombardo*;
4. UBI Banca agrees to ensure that, if Carlo Tassara Spa and/or Mittel Partecipazioni Stabili srl should sign a shareholders' voting or consultation agreement on Intesa SanPaolo Spa, physical persons who, either directly, or indirectly control those companies and/or occupy senior management posts in them, are not appointed to UBI Banca's governing bodies (and, where already present, are dismissed from them).

#### **THE PRINCIPAL CHARACTERISTICS OF THE NEW BANKING GROUP**

The New Group will be the Italian banking operator with the fourth largest number of branches and on the basis of pro-forma figures as at 31<sup>st</sup> December 2006, it will have:

- more than 4 million customers;
- approximately 21.500 employees
- a network of 1.975 branches in Italy (with no significant overlap) and market share in terms of Branches of 6,3% (with 935 branches in Lombardy it has a market share greater than 15% in that region, which rises to 26,5% in the province of Bergamo, to 29,5% in the province of Brescia and to 29,6% in the province of Varese, with 26% in the Piedmont province of Cuneo). It has significant market share of 10% in Milan;

### The branch network of the new UBI Banca Group in Italy

<i>Region</i>	<i>No. branches</i>	<i>Region</i>	<i>No. branches</i>
Abruzzo	18	Molise	7
Basilicata	45	Piedmont	221
Calabria	124	Puglia	130
Campania	96	Sardegna	1
Emilia Romagna	52	Sicily	1
Friuli Venezia Giulia	12	Tuscany	8
Latium	114	Trentino Alto Adige	2
Liguria	40	Umbria	22
Lombardy	935	Valle d'Aosta	1
Marches	111	Veneto	35
<b>Total 1.975</b>			

- direct funding amounting to approximately 86 billion euro;
- lending to customers of around 83 billion euro;
- high asset quality: ratio of non performing loans to net lending of 0,69%;
- assets under management of 55,4 billion euro;
- total assets of 117 billion euro;
- pro-forma shareholders' equity of 11,1 billion euro (inclusive of goodwill resulting from the merger transaction);
- aggregate net profit of 951 million euro;
- a core tier 1 ratio of 6,4% and a total capital ratio of 10,3%;
- aggregate stock market capitalisation of more than 13 billion euro.

#### THE INDUSTRIAL PROJECT

The merger will result in the formulation of an industrial plan with high strategic value, given the complementarity between the network banks, the product companies and the customers.

The model adopted will be of a poly-functional, federal and integrated type with a listed "popular" co-operative Parent Bank (included in the S&P/MIB Index), able to formulate strategic policies, to perform the functions of co-ordination and the exercise of control over all the units and companies in the new Group.

The **principal strategic guidelines** are as follows:

- the constitution of a new group able to compete with the best players on the market, to develop the distribution strength of the Network Banks and to safeguard the respective brand identities and local roots and also able to act as a pole of attraction for other banks;
- a strong emphasis on the development of human resources and on the expertise of each of the two original Groups;
- the achievement of important growth objectives assisted by geographical contiguity and complementarity in high potential growth areas, with an increase in critical masses and exploitation of the culture and skills of each of the two groups;
- a focus on customer needs and requirements (especially for small to medium sized enterprises and households) by means of services models that are different for each segment, constant product innovation and intensive marketing efforts accompanied by high quality IT systems and personnel training and initiatives to support customers abroad;
- enhancing the value of the specialist companies present in the two original Groups, assisted by partnerships with major international operators and grasping the opportunity to provide customers with high quality standards of products and services to distinguish the New Group on the market;
- rapid achievement of expected synergies due, amongst other things, to the proven track record of the management teams of both groups in managing integration processes in order to maximise the potential for synergies provided by the operation and improve the cost/income ratio with an increase in profitability;
- integrated management of financial, credit and operational risks.

The operation will generate **synergies** resulting from:

- optimisation of staff numbers in various infrastructure areas;
- reduction in IT costs following the adoption of a single Group ITC platform;
- the containment of administrative expenses as a result, amongst other things, of stronger negotiating leverage;
- enhancing the value of product companies on a broader scale;
- making the best practices of each Group common practice in the New Group (both in terms of costs and income).

Gross estimated synergies amount to 365 million euro per year, of which approximately 225 million euro from reduced costs and approximately 140 million euro from higher income. The New Group is expected to become fully operational by 2010 and more than 90% of the synergies should be achieved by 2009.

Gross integration costs have been conservatively estimated at approximately 380 million euro, of which 360 million euro to be charged to income statement in 2007 and 20 million euro recognised as an increase in goodwill.

The analyses performed show that the potential value creation will therefore be greater than 2.3 billion euro, and that is net of integration costs.

The [main financial objectives for 2009](#) (which will be defined more accurately in detail in the Industrial Plan currently being prepared for before the end of the first half) are as follows:

- net profit of more than 1,4 billion euro;
- dividend policy of the New Parent Bank, UBI Banca, not lower than the current policy pursued by BPU Banca;
- a cost/income ratio of less than 45%;
- ROE (net of the goodwill generated by the operation) of more than 17%;
- core tier 1 higher than 7%.

## **THE STRUCTURE OF THE OPERATION AND FINANCIAL CONDITIONS**

The operation will be performed by the merger of Banca Lombarda into BPU Banca, with the merging bank maintaining its legal status as a 'popular' co-operative bank and issuing new shares to be allotted to the shareholders of Banca Lombarda in exchange for the Banca Lombarda shares held by them.

The financial statements employed as a reference for the due diligence investigations required to confirm the operation were the consolidated reports as at 30<sup>th</sup> September 2006 of BPU Banca and Banca Lombarda, which were subjected to a limited audit. Following the positive completion of the examinations of the accounting, legal and administrative positions, the share exchange ratio of 0,83 ordinary BPU Banca shares for each Banca Lombarda share was confirmed.

As a result of the merger, the merging company will increase its share capital by a maximum nominal amount of 736.658.047,50 euro by the issue of a maximum of 294.663.219 shares with a nominal value of 2,50 euro each, in application of the exchange ratio and the procedures for the allotment of shares. The shares will be listed on the *Mercato Telematico Azionario* (screen based stock market) organised and managed by Borsa Italiana Spa and will be made available to the shareholders of Banca Lombarda according to the procedures for centralised management of dematerialised shares by Monte Titoli Spa, starting on the first working day following the date of the operation taking effect in law and they will have normal dividend entitlement (1<sup>st</sup> January 2006).

A dividend will be proposed for the financial year 2006 to a General Meeting of the Shareholders of UBI Banca, to be convened for the beginning of May, of 0,80 euro per share for all the shareholders (old and new).

If no account is taken of the effects of Banca Lombarda shareholders who may withdraw from the merger, the post merger composition of the share capital will consist of approximately 54% of the shares held by BPU Banca shareholders and approximately 46% of the shares held by former Banca Lombarda shareholders. As provided for by transitional regulation I of the

corporate by-laws of UBI Banca, when the deed of merger is signed and takes effect, the shareholders of Banca Lombarda will be automatically entered in the register of the voting shareholders of the new 'popular' co-operative Parent Bank and will therefore become subject to the limitations contained in Art. 30 of Legislative Decree No. 385 of 1<sup>st</sup> September 1993. They may also legitimately take part in shareholders' meetings with effect from the date of the merger itself.

#### **RIGHT OF WITHDRAWAL FOR BANCA LOMBARDA E PIEMONTESE SPA SHAREHOLDERS**

Shareholders absent, dissenting or abstaining at the Extraordinary General Meeting of the Shareholders of Banca Lombarda have the right to withdraw in accordance with article 2437 of the Italian Civil Code on the grounds of the amendments to the by-laws concerning legal status and voting rights.

Those shareholders who might exercise that right will be paid a settlement amount of 15,138 euro for each Banca Lombarda share. As established by Art. 2437 *ter* of the Italian Civil Code, that amount was calculated on the basis of the arithmetic average of the closing prices of Banca Lombarda shares (calculated by Borsa Italiana Spa) in the six months prior to 16<sup>th</sup> December 2006, the date of publication in the Official Journal of the notification to hold the Extraordinary General Meeting of Banca Lombarda Shareholders.

At the data of this report no requests had been received by Banca Lombarda e Piemontese to exercise that right.

It will be recalled that the merger was subject to the condition that the right to withdraw held by shareholders of Banca Lombarda was not exercised by more than 10% of the share capital. Furthermore, this condition could have been waived by common agreement between the parties.

#### **CORPORATE GOVERNANCE**

UBI Banca, the new Parent Bank, which will be formed on 1<sup>st</sup> April 2007 from the merger of Banca Lombarda into BPU Banca, will have its registered offices at Bergamo and operating premises at Bergamo and Brescia with a balanced division, which takes account of the demands of functionality and cost.

In order to guarantee a system of corporate governance which provides solid unified management and governance and at the same time equal partnership representation of the original components of the BPU Banca and Banca Lombarda groups in the new banking group, a 'dualistic' system of administration and control will be adopted (in accordance with articles 2409 *octies et seq.* of the Italian Civil Code and articles 147 *ter et seq.* of the consolidated law on finance) organised on the basis of a Supervisory Board and a Management Board and characterised by further principles of alternating the principal management posts. In addition to the equal partnership principle, the draft of the regulations of the Appointments Committee, which will be formed by the Supervisory Board in accordance with Art. 49 of the corporate by-laws, which have been approved (annex sub C of the Merger Project), establishes the principle of alternation of origin (BPU and BLP) for the Chairmanship of the Supervisory Board and the Management Board, for the posts of Senior Deputy Chairman of the Supervisory Board and Deputy Chairman of the Management Board, as well as the principle of a tendency to alternate origin in the renewal of senior management appointments.

The **Supervisory Board** shall have 23 members and shall include the Chairman and one Senior Deputy Chairperson appointed by a General Meeting by voting lists of registered shareholders in possession of the qualities of integrity, professionalism and independence required by the regulations in force at the time and two Deputy Chairmen appointed by the Supervisory Board itself. They will remain in office for three financial years. The 23 members will consist of 11 from Banca Lombarda, 11 from Banca Lombarda and one from minority lists.

On 22<sup>nd</sup> January 2007, the Boards of Directors of BPU Banca and Banca Lombarda nominated their candidates for the post of member of the Supervisory Board of the new Parent Bank. A

summary of the curricula vitae of the candidates was published on the following 25<sup>th</sup> January 2007 on the web sites of BPU Banca and Banca Lombarda.

On 3<sup>rd</sup> March, an Ordinary General Meeting of BPU Banca, held at the same time as the extraordinary meeting to amend the by-laws, appointed the first Supervisory Board of UBI Banca, consisting of 23 members drawn from the only list validly presented by the deadline of 14<sup>th</sup> February 2007 as stated on the notice to convene the meeting:

- |   |                                   |
|---|-----------------------------------|
| 1) Gino Trombi, Chairman                  |                                   |
| 2) Calvi Giuseppe, Senior Deputy Chairman |                                   |
| 3) Bellini Luigi                          | 14) Musumeci Salvatore Toti       |
| 4) Cattaneo Mario                         | 15) Orlandi Sergio                |
| 5) Fidanza Virginio                       | 16) Pedersoli Alessandro          |
| 6) Fontana Enio                           | 17) Perolari Giorgio              |
| 7) Garavaglia Carlo                       | 18) Pivato Sergio                 |
| 8) Gussalli Beretta Pietro                | 19) Polotti Franco                |
| 9) Lucchini Giuseppe                      | 20) Rampinelli Rota Pierfrancesco |
| 10) Lucchini Italo                        | 21) Sestini Roberto               |
| 11) Manzoni Federico                      | 22) Zaleski Romain                |
| 12) Mazzoleni Mario                       | 23) Ferro-Luzzi Paolo             |
| 13) Moltrasio Andrea                      |                                   |

The members of the Supervisory Board were appointed in application of transitional regulation V contained in the by-laws. More specifically the election was performed by applying the list voting procedures contained in article 44 of the current Corporate Statute for the appointment of the Statutory Board of Auditors of BPU, which are reproduced in the transitional regulation cited.

The Supervisory Board shall appoint an Internal Control Committee, a Remuneration Committee for senior management and an Appointments Committee from amongst its members.

As reported in detail in a later section, “De jure and delegated powers of the corporate bodies”, the Supervisory Board combines in itself some of the powers which in a traditional system are reserved to shareholders (approval of the accounts, appointment of the members of the management body and determination of the relative remuneration) and to the Statutory Board of Auditors (inspections and controls, reporting to shareholders on the supervisory activity performed and on significant reprehensible actions).

On the basis of the indications given in the by-laws, the **Management Board** must be comprised of between 7 and 11 members elected from amongst registered shareholders with the right to vote by the Supervisory Board, on the proposal of the Appointments Committee. They will remain in office for three years.

For its first three-year term of office, the Management Board shall be composed of 10 members (5 from BPU Banca and 5 from Banca Lombarda), including the Chairman, the Deputy Chairman and the Managing Director: for the first two three-year mandates the Chairman of the Management Board shall be Emilio Zanetti; the first Deputy Chairman shall be Corrado Faissola and Giampiero Auletta Armenise shall be the Managing Director.

Alfredo Gusmini, the current General Manager of BPU Banca, shall become a member of the Management Board.

The General Manager shall be appointed by the Management Board; Victor Massiah, the current General Manager of Banca Lombarda, shall be appointed as the first General Manager.

The Management Board has sole responsibility for the management of the company in observance of the general strategic policies and programmes approved by the Supervisory Board on proposal of the Management Board itself. To this end it performs all the operations necessary and useful or in any case appropriate to implementation of the business purpose, whether of an ordinary or extraordinary operating nature. The role and powers of the Management Board are basically modelled on those of a Board of Directors in traditional systems.

## DE JURE AND DELEGATED POWERS OF THE CORPORATE BODIES

The **Supervisory Board** is composed of 23 members appointed by a Shareholders' Meeting chosen from among registered shareholders possessing the necessary qualities, namely integrity, professionalism and independence as required by the legislation in force. At least 15 of the members of the Supervisory Board must be in possession of the requirements of professionalism required by the legislation currently in force for persons who perform functions as administrators of banks. In particular, at least three members of the Supervisory Board must be chosen from among persons enrolled in the *Registro dei Revisori Contabili* (register of auditors) who have practiced as legal certifiers of accounts for a period of not less than three years. They remain in office for three financial years.

They are appointed by list voting. Unless prescribed otherwise by law or other mandatory regulations, the lists must be presented by the outgoing Supervisory Board or by at least 500 Shareholders entitled to exercise their right to vote at the shareholders' meeting convened to appoint the Supervisory Board and who can provide evidence of such right in compliance with the regulations currently in force, representing at least 0.50% of the share capital (that limit being fixed with reference to the outstanding share capital 90 days before the date set for convening the Meeting and to be indicated in the notice of the meeting).

The Supervisory Board shall meet, upon notice by the Chairman, at least every 60 days; the meetings shall take place alternating between the city of Bergamo and the city of Brescia and once a year in the city of Milan. The meetings shall be considered as being validly held (i.e. a quorum is present) if the meetings are attended by the majority of the Board Members in office. The Board will pass resolutions where the absolute majority of the members attending the meeting (resolution quorum) casts a favourable vote, except for those cases where the by-laws prescribe higher quorums.

In addition to matters reserved to it by law, the corporate by-laws reserve the power to the Supervisory Board, on proposal of the Management Board, to decide the general strategic policies and programmes of the Company and of the Group and to grant authorisations for industrial and/or financial plans and the budgets of the Company and of the Group prepared by the Management Board, as well as authorisations for strategic operations, while the latter, nevertheless, takes responsibility for the actions it takes. In addition, the Supervisory Board has the power to decide authorisations for the following:

- (i) proposals for transactions on the share capital, issuing convertible and cum warrant bonds on the Company's shares, mergers and divestments;
- (ii) proposals for amendments to by-laws;
- (iii) purchases or disposals by the Bank and by its subsidiaries of controlling interests in companies with important strategic value or with predetermined value, as well as the purchase or sale of undertakings, business *en-bloc*, lines of business with an important operational and/or strategic value;
- (iv) strategically important investments and/or divestments and/or involving commitments for the Bank where the overall amount exceeds a predetermined amount for each transaction;
- (v) signing commercial, co-operation or shareholders' agreements of strategic importance, without prejudice to the fact that the authorisation of the Supervisory Board on the operations indicated in the above-mentioned list shall not be necessary if they are operations specifically contemplated in the industrial plans already approved by the Supervisory Board.

Further powers of the Supervisory Board include the power to determine the following:

- a) policies relating to cultural and charitable initiatives as well as to the image of the Bank and the Group, with a special reference to the valorisation of the historical and artistic legacy, verifying that the initiatives programmed meet the aims decided;
- b) mergers and divestments set forth in Art. 2505 and 2505-*bis* of the Italian Civil Code;
- c) the opening and closing of secondary offices;
- d) the decrease in the share capital if a shareholder withdraws from the Bank;

- e) amendment of the by-laws to comply with legislation, subject to consultation with the Management Board.

In addition to promoting the activity of the Board, the **Chairman of the Supervisory Board**, consistent with the functions attributed to the Board itself, will play a significant role:

- in supervising and activating procedures and auditing systems concerning the activity of the Bank and of the Group, this also by requesting and receiving information from the person in charge of drawing up the corporate accounting documents and from the persons in charge of the different functions concerned;
- in the relationships between the Supervisory Board and the Management Board, ensuring the efficient coordination of the actions of the corporate bodies.

The Chairman of the Supervisory Board will convene – on his own initiative and, at any rate, in the cases prescribed by the law or the by-laws – and will chair the meetings of the Board itself, setting the agendas, also taking account of the proposals formulated by the Senior Deputy Chairman and the other Deputy Chairmen and ensuring that adequate information about the topics contained on agendas are provided to all the members of the Supervisory Board.

The members elected respectively as Chairman and Senior Deputy Chairman will be those who ranked first and second on the list that obtained the majority of the votes, and/or on the only list presented, or those members thus nominated by the Shareholders' Meeting, in the event that no list was presented.

The **Management Board** shall comprise a minimum of 7 and a maximum of 11 members appointed by the Supervisory Board which will determine their number when making the appointment.

The members of the Management Board will remain in office for three financial years and may be re-elected. The members of the Supervisory Board cannot be appointed as members of the Management Board as long as they continue to hold that office. Furthermore:

- (i) at least one of the members of the Management Board must hold the requirements of independence set forth in Art. 148, paragraph three of the Legislative Decree No. 58 of 24<sup>th</sup> February 1998;
- (ii) at least the majority of the members must have acquired a total of at least a three years experience of professional activity and/or management in financial and/or investment and/or banking and/or insurance companies in Italy or abroad.

The Management Board shall meet at least once a month, as well as any other time the Chairman shall deem it appropriate or when requested by 5 members. The meetings will take place, alternately, in the city of Bergamo and the city of Brescia, and once a year in the city of Milan. In general and unless the relative resolution must be passed by qualified majorities, the meetings of the Management Board will be considered as being validly held if they are attended by more than half of the members in office. The resolutions of the Management Board will be passed by open voting, with the favourable vote of the majority of the members attending, except for the following decisions for which the by-laws require larger quorums:

- a) proposals for by-law amendments, to be submitted to the attention of the Supervisory Board for the subsequent approval by an Extraordinary General Meeting;
- b) total or partial transfer of the shareholdings held in the following companies: Banca Popolare Commercio e Industria S.p.A., Banca Popolare di Bergamo S.p.A., Banca Popolare di Ancona S.p.A., Banca Carime S.p.A., Centrobanca S.p.A., Banco di Brescia S.p.A. and Banca Regionale Europea S.p.A., as well as the setting up of any kind of encumbrances on their shares;
- c) determining the vote to be given in the meetings of the companies listed under b) convened for the approval of increases in share capital with option rights excluded (upon payment or for contribution in kind), issuing convertible bonds or bonds with warrant, with option rights excluded, that involve, if subscribed, the loss of control by the Bank;
- d) determining the vote to be given in the meetings of the companies mentioned above under b) convened for deciding on the merger through incorporation into the Bank or into other companies, their transformation, splitting, early winding-up, changes in the business purpose, name change or relocation of the registered office out of the

municipality in which they are currently located, the transfer to third parties not forming part of the group of the banking company or of a substantial part of it;

- e) appointing to the office of member of the Board of Directors and of the Board of Auditors of the companies listed in b), having considered the proposals of the Appointments Committee when required;
- f) assignment, if considered appropriate, of one member of the board to supervise the functions of the internal control system.

Besides the powers that cannot be delegated by law, the by-laws assign numerous exclusive duties to the Management Board, strictly connected with the management functions and the organisation of the Bank, although some of them will be subject to approval by the Supervisory Board.

The Management Board shall report to the Supervisory Board on the general performance of the Bank and on the most important operations in terms of size and characteristics performed by the Bank and its subsidiaries and it shall in any case report on the operations in which the members of the Management Board have a self-interest on their own account or on behalf of third parties. The communication is made during the meetings of the Supervisory Board and in any case, at least quarterly; it may be provided also in writing.

The **Chairman of the Management Board**, who shall act as the Bank's legal representative and authorised signatory, performs the tasks that are typically carried out by the Chairman of a bank's governing body, which he shall perform by liaising appropriately with the other corporate bodies provided for in the by-laws.

The Chairman of the Management Board and the Deputy Chairman of the Management Board – called to perform the functions of chairman in the event that the Chairman is absent or unable to act – shall be appointed by the Supervisory Board upon proposal of the Appointments Committee.

The Management Board has the power to grant and revoke the powers of the **Managing Director** after first consulting with the Supervisory Board.

The Managing Director shall oversee the management of the Bank and the Group, supervising the strategic co-ordination and management control. While the by-laws grant various powers to the Managing Director, the following powers may be granted to him:

- a) take care of the implementation of the organisational and business structure determined by the Management Board and approved by the Supervisory Board;
- b) determine the working directives for the General Management;
- c) supervise the integration of the new Group, consulting and involving the Deputy-Chairman and the Management Board;
- d) submit to the Management Board the management policies, the industrial and strategic plan, the budget and take care of their implementation by means of the General Management;
- e) propose budgetary policy and the policies on the optimisation of the use and exploitation of the resources and submit the draft financial statements and the periodical reports to the Management Board;
- f) propose the appointments of the corporate top management of the Group to the Management Board, in agreement with the Chairman and Deputy Chairman of the Management Board and after hearing the General Manager;
- g) promote integrated risk management.

The Managing Director reports quarterly to the Management Board and to the Supervisory Board on operating performance and predictable developments and on the most important operations performed by the company and its subsidiaries. He also reports monthly to the Management Board and at least every 60 days to the Supervisory Board on the main accounting results of the Bank, its main subsidiaries and the Group.

**The Member of the Management Board authorised to supervise the internal control system:** the Management Board may appoint one of its members to oversee the operation of

the internal control system with the task – to be carried out in close co-operation and agreement with the Managing Director and the General Manager – of supervising the promotion and implementation of an internal control system that is adequate for the Bank and its Group in terms of effectiveness and efficiency.

**The General Management:** the by-laws provide for the appointment, by the Management Board, of a General Manager, a Joint General Manager as well as the right to appoint one or more Deputy General Managers, in accordance with the organisation chart established by the Management Board itself, which will determine their powers.

The General Manager shall be the head of the operating structure and the head of personnel; shall oversee (unless otherwise indicated by the competent administrative bodies) that the resolutions passed by the Management Board and the Managing Director are carried out and shall manage the day-to-day activity in line with the policies of the administrative bodies.

The Joint General Manager assists and supports the General Manager to supervise all the functions assigned to him.

#### **ACCOUNTING AND TAX ASPECTS OF THE OPERATION**

The merger transaction in question will be recorded in the accounts and recognised in the individual and consolidated financial statements of the merging bank BPU Banca Scpa in compliance not only with national accounting standards but also with international accounting standards IFRS 3 (“business combinations”).

Although the merger transaction was conceived of as an “equal partnership” operation (and the decision to introduce a “dualistic” system of corporate governance is particularly significant in that respect), according to the cited IFRS 3, to the extent that merger transactions which combine separate entities into a single reporting entity involve the transfer of control (excluding intragroup mergers therefore), they are considered to be acquisition transactions.

According to international accounting standards, the acquirer is identified as the entity which obtains control intended as meaning the power to govern the financial and operating policies of an entity for the purpose of obtaining the benefits deriving from its activities. The fair value of the entities participating in the merger is important, amongst other things, for this purpose. With regard to the merger concerned here, on the basis of that factor BPU Banca must be considered the acquirer from an “accounting-balance sheet” viewpoint.

Given these premises (as opposed to the provisions of national accounting standards contained in Italian Accounting Body Standard 4 *Mergers and demergers* and Art. 2504-*bis*, paragraph 4 of the Italian Civil Code by which mergers are recognised in the accounts by continuing to use the same values as previously recognised, known as the “pooling-of-interests-method”) the merger in question must be recognised in the accounts by applying the “purchase method”. This method requires the acquirer (BPU Banca) to recognise the transaction in its accounts on the acquisition date as the cost of the transaction, as indicated below, and to allocate it in its accounts at the fair value of the assets and liabilities of the entity acquired. The acquisition date is intended as meaning the date on which the acquirer obtains effective control of the entity acquired. This date coincides with the date on which the merger becomes legally effective (except when the date specified in the merger deed, is subsequent to the date of the last registration of the merger deed with the company registrar, in which case the acquisition date must be considered that on which the last registration of the merger deed was filed).

Given the above, the cost of a corporate merger is determined as the sum of the fair values, at the date of exchange: (i) of the assets sold, (ii) of the liabilities incurred or assumed, and (iii) of the equity instruments issued by the acquirer, in exchange for control of the acquiree. Then (iv) the expenses directly attributable to the merger must be added to this.

The acquisition cost in the merger between BPU Banca and Banca Lombarda therefore consists of the fair value, as at the issue date (date of the exchange), of the shares that BPU Banca will issue in exchange for the shares in the merged Banca Lombarda, identifiable as the stock market quotation on the day on which the transaction takes legal effect (the date of the last registration of the merger deed or the subsequent date specified in that deed and in any

case not prior to 1<sup>st</sup> April 2007) or the stock market “trading day” immediately prior to it, plus the expenses of the operation (e.g. the professional fees paid to auditors, legal advisors, appraisers and other advisors to implement the merger).

The cost of the merger, as calculated above, must then be allocated to the assets, liabilities and contingent liabilities of the acquiree (Banca Lombarda) at the acquisition date.

Accounts will therefore be prepared for the time at which the merger takes effect (effective for accounting purposes) by recognising the assets, liabilities and contingent liabilities of the merged company at fair value. The remaining difference between the fair value of the shares issued (plus the cost of the merger) and the value of the assets and liabilities of the merged company may be allocated to any intangible assets there may be that are not recognised in the accounts of the merged company itself. What remains after this last allocation, net of the relative deferred taxation, must be recognised as goodwill.

Furthermore under IFRS 3, the fair value of the assets, liabilities and contingent liabilities of the entity acquired may be determined temporarily and therefore a temporary allocation of the merger difference may be made. The acquirer must, however, recognise adjustments for the temporary figures in the accounts and complete the initial accounting treatment within twelve months of the date of acquisition and with effect as of the acquisition date itself.

## **EXPLANATORY NOTES TO THE PRO-FORMA PRESENTATIONS**

The financial statements were obtained by aggregating the consolidated figures for the BPU Group and the BLP Group for the years ended 31<sup>st</sup> December 2005 and 2006.

The annual financial statements were prepared in compliance with IAS/IFRS international accounting standards. Although the accounting policies followed by the two merging entities are basically the same, there are some differences attributable to alternative accounting treatments allowed by the IAS/IFRS standards. It was nevertheless felt that these differences were not sufficient to impair the significance of the pro-forma figures and in view of this they were not considered.

The most significant reciprocal balance sheet and income statement items relating to the BPU Group and the Group BLP, consisting of amounts due to and from banks and customers and interest, were eliminated on the basis of the principles commonly followed for preparing consolidated accounts.

The preliminary cost of the merger, consisting of the fair value of the new BPU shares issued (market quotation of the shares on 15<sup>th</sup> March 2007) was compared with the consolidated shareholders' equity of the BLP Group as at 31<sup>st</sup> December 2006. Account was also taken of the costs of 9.673 thousand euro incurred for the merger recognised as at 31<sup>st</sup> December 2006.

At present the consolidation difference has not been allocated because according to the provisions of IFRS 3, the fair value of the net assets to be allocated will have to be identified as at the date on which the merger takes effect and the cost of the merger allocated to them as a consequence with any surplus there may be recognised as “goodwill”.

For a proper interpretation of the information contained in the pro-forma accounts it should be considered that since these figures are based on hypotheses, if the Merger had really taken place on the dates given above, instead of on the actual date on which it takes effect, then the accounting figures would not necessarily have been the same as the pro-forma figures.

That is why the pro-forma figures show solely the objectively measurable effects of the merger and do not take into consideration future aspects.

# Pro-forma consolidated annual accounts of the new UBI Banca Group

## Group UBI Banca: Consolidated balance sheet

Figures in thousands of euro	31.12.2006 pro-forma	31.12.2005 pro-forma
<b>ASSETS</b>		
10. Cash and cash equivalents	586.799	520.573
20. Financial assets held for trading	6.192.044	5.223.602
30. Financial assets at fair value	5.352.617	5.158.686
40. Available-for-sale financial assets	4.703.712	4.564.500
50. Held-to-maturity financial assets	1.256.872	1.083.201
60. Loans to banks	4.229.219	7.168.774
70. Loans to customers	83.062.851	75.558.780
80. Hedging derivatives	442.872	308.784
90. Fair value change of hedged financial assets (+/-)	2.044	29.331
100. Equity investments	143.213	95.659
110. Technical reserves of reinsurers	105.726	104.146
120. Property, plant and equipment	2.070.260	2.134.438
130. Intangible assets	2.011.579	1.951.080
Merger difference (*)	3.079.142	3.079.142
140. Tax assets	1.201.759	1.082.452
150. Non current assets and disposal groups held for sale	98.401	7.219
160. Other assets	2.368.856	2.834.633
<b>TOTAL ASSETS</b>	<b>116.907.966</b>	<b>110.905.000</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
10. Due to banks	9.016.297	9.691.530
20. Due to customers	48.376.110	45.235.512
30. Securities in issue	38.116.917	34.042.624
40. Financial liabilities held for trading	1.028.530	1.569.827
60. Hedging derivatives	407.795	337.390
70. Fair value change in hedged financial liabilities (+/-)	-	-
80. Tax liabilities	1.089.282	964.487
90. Liabilities associated with disposal groups held for sale	119.648	8
100. Other liabilities	3.410.357	4.211.966
110. Staff severance payments	522.246	545.213
120. Provisions for liabilities and charges:	331.171	421.753
a) pension and similar obligations	89.867	191.315
b) other provisions	241.304	230.438
130. Technical reserves	2.532.321	2.247.693
140. Valuation reserves	117.537	241.838
170. Reserves	1.558.343	744.047
180. Issue premiums	6.876.069	7.273.661
190. Share capital	1.597.865	1.596.782
210. Minority interests (+/-)	856.632	860.825
220. Profit (loss) for the period (+/-)	950.846	919.844
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>116.907.966</b>	<b>110.905.000</b>

(\*) The "merger difference" is only indicative and was calculated on the basis of the market quotation of BPU shares on 15th March 2007.

It takes no account of any allocation of assets, liabilities and contingent liabilities.

With regard to the pro-forma figures as at 31st December 2005, the difference in the equity of the Banca Lombarda e Piemontese Group between 31st December 2006 and 31st December 2005 was included in the item "loans to banks". The "Merger difference" thereby assumes the same value for both the dates cited.

## UBI Banca Group: Consolidated income statement

Figures in thousands of euro	31.12.2006 pro-forma	31.12.2005 pro-forma
10. Interest income and similar	4.566.938	3.944.855
20. Interest expense and similar	(1.967.605)	(1.496.535)
<b>30. NET INTEREST INCOME</b>	<b>2.599.333</b>	<b>2.448.320</b>
40. Commission income	1.537.587	1.502.263
50. Commission expenses	(221.854)	(242.075)
<b>60. NET COMMISSION INCOME</b>	<b>1.315.733</b>	<b>1.260.188</b>
70. Dividend and similar income	50.674	29.873
80. Net profit (loss) from trading	104.943	161.945
90. Net profit (loss) from hedging activity	9.525	4.839
100. Net profit (loss) from sale or the repurchase of:	120.862	96.877
a) loans	30.200	57.314
b) available-for-sale financial assets	85.101	40.363
c) held-to-maturity financial assets	-	-
d) financial liabilities	5.561	(800)
110. Net profit (loss) on financial assets and liabilities at fair value	-	-
<b>120. GROSS INCOME</b>	<b>4.201.070</b>	<b>4.002.042</b>
130. Net impairment losses on:	(247.508)	(316.544)
a) loans	(249.032)	(290.981)
b) available-for-sale financial assets	(1.973)	(24.283)
c) held-to-maturity financial assets	-	-
d) other financial transactions	3.497	(1.280)
<b>140. NET FINANCIAL OPERATING INCOME</b>	<b>3.953.562</b>	<b>3.685.498</b>
150. Net premiums	482.451	476.359
160. Other net profit (loss) on insurance operations	(509.906)	(494.679)
<b>170. NET INCOME FROM FINANCIAL AND INSURANCE OPERATIONS</b>	<b>3.926.107</b>	<b>3.667.178</b>
180. Administrative expenses	(2.433.853)	(2.386.202)
a) staff costs	(1.529.818)	(1.533.740)
b) other administrative expenses	(904.035)	(852.462)
190. Net provisions for liabilities and charges	(12.680)	(50.259)
200. Net impairment losses on tangible assets	(112.116)	(111.590)
210. Net impairment losses on intangible assets	(58.844)	(59.082)
220. Other operating income (expense)	309.263	294.524
<b>230. OPERATING COSTS</b>	<b>(2.308.230)</b>	<b>(2.312.609)</b>
240. Profits (losses) on equity investments	17.004	246.843
250. Net result of fair valuation of tangible and intangible assets	-	-
260. Net impairment losses on goodwill	-	-
270. Profits (losses) on disposal of investments	63.217	586
<b>280. PROFIT (LOSS) ON CONTINUING OPERATIONS BEFORE TAX</b>	<b>1.698.098</b>	<b>1.601.998</b>
290. Taxes on profit for the year for continuing operations	(669.972)	(600.879)
<b>300. PROFIT (LOSS) ON CONTINUING OPERATIONS AFTER TAX</b>	<b>1.028.126</b>	<b>1.001.119</b>
310. Profit (Loss) after tax on non current assets held for sale and discontinued operations	11.531	7.784
<b>320. PROFIT (LOSS) FOR THE YEAR</b>	<b>1.039.657</b>	<b>1.008.903</b>
330. Profit (Loss) for the year attributable to other shareholders	(88.811)	(89.059)
<b>340. PROFIT (LOSS) FOR THE PERIOD ATTRIBUTABLE TO THE PARENT BANK (*)</b>	<b>950.846</b>	<b>919.844</b>

(\*) The pro-forma net result does not take account of the possible effects on profits of allocating the merger difference to assets, liabilities and contingent liabilities.

# Pro-forma reclassified accounts of the new UBI Banca Group

## UBI Banca Group: Reclassified consolidated balance sheet

Figures in thousands of euro		31.12.2006 pro- forma	31.12.2005 pro- forma	Changes	
				absolute	%
<b>ASSETS</b>					
10	Cash and cash equivalents	586.799	520.536	66.263	12,7%
20+30	Financial assets held for trading at fair value	11.544.662	10.382.288	1.162.374	11,2%
40	Available-for-sale financial assets	4.703.712	4.564.500	139.212	3,0%
50	Held-to-maturity financial assets	1.256.872	1.083.201	173.671	16,0%
60	Loans to banks	4.229.219	7.159.154	-2.929.935	-40,9%
70	Loans to customers	83.062.851	75.398.834	7.664.017	10,2%
80	Hedging derivatives	442.872	308.784	134.088	43,4%
90	Fair value change of hedged financial assets (+/-)	2.044	29.331	-27.287	-93,0%
100	Equity investments	143.213	95.659	47.554	49,7%
110	Technical reserves of reinsurers	105.726	104.146	1.580	1,5%
120	Property, plant and equipment	2.070.260	2.134.293	-64.033	-3,0%
130	Intangible assets	2.011.579	1.949.131	62.448	3,2%
	<i>Merger difference (*)</i>	<i>3.079.142</i>	<i>3.079.142</i>	<i>0</i>	<i>0,0%</i>
140	Tax assets	1.201.759	1.080.290	121.469	11,2%
150	Non current assets and disposal groups held for sale	98.401	181.351	-82.950	-45,7%
160	Other assets	2.368.855	2.834.360	-465.505	-16,4%
<b>Total assets</b>		<b>116.907.966</b>	<b>110.905.000</b>	<b>6.002.966</b>	<b>5,4%</b>
<b>LIABILITIES</b>					
10	Due to banks	9.016.297	9.691.530	-675.233	-7,0%
20	Due to customers	48.376.110	45.162.131	3.213.979	7,1%
30	Securities in issue	38.116.917	34.042.624	4.074.293	12,0%
40+50	Financial liabilities held for trading at fair value	1.028.530	1.569.827	-541.297	-34,5%
60	Hedging derivatives	407.795	337.390	70.405	20,9%
80	Tax liabilities	1.089.282	963.071	126.211	13,1%
90	Liabilities associated with disposal groups held for sale	119.648	83.019	36.629	44,1%
100	Other liabilities	3.410.355	4.203.937	-793.582	-18,9%
110	Staff severance payments	522.246	545.213	-22.967	-4,2%
120	Provisions for liabilities and charges:	331.171	421.411	-90.240	-21,4%
	a) pension and similar obligations	89.867	191.315	-101.448	-53,0%
	b) other provisions	241.304	230.096	11.208	4,9%
130	Technical reserves	2.532.321	2.247.693	284.628	12,7%
170+180+190	Share capital, issue premiums and reserves	10.149.816	9.856.485	293.331	3,0%
210	Minority interests	856.632	860.825	-4.193	-0,5%
220	Profit for the year	950.846	919.844	31.002	3,4%
<b>Total liabilities</b>		<b>116.907.966</b>	<b>110.905.000</b>	<b>6.002.966</b>	<b>5,4%</b>

(\*) The "merger difference" is only indicative and was calculated on the basis of the market quotation of BPU shares on 15th March 2007. It takes no account of any allocation of assets, liabilities and contingent liabilities.

With regard to the pro-forma figures as at 31st December 2005, the difference in the equity of the Banca Lombarda e Piemontese Group between 31st December 2006 and 31st December 2005 was included in the item "loans to banks". The "Merger difference" thereby assumes the same value for both the dates cited.

## UBI Banca Group: Reclassified consolidated income statement

Figures in thousands of euro		31.12.2006 pro-forma	31.12.2005 pro-forma	Changes	
				absolute	%
10-20	Net interest income	2.509.510	2.333.946	175.564	7,5%
70	Dividend and similar income	50.674	29.873	20.801	69,6%
	Profit (loss) of equity investments valued using the equity method	17.332	13.599	3.733	27,5%
40-50	Net commission income	1.315.734	1.256.790	58.944	4,7%
80+90+100+110	Net profit (loss) from trading and hedging activity	240.974	246.589	(5.615)	(2,3%)
150-160	Net income on insurance operations	67.680	66.910	770	1,2%
220	Other net operating income/(expense)	161.219	148.519	12.700	8,6%
	<b>Operating income</b>	<b>4.363.123</b>	<b>4.096.226</b>	<b>266.897</b>	<b>6,5%</b>
180a	Staff costs	(1.528.768)	(1.523.906)	4.862	0,3%
180b	Other administrative expenses	(741.696)	(689.428)	52.268	7,6%
200+210	Net impairment losses on property, plant and equipment and intangible assets	(183.550)	(184.697)	(1.147)	(0,6%)
	<b>Operating costs</b>	<b>(2.454.014)</b>	<b>(2.398.031)</b>	<b>55.983</b>	<b>2,3%</b>
	<b>Net operating income</b>	<b>1.909.109</b>	<b>1.698.195</b>	<b>210.914</b>	<b>12,4%</b>
130a	Net impairment losses on loans	(244.774)	(297.129)	(52.355)	(17,6%)
130b+c+d	Net impairment losses on other assets and liabilities	1.523	(29.168)	30.691	n.s.
190	Net provisions for liabilities and charges	(30.649)	(16.615)	14.034	84,5%
240+270	Profit (loss) from disposal of equity and other investments	62.889	126.748	(63.859)	(50,4%)
	<b>Profit (loss) on continuing operations before tax</b>	<b>1.698.098</b>	<b>1.482.031</b>	<b>216.067</b>	<b>14,6%</b>
290	Taxes on income for the year for continuing operations	(669.972)	(596.569)	73.403	12,3%
310	Profit/(loss) on non current assets held for sale and discontinued operations net of taxes	11.531	123.441	(111.910)	(90,7%)
330	Profit for the year attributable to minority interests	(88.811)	(89.059)	(248)	(0,3%)
	<b>Profit for the year attributable to the Parent Bank (*)</b>	<b>950.846</b>	<b>919.844</b>	<b>31.002</b>	<b>3,4%</b>

(\*) The pro-forma net result does not take account of the possible effects on profits of allocating the merger difference to assets, liabilities and contingent liabilities.

### NOTE

*Pro-forma reclassified accounts for the new UBI Banca Group have been prepared by reclassifying the consolidated accounts of Banca Lombarda e Piemontese to comply with the method used in the BPU Banca Group, which may be consulted.*

## UBI Banca Group: Reclassified consolidated income statement for each quarter

Figures in thousands of euro		2006			
		4th Quarter	3rd Quarter	2nd Quarter	1st Quarter
10-20	Net interest income	650.528	631.360	616.690	610.932
70	Dividend and similar income	4.847	980	42.570	2.277
	Profit (loss) of equity investments valued using the equity method	3.255	7.162	1.929	4.986
40-50	Net commission income	348.248	296.512	330.629	340.345
80+90+100+110	Net profit (loss) from trading, hedging and disposal/repurchase activities	43.529	38.488	28.337	130.620
150-160	Net income on insurance operations	22.298	11.252	16.222	17.908
220	Other net operating income/(expense)	51.763	35.207	38.802	35.447
	<b>Operating income</b>	<b>1.124.468</b>	<b>1.020.961</b>	<b>1.075.179</b>	<b>1.142.515</b>
180a	Staff costs	(397.013)	(363.384)	(386.999)	(381.372)
180b	Other administrative expenses	(228.829)	(167.859)	(177.110)	(167.898)
200+210	Net impairment losses on property, plant and equipment and intangible assets	(52.597)	(46.995)	(42.647)	(41.311)
	<b>Operating costs</b>	<b>(678.439)</b>	<b>(578.238)</b>	<b>(606.756)</b>	<b>(590.581)</b>
	<b>Net operating income</b>	<b>446.029</b>	<b>442.723</b>	<b>468.423</b>	<b>551.934</b>
130a	Net impairment losses on loans	(64.234)	(69.465)	(64.982)	(46.093)
130b+c+d	Net impairment losses on other assets and liabilities	3.693	(2.075)	370	(465)
190	Provisions for liabilities and charges	(16.705)	(6.827)	(4.202)	(2.915)
240+270	Profit (loss) from disposal of equity and other investments	15.042	16.583	15.307	15.957
	<b>Profit (loss) on continuing operations before tax</b>	<b>383.825</b>	<b>380.939</b>	<b>414.916</b>	<b>518.418</b>
290	Taxes on profit for the period for continuing operations	(161.913)	(161.357)	(151.650)	(195.052)
310	Profit/(loss) on non current assets held for sale and discontinued operations net of taxes	1.067	(78)	8.391	2.151
330	Profit for the period attributable to minority interests	(19.269)	(22.848)	(21.970)	(24.724)
	<b>Profit for the period attributable to the Parent Bank</b>	<b>203.710</b>	<b>196.656</b>	<b>249.687</b>	<b>300.793</b>

## UBI Banca Group: Reclassified consolidated income statement net of the main non recurring items

Figures in thousands of euro	non recurring items					31.12.2006 pro-forma net of non recurring items	non recurring items					31.12.2005 IAS/IFRS pro-forma net of non recurring items	Changes 2006/2005 net of non recurring components	% changes net of non recurring components						
	31.12.2006 pro-forma	Disposal of equity invest- ments	Disposal of loans	Other items	Effects of normalisa- tion (*)		31.12.2005 IAS/IFRS pro-forma	Disposal of equity invest- ments	Disposal of loans	Sale of securities	Other items				Effects of normalisa- tion (*)					
Net interest income	2.509.510					2.509.510						2.333.946			175.564	7,5%				
Dividend and similar income	50.674					50.674						29.873			20.801	69,6%				
Profits/losses on equity investments valued using the equity method	17.332					17.332						13.599			3.733	27,5%				
Net commission income	1.315.734				4.705	1.320.439					(665)	1.256.790			64.314	5,1%				
Net profit (loss) from trading and hedging activity	240.974	(77.387)	(30.582)			133.005					(4.040)	246.589	(9.705)	(58.307)	(12.649)	(20.000)	(4.040)	141.888	(8.883)	-6,3%
Net income on insurance operations	67.680					67.680						66.910				770	1,2%			
Other net operating income/(expense)	161.219			(11.600)		149.619				(21.980)		148.519			126.539	23.080	18,2%			
<b>OPERATING INCOME</b>	<b>4.363.123</b>	<b>(77.387)</b>	<b>(30.582)</b>	<b>(11.600)</b>	<b>4.705</b>	<b>4.248.259</b>	<b>4.096.226</b>	<b>(9.705)</b>	<b>(58.307)</b>	<b>(12.649)</b>	<b>(41.980)</b>	<b>(4.705)</b>	<b>3.968.880</b>		<b>279.379</b>	<b>7,0%</b>				
Staff costs	(1.528.768)			10.561	4.676	(1.513.531)	(1.523.906)				34.665	(4.676)	(1.493.917)		19.614	1,3%				
Other administrative expenses	(741.696)			15.300		(726.396)	(689.428)			1.500		(687.928)			38.468	5,6%				
Net impairment losses on property, plant and equipment and intangible assets	(183.550)					(183.550)	(184.697)					(184.697)			(1.147)	-0,6%				
<b>OPERATING COSTS</b>	<b>(2.454.014)</b>	<b>-</b>	<b>-</b>	<b>25.861</b>	<b>4.676</b>	<b>(2.423.477)</b>	<b>(2.398.031)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>36.165</b>	<b>(4.676)</b>	<b>(2.366.542)</b>		<b>56.935</b>	<b>2,4%</b>				
<b>NET OPERATING INCOME</b>	<b>1.909.109</b>	<b>(77.387)</b>	<b>(30.582)</b>	<b>14.261</b>	<b>9.381</b>	<b>1.824.782</b>	<b>1.698.195</b>	<b>(9.705)</b>	<b>(58.307)</b>	<b>(12.649)</b>	<b>(5.815)</b>	<b>(9.381)</b>	<b>1.602.338</b>		<b>222.444</b>	<b>13,9%</b>				
Net impairment losses on loans	(244.774)					(244.774)	(297.129)					(297.129)			(52.355)	-17,6%				
Net impairment losses on other assets/liabilities	1.523					1.523	(29.168)			20.400		(8.768)			10.291	n.s.				
Net provisions for liabilities and charges	(30.649)			4.000		(26.649)	(16.615)					(16.615)			(10.034)	60,4%				
Profit/loss on disposal of equity investments	62.889	(61.193)				1.696	126.748	(126.162)				586			1.110	189,4%				
<b>PROFIT/LOSS ON CONTINUING OPERATIONS BEFORE TAX</b>	<b>1.698.098</b>	<b>(138.580)</b>	<b>(30.582)</b>	<b>18.261</b>	<b>9.381</b>	<b>1.556.578</b>	<b>1.482.031</b>	<b>(135.867)</b>	<b>(58.307)</b>	<b>(12.649)</b>	<b>14.585</b>	<b>(9.381)</b>	<b>1.280.412</b>		<b>276.166</b>	<b>21,6%</b>				
Taxes on income for the year for continuing operations	(669.972)	14.133	10.092	(8.052)	5.732	(648.067)	(596.569)	6.552	22.302	4.174	(3.823)	6.587	(560.777)		87.290	15,6%				
Profit/loss on non current assets held for sale and discontinued operations net of taxes	11.531	(5.453)				6.078	123.441	(107.081)				(8.576)	7.784		(1.706)	-21,9%				
Profit/loss for the year attributable to minority interests	(88.811)	330	427	(3.381)	(250)	(91.685)	(89.059)	4.662	1.069		(387)	(465)	(84.180)		7.505	8,9%				
<b>PROFIT FOR THE YEAR ATTRIBUTABLE TO THE PARENT BANK</b>	<b>950.846</b>	<b>(129.570)</b>	<b>(20.063)</b>	<b>6.828</b>	<b>14.863</b>	<b>822.904</b>	<b>919.844</b>	<b>(231.734)</b>	<b>(34.936)</b>	<b>(8.475)</b>	<b>10.375</b>	<b>(11.835)</b>	<b>643.239</b>		<b>179.665</b>	<b>27,9%</b>				
<b>ROE (**)</b>	9,5%					8,2%	9,3%						6,5%							
<b>Cost / Income ratio</b>	56,2%					57,0%	58,5%						59,6%							

(\*) In order to present an income statement which conforms more closely to the contribution of ordinary activities, this column includes the effects of a more precise attribution to the period of events recognised in subsequent accounting periods.

(\*\*) ROE has been calculated using shareholders' equity (excluding profit) as the denominator, adjusted to take account of the increase in the share capital of Banca Lombarda implemented during 2006.