

# UBI Banca: Consolidated Results as at 30 September 2008

November 12<sup>th</sup>, 2008

**UBI**  **Banca**

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### Methodology

*The pro-forma reclassified financial statements for the first nine months of 2007 take into account the reclassifications/amendments due to: 1) the new accounting methodology adopted by the Group for the staff pension and social security expenses (these costs, incurred annually in all Group companies and charged against net profit only in UBI Banca and in Banca Popolare di Bergamo when the use of net profit was decided in accordance with corporate by-laws, has been included from year-end 2007 within the item staff costs), 2) PPA effects, 3) the inclusion of UBI Assicurazioni Vita (of which 50%+1 share of its share capital was sold to Aviva Vita in June 2008) in the line "profit (loss) of equity investments valued used the equity method": this led just to reclassifications among the income statement's items with no effect on the result.*

*Furthermore, the merger process has effected the balance sheet aggregates as September 2007 and 2008, specifically the direct funding and the financial assets portfolio in relation with the different consolidation methodology adopted for UBI Assicurazioni Vita.*

## Executive summary

30 September 2008 / 30 September 2007

- **The first 9 months of 2008 evidence:**
  - Net profit to 620 million euro (+18,2%)
  - Net of results from finance<sup>(1)</sup>, normalised profit in line with Industrial Plan target
  - **Strong results from activities with ordinary customers** (lending +9,8% and funding +6,2%) reflected in net interest margin performance (+12,1%). Strong growth in **net interest income** (+237 million euro) is able to fully compensate for weaker trading results (-129 million euro) and net commissions (-107 million euro)
  - **Operating income** net of results from finance shows 2% growth confirming good commercial positioning of the Group. Including results from finance, operating income shows moderate decrease of 1,9%
  - **Cost control** notwithstanding integration process: total costs stable (+0,7%)
    - a) aggregate of staff costs (-0,2%) and administrative expenses (-0,4%) down by 0,3%
    - b) D&A +10,5%, lower than budget
  - **Good credit quality** in spite of deteriorating market conditions  
Net non performing loans/total loans at 0,79%, Net impaired loans/total loans at 1,10%  
Loan loss provisions on total loans of 0,35% annualised (0,33% normalised), in line with Industrial Plan target
  - **Good results from liquidity management** (net interbank exposure limited to 4,3 billion euro, of which 3,3 with shorter than 3 months maturity, well below set early warning limit of 6 billion euro).  
ECB eligible assets to grow to over 9 billion euro as at 30 November 2008

(1) Result from finance: net result from trading, hedging and disposal/repurchase of financial assets/liabilities activity and of assets/liabilities valued at fair value

## Executive summary

30 September 2008 / 30 September 2007

- Operating margins at a glance:

| YoYchange                                  | Stated | Normalised | Normalised net of results from finance |
|--|--------|------------|--|
| Operating income                           | -1,9%  | -2,2%      | 2%                                     |
| Operating costs                            | 3,4%   | 0,7%       | 0,7%                                   |
| Net operating income                       | -8,9%  | -6,2%      | 4,0%                                   |
| Profit on continuing operations before tax | -12,1% | -15,6%     | -4,4%                                  |
| Net profit                                 | 18,2%  | -14,9%     | -1,3%                                  |

- Capital ratios

**As at 30 June 2008, according to Basel II standardised methodology: Core Tier 1 of 7,02%, Tier 1 ratio of 7,59% and Total Capital Ratio of 10,33%.**

In 2H2008, ratios will benefit from the positive contribution deriving from Lince - ECAI (External Credit Assessment Institution) - which, assigning ratings to a large number of Italian medium size enterprises, allows to take account, for supervisory purposes, of the credit quality of significant portions of the Group's "core" customers.

- After the end of the third quarter, S&P and Moody's: Positive Outlook unvaried

## Executive summary

- Integration process

76% of integration activities already completed as at 30 September 2008

*Expected completion of 85% of activities at year end (significantly higher than Industrial Plan forecasts)*

Network banks migration onto the IT target system completed at the beginning of October, fully in line with Industrial Plan forecast. Product companies fully rationalised

Synergies achieved: 92,1 million euro vs 81 expected in the Industrial Plan (+14%)

Seen the unstable scenario, update of Industrial Plan postponed to the first part of 2009

- Strengthening of presence in reference territories: purchase of 13 branches from Intesa Sanpaolo

- branches in the province of La Spezia (to be attributed to Banco di San Giorgio)
- volumes\*:
  - total deposits: 1.053 mln€ (281,7 million direct and 771,6 indirect)
  - loans: 212 million euro
- number of customers\*: 33.000
- employees\*: 100
- 2007 net operating profit: 25 mln€, net profit before tax 15 mln€
- price defined:
  - 60 million euro (5,7% of total deposits)
  - impact on Core Tier 1 of approx. 7bp
- closing of transaction expected by the end of 1Q2009

\* Data as at 31 March 2008

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**- Income statement**

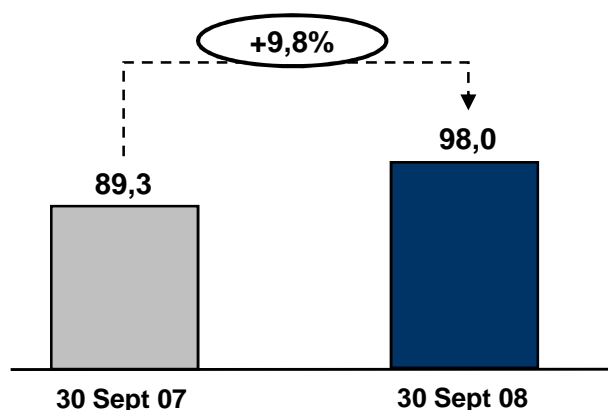
**Progress of the Integration Plan and synergies achieved**

**Annexes:**

- **Income statement: Quarterly evolution**
- **Income statement: Reclassified consolidated income statement net of the main non recurring items and net of result from trading and hedging activities**

## Growth in lending +9,8% YoY, +11,9% net of Large Corporates

bln€

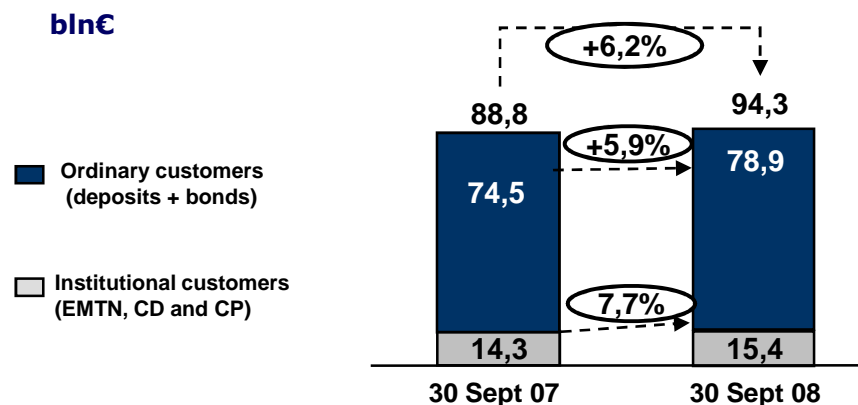


| LOANS TO CUSTOMERS*              |               |               |              |
|----------------------------------|---------------|---------------|--------------|
| In mln €                         | September 08  | September 07  | change %     |
| <b>Average monthly volumes</b>   | <b>63.663</b> | <b>61.739</b> | <b>3,1%</b>  |
| RETAIL (including UBPI advisors) | <b>33.146</b> | <b>30.889</b> | <b>7,3%</b>  |
| Of which:                        |               |               |              |
| Individuals                      | 17.371        | 16.420        | 5,8%         |
| Small Business                   | 15.775        | 14.469        | 9,0%         |
| CORPORATE                        | <b>29.909</b> | <b>30.273</b> | <b>-1,2%</b> |
| Of which:                        |               |               |              |
| Core                             | 18.998        | 17.916        | 6,0%         |
| Large                            | 10.909        | 12.356        | -11,7%       |
| PRIVATE                          | <b>608</b>    | <b>577</b>    | <b>5,3%</b>  |

- ✓ The analysis of the group's loan book shows low concentration, diversified and fractioned sectorial exposure, high geographical concentration in Lombardy
- ✓ In 2008 recomposition of the loan book with lower exposure to Large Corporates and refocusing on lending to medium and small businesses which represent the "core" activity of the Group
- ✓ Loans still show strong growth rate yoy (+9,8%) and compared to system (+6,6%). As from 4Q 2008, strategy is to move towards a more balanced growth between lending and deposits
- ✓ Credit quality: Net NPLS/total loans at 0,79% and net impaired loans/total loans at 1,10%  
**Gross NPLs** amount to 1.671 mln€ (1.630 mln€ as at June 2008 and 1520 as at Dec. 2007), with very contained net inflows from performing and impaired loans to non performing loans in 3Q2008 (0,11%): the performance of NPLS is confirmed better than the system  
**Gross impaired loans** to 1.270 mln€ from 1.029 as at June 2008 and 906 mln€ as at December 2007: the increase reflects the economic deterioration and includes the impact of stricter Group classification criteria adopted in 2008 by the network banks, which provides for the automatic classification to impaired loans of past due loans once 60 days have elapsed (144 million euro in the nine months period)

\* Referred to network banks including UBPI and net of Carime

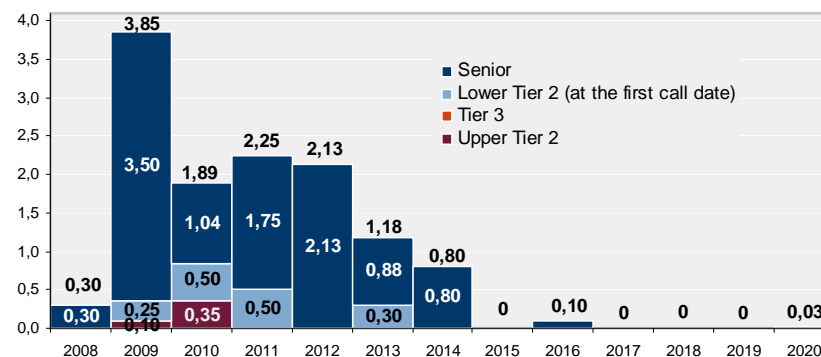
## Direct funding from ordinary customers up by 5,9% to 78,9 bln€, institutional funding up by 7,7% to 15,4 bln€



| DIRECT FUNDING FROM CUSTOMERS*   |               |               |              |
|----------------------------------|---------------|---------------|--------------|
| in mln €                         | September 08  | September 07  | change %     |
| <b>Average monthly volumes</b>   | <b>56.038</b> | <b>50.286</b> | <b>11,4%</b> |
| RETAIL (including UBPI advisors) | <b>40.970</b> | <b>37.167</b> | 10,2%        |
| Of which: Individuals            | 35.415        | 31.688        | 11,8%        |
| Small Business                   | 5.555         | 5.479         | 1,4%         |
| CORPORATE                        | <b>5.012</b>  | <b>5.573</b>  | -10,1%       |
| Of which: Core                   | 4.013         | 4.057         | -1,1%        |
| Large                            | 997           | 1.514         | -34,2%       |
| PRIVATE                          | <b>10.056</b> | <b>7.546</b>  | <b>33,3%</b> |

- ✓ UBI Banca benefits of a stable and highly fractioned source of funding through its domestic network; 84% of total funding comes from ordinary customers (50,5 bln€ of deposits and 28,4 bln€ of securities issued), while only 16% of total funding is obtained through recourse to international financial markets (15,4 bln€ of securities issued)
- ✓ The outstanding securities in issue as of 30 September 2008 amount to 43,8 bln€, of which 28,4 bln€ represented by bonds subscribed by ordinary customers, 12,8 bln€ by EMTN issues, 2,0 bln€ by CDs and ECPs and 0,6 bln€ by preference shares
- ✓ No public issues under the EMTN programme were effected since July 2007
- ✓ The funding needs for 2008 were mainly satisfied through the ordinary customer base (150% replacement of expired bond issues on average, in 2008 5 bln€ expired and replaced with 8 bln€ of new issues) and the launch of the French CD and ECP programmes in June 2008
- ✓ If international funding markets do not restart, UBI is able to replace EMTN issues expiring in 2009 through domestic retail issues (strong appetite for safe investments in ordinary customer base)

EMTN Bonds Maturing by year\*\*



\* Referred to network banks including UBPI and net of Carime

\*\* Situation as of 3 November 2008 – 0,30 billion expiring on 22/12/2008



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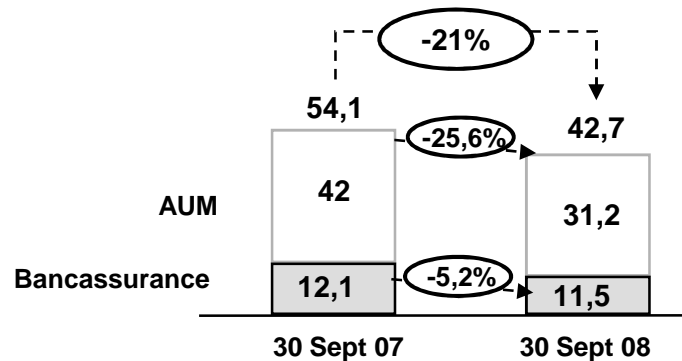
## Funding and Liquidity

- ✓ As at end of September 2008, the net interbank exposure of the Bank was 4,3 billion euro, of which 3,3 short term and 1 billion with a maturity longer than 3 months
- ✓ Following the deepening of the liquidity crisis started in 2H2007, the Group:
  - **Optimised liquidity**, also through a refocusing of lending on core customers and the redemption of remaining capitalisation policies. **This allowed suspension of securities issues on international markets since July 2007**
  - **Prepared diversified funding programmes, according to maturity.** French CDs and ECP (short term) were launched in June 2008. A covered bond programme (longer maturities) was prepared, to be activated, together with the existing EMTN programme, according to market conditions
  - **Approved a policy - under implementation - of balancing growth of assets and liabilities, allowing short term interbank exposure only within a set limit** (6 billion euro). The evolution of the net interbank position, both actual and prospective, is strictly monitored.
  - Within liquidity policies, **a rule was set to have a ratio of at least 1 between assets eligible for refinancing with the ECB (net of haircut) and net interbank exposure.** The Group has a wide availability of eligible assets; total eligible assets segregated presently total approx. 4 billion euro and will reach over 9 billion euro within 30 November 2008.
  - **Focussed on organisational and structural issues:** specific stress tests are run regularly and policies aimed at controlling liquidity issues were approved by the Board (policy on liquidity risk and structural balance of consolidated accounts; policy on the structural balance of network banks and group companies, contingency funding plan, etc....)
  - **The Group enjoys a sound liquidity position in actual and prospective terms despite unfavourable market conditions**

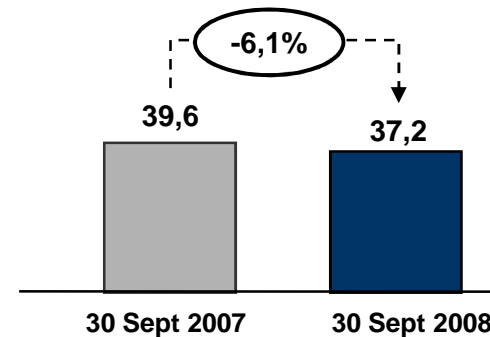
## Indirect funding to 80 billion euro: -14,7% compared to Sept07, driven by unfavourable market conditions

bln€

— Assets Under Management & Bancassurance —



— Assets Under Custody —



UBI Pramerica Mutual funds accounts for 22 bln€ as at 30 September 2008. According to Assogestioni, in the first nine months of 2008 net inflows of mutual funds were negative by 3 bln€ (11,7% of the stock) against a performance of the Assogestioni sample negative by 97,7 bln€ (15,8% of the stock)

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## As at 30 Sept 2008 net profit at 620 million euro. Normalised net profit in line with Industrial Plan target

| In million euro   | 30.09.2008       | 30.09.2007<br>pro-forma | % changes      | % changes net of<br>non recurring<br>items and net of<br>result from finance |
|---|------------------|-------------------------|----------------|--|
| Net interest income   | 2.203,6          | 1.966,5                 | 12,1%          |  |
| Dividend and similar income   | 70,0             | 80,3                    | (12,8%)        |  |
| Profit (loss) of equity investments valued using the equity method                              | 14,6             | 24,0                    | (39,4%)        |  |
| Net commission income   | 899,0            | 1.001,1                 | (10,2%)        |  |
| Performance commissions   | -                | 4,6                     | (100,0%)       |  |
| Net profit (loss) from trading, hedging and disposal/repurchase activities valued at fair value | (49,7)           | 79,4                    | n.s.           |  |
| Net income on insurance operations  | 16,6             | 27,9                    | (40,7%)        |  |
| Other net operating income/(expense)  | 75,2             | 109,2                   | (31,1%)        |  |
| <b>Operating income</b>   | <b>3.229,2</b>   | <b>3.293,1</b>          | <b>(1,9%)</b>  | <b>2,0%</b>  |
| Staff costs   | (1.188,7)        | (1.191,3)               | (0,2%)         |  |
| Staff severance provisions new calculation methodology effect                                   | 0,0              | 49,4                    | n.s.           |  |
| Other administrative expenses   | (539,6)          | (542,0)                 | (0,4%)         |  |
| Net impairment losses on property, plant and equipment and intangible assets                    | (200,4)          | (181,5)                 | 10,5%          |  |
| <b>Operating costs</b>  | <b>(1.928,7)</b> | <b>(1,9)</b>            | <b>3,4%</b>    |  |
| <b>Net operating income</b>   | <b>1.300,6</b>   | <b>3,3</b>              | <b>(8,9%)</b>  | <b>4,0%</b>  |
| Net impairment losses on loans  | (255,8)          | (179,1)                 | 42,8%          |  |
| Net impairment losses on other assets and liabilities   | 5,6              | (8,3)                   | n.s.           |  |
| Net provisions for liabilities and charges  | (39,0)           | (19,6)                  | 99,3%          |  |
| Profit (loss) from disposal of equity and other investments                                     | 80,3             | 21,8                    | 269,0%         |  |
| <b>Profit (loss) on continuing operations before tax</b>  | <b>1.091,6</b>   | <b>1.242,5</b>          | <b>(12,1%)</b> | <b>(4,4%)</b>  |
| Taxes on income for the period for continuing operations  | (347,1)          | (526,7)                 | (34,1%)        |  |
| Integration costs   | (45,4)           | (152,5)                 | (70,2%)        |  |
| Profit (loss) of non current assets held for sale and discontinued operations net of taxes      | (11,0)           | 16,6                    | n.s.           |  |
| Net profit for the period attributable to minority interests                                    | (68,0)           | (55,5)                  | 22,5%          |  |
| <b>Profit for the period attributable to the Parent Bank</b>                                    | <b>620,0</b>     | <b>524,4</b>            | <b>18,2%</b>   | <b>(1,3%)</b>  |
| <i>Total impact of PPA on Income Statement</i>  | <i>(64)</i>      | <i>(63)</i>             | <i>1,2%</i>    |  |

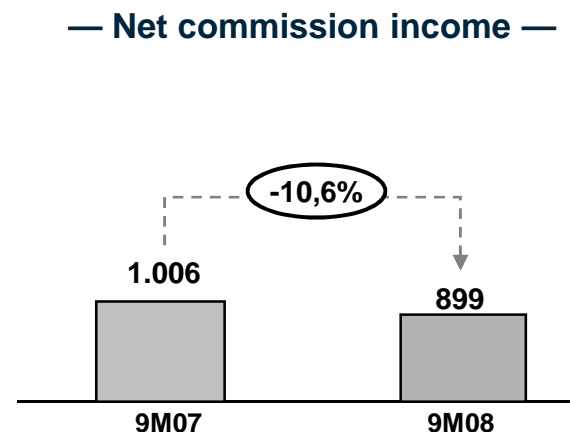
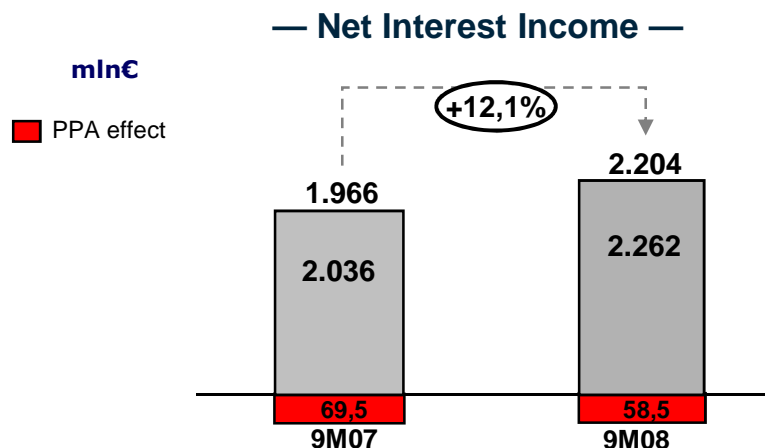
In 2008: capital gain from the sale of stakes in UBI Pramerica and in UBI Assicurazioni Vita  
In 2007: capital gain from the sale of IW Bank shares

In 1H08: -73,8 mln€ one-off positive effect due to tax redemption\*

Total amount of integration costs booked since the beginning of the integration: 318,3 mln€ gross (212 mln€ net)

\*Rialignment to accounting values of the fiscal deductions on specific items (depreciation, impairment and provisions) made in previous periods through the payment of a substitute tax. The 73,8 mln€ is the difference between the deferred taxes posted in relation with the above mentioned items and the substitute tax which has a lower rate (16%)

**Net interest income: to 2.204 million euro, up by 12,1% yoy (+237 million euro)**  
**Net commissions: downsized by adverse market conditions (-107 million euro)**



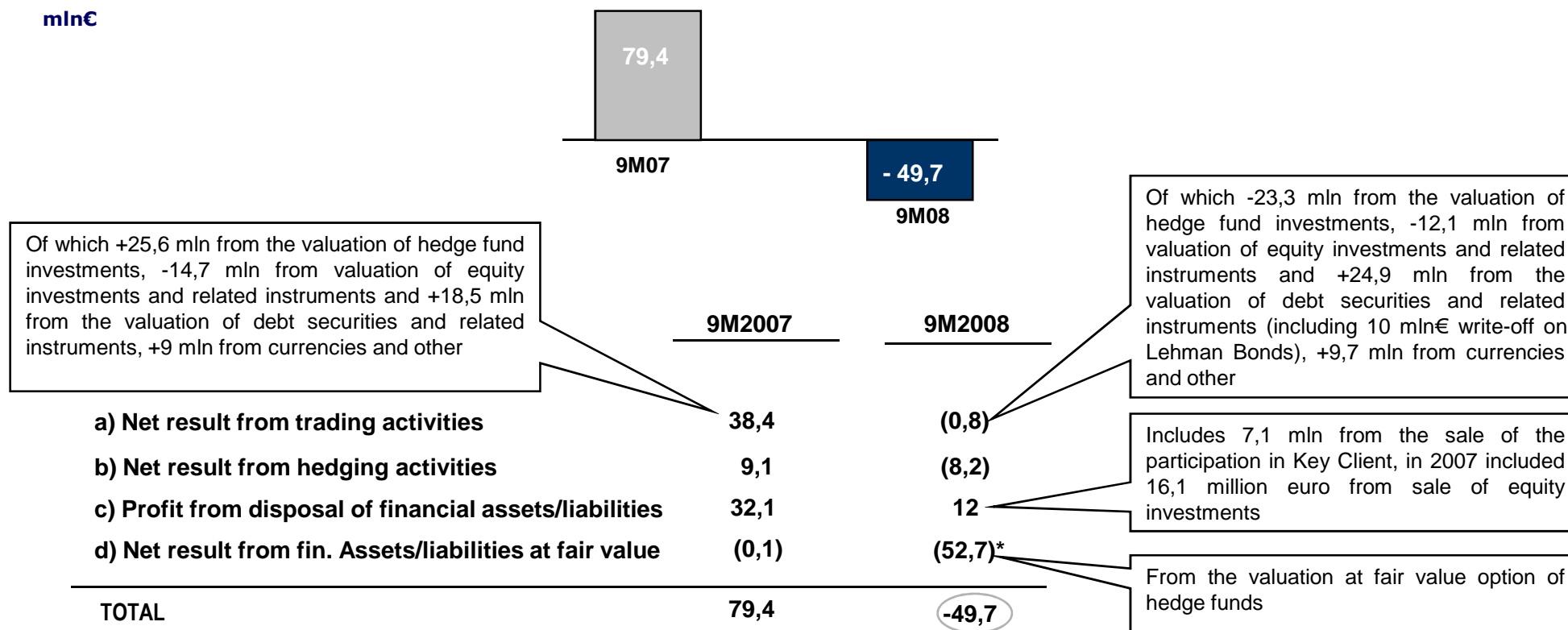
**At Network banks' level:**

- ✓ Evolution driven by growth in lending which shows increasing profitability: mark up +20 basis points YoY, thanks also to the focus on core lending activities vs a reduction of lending to large corporates (-1,4 bln€ in terms of average nine months volume), characterized by high capital absorption
- ✓ Increase in the cost of funding by 12 bp yoy
- ✓ Overall, spreads grow by 8 bp yoy

- ✓ Decrease (-106,7 mln€) mainly due to lower commissions from management, trading and advisory services (-100,1 mln€)
- ✓ Focus remains on recurring business: up front commissions remain a very small percentage of total net commissions (approx. 8% in 2008 vs 6% in 2007)

## Result from trading and hedging activity: nine-months result impacted by unfavourable market conditions

mIn€



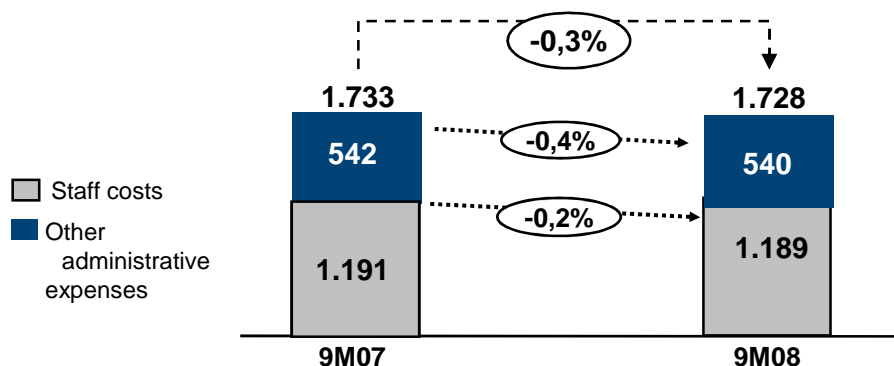
Hedge funds: relatively contained negative performance of approx. 12% in 2008 (approx. -76 mln€, of which approx. -57 mln€ in 3Q08). A progressive reduction of investments is under way aimed at downsizing the portfolio to approx. 330 mln € in the first months of 2009.

\* Hedge funds are posted in this item starting from 1 July 2007

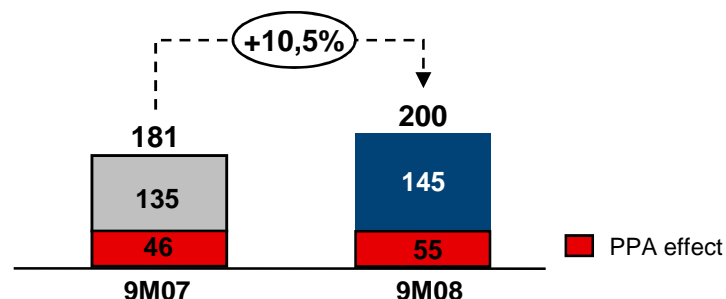
**Aggregate of normalised staff costs and other administrative expenses: -0,3% YoY, significantly lower compared to a +0,7% forecast for full year 2008. Total operating costs, including depreciation and amortisation, show an increase of +0,7%, notwithstanding integration process under way**

mln€

— Normalised staff costs and other administrative expenses —



— Depreciation & Amortisation —



- ✓ Staff costs: earlier staff exits compared to Industrial Plan estimates (-329 average resources over the period) and lower staff costs following the disposals of branches compensate increase in staff costs by approx. 4% at system level
- ✓ Administrative expenses: synergies and cost control measures under implementation offset inflation impact (4%)\*. Administrative expenses still affected by 2 IT systems (target and former BPU) running till the end of the year

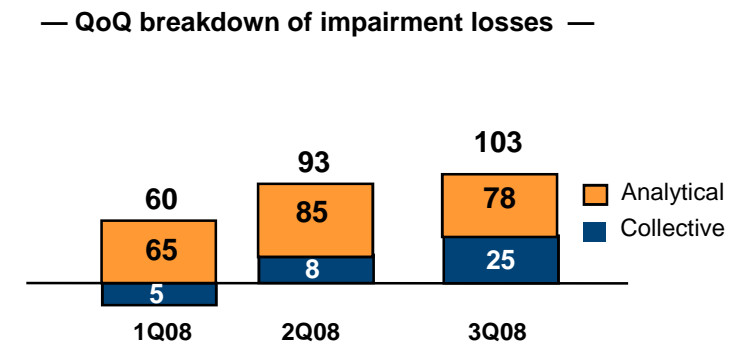
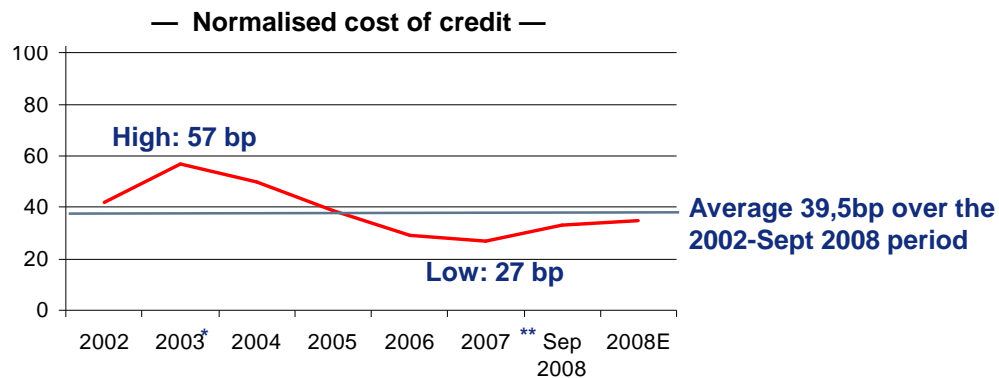
- ✓ Depreciation and amortisation increased by 10,5% following capitalization of expenses incurred during the year for the progressive upgrading of IT tools (both hardware and software).
- ✓ Increase lower than budgeted

\* Referred to 3Q08. The average of the 2008 quarters is 3,7%. Source: Eurostat and ECB.

## Good Credit quality in spite of economic deterioration and stricter internal rules

Impairment losses on loans (256 mln€ vs 179 mln€ as at September 2007) impacted by:

- Deterioration of economic scenario
- Stricter internal regulations adopted by the Group:
  - automatic classification of past due loans<sup>(1)</sup> to impaired loans once 60 days have elapsed
  - centralisation of Network Banks' NPLs and impaired loans management in Parent Company UBI Banca with consequent alignment of classification criteria (non recurring 12 million euro in 9M2008)
- In 3Q2008: introduction of several measures related to the implementation of the Basel II project, which brought an increase in collective impairment reflecting the higher risk of the actual economic scenario
- The implementation of the advanced model for credit risk measurement and the calculation of collective impairment losses will continue in 2009 and could impact the evolution of the collective impairment losses up to the validation of the model
- Overall, cost of credit in the first 9 months of 2008 amounted to 35bp (33bp in normalised terms) in line with Industrial Plan targets and lower than the average normalised cost of credit registered in the 2002-Sept 2008 period



Data referred to the former BPU Group from 2002 to 2004 and to the UBI Group from 2005 onwards

(1) Loans are classified as past due loans once 180 days have elapsed. The automatic classification has represented over the 9 months approximately 144 million euro of new impaired loans

\*in 2003 normalised to take account of the one-off effect of the write-downs related to the Parmalat crisis and of the alignment of the valuation criteria of the network banks to the Group's policy; \*\* In 2007 normalised to take account of the one-off effect of the standardization of the method for the calculation of collective impairment on performing loans



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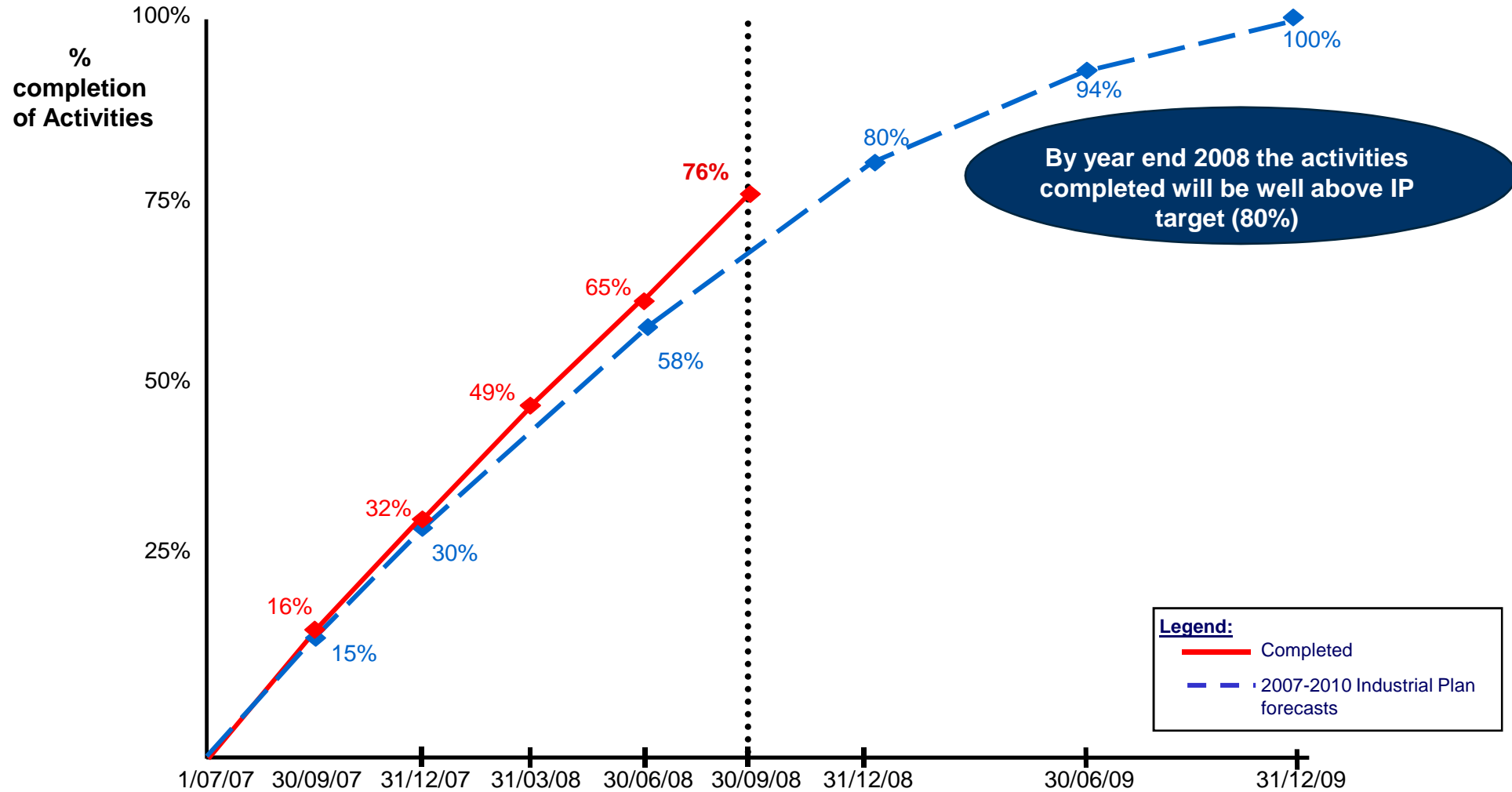
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**Progress of the Integration Plan and synergies achieved**

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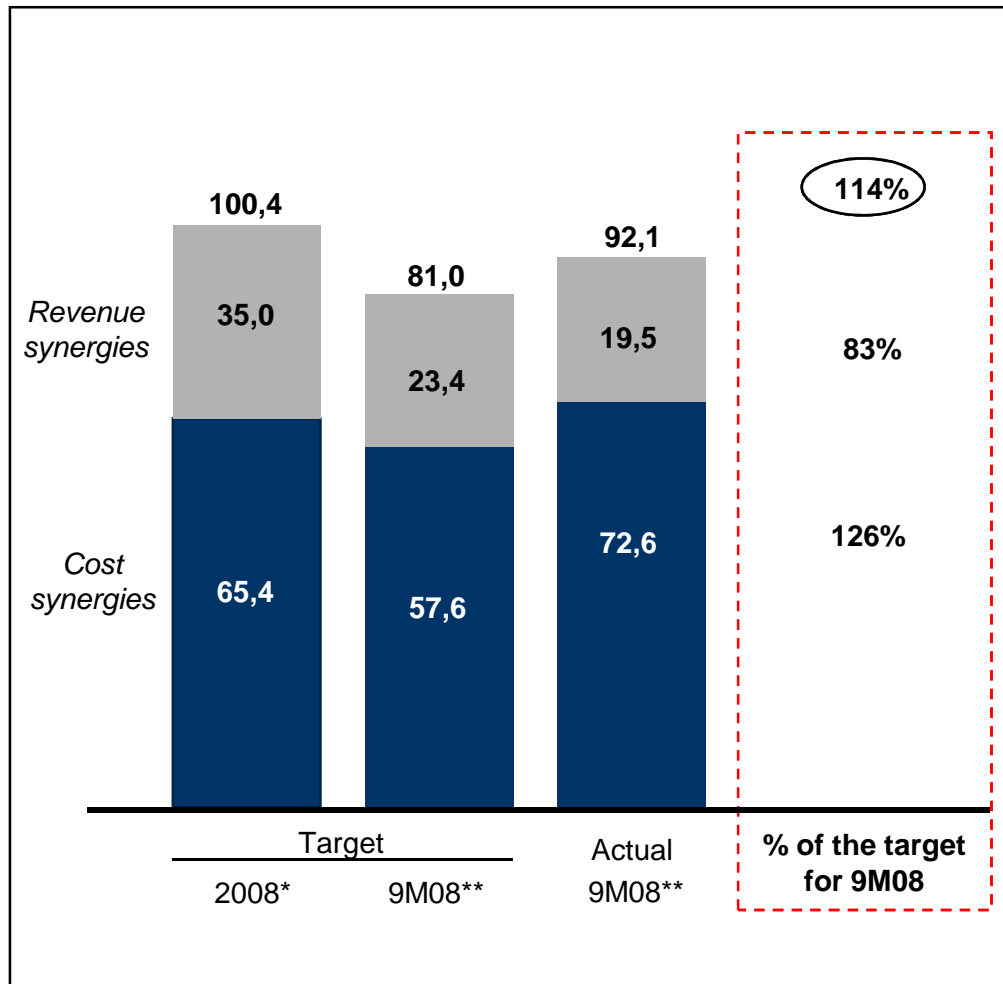
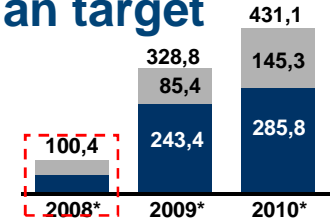
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**As at 30 Sept 2008, 76% of activities completed since launch of the Integration Plan in July 2007, leading to a year end progress significantly above Industrial Plan target**



# Synergies achieved in 9M08: 92,1 million euro, 14% over Industrial Plan target for the period

mln€



As at September 2008 synergies achieved were 14% higher than Industrial Plan forecasts. In detail:

Revenues Synergies: 19,5 mln € vs 23,4 expected:

a) positives: good results from the commercialization of existing products with higher granting of personal loans, mortgages, higher penetration of CPI on personal loans and higher sale of bundle accounts in the retail segment, a favourable development of revenues deriving from Investment Banking and structured finance in the corporate segment

b) negatives: delays in the commercialisation of products in the retail segment (OTC, CPI on mortgages) and, due to the less favourable market context, lower volumes of factoring in the corporate segment and AUM outflows in the private segment

Cost synergies: 72,6 mln € vs 57,6 expected:

a) 34,6 mln € Staff costs, almost three times over target thanks to **early exits** of permanent staff compared to Industrial Plan targets (+319 units, on average terms) and lower than expected recourse to agency staff (-79 on average terms). Moderate higher recourse to temporary staff (+18 units on average terms)

b) 38,0 mln € of other administrative costs (-6,9 mln €) due to higher than expected staff mobility and IT costs (both already budgeted for in 2008)

\* Including the cost synergies on staff relating to the former BPU and BL stand alone plans: 19,7 mln € in 2008, 24,8 mln€ in 2009 and 29,3 mln€ in 2010

## Conclusions

### ✓ In an unstable environment, UBI Banca is a solid Group with

- strong franchise in Northern Italy (85% of lending and 65% of branches)
- focus on Retail business (approximately 80% of revenues\*)
- low risk and good liquidity profile monitored by strict Group policies
- high credit quality (at year end, value adjustments on loans in terms of absolute amount expected in line with Industrial Plan targets)
- strong capital ratios: Core tier 1 is expected to remain above 6,5% at year end also following purchase of branches from Intesa Sanpaolo and in case of impairment of AFS assets (on the basis of prices from 30 September 2008 to today the impact is estimated to be in a range between 30 and 50 basis points and anyway to be defined according to year end market conditions and of any change in existing regulations) and dividend distribution according to Industrial Plan
- good ratings

### ✓ Results confirm:

- sound market positioning in core activities
- fully successful integration mainly carried out in 2008 with high synergy generation potential for 2009

\* Interest income + net commission

**September 2008 results:**

- **Assets and liabilities**
- **Income statement**

**Progress of the Integration Plan and synergies achieved**

**Annexes:**

- **Income statement: Quarterly evolution**
- **Income statement: Reclassified consolidated income statement net of the main non recurring items and net of result from trading and hedging activities**

## Income statement: quarterly results

| Figures in thousands of euro   | 2008             |                  |                  | 2007             |                   |                  |                  |
|--|------------------|------------------|------------------|------------------|-------------------|------------------|------------------|
|  | IIIQ             | IIQ              | IQ<br>Pro-forma  | IVQ<br>Pro-forma | IIIQ<br>Pro-forma | IIQ<br>Pro-forma | IQ<br>Pro-forma  |
| Net interest income  | 740.671          | 731.909          | 731.023          | 719.318          | 670.824           | 653.231          | 642.418          |
| <i>of which: impact of Purchase Price Allocation</i>   | (15.172)         | (24.079)         | (19.219)         | (18.272)         | (20.367)          | (26.874)         | (22.295)         |
| Net interest income excluding impact of PPA  | 755.843          | 755.988          | 750.242          | 737.590          | 691.191           | 680.105          | 664.713          |
| Dividends and similar income   | 1.519            | 66.839           | 1.636            | 3.227            | 568               | 74.488           | 5.256            |
| Profit (loss) of equity investments valued using the equity method                                   | 374              | 5.470            | 8.730            | 8.491            | 8.484             | 7.289            | 8.265            |
| Net commission income  | 277.372          | 303.425          | 318.244          | 334.991          | 324.712           | 346.231          | 330.203          |
| Performance commissions  | -                | -                | -                | 8.012            | 88                | 2.296            | 2.221            |
| Net profit (loss) from trading, hedging and disposal/repurchase activities valued at fair value      | (60.596)         | 37.980           | (27.088)         | 22.476           | 5.612             | 23.966           | 49.865           |
| Net income on insurance operations   | 2.743            | 9.700            | 4.111            | 11.945           | 7.539             | 11.637           | 8.757            |
| Other net operating income/(expense)   | 20.638           | 23.115           | 31.413           | 37.751           | 33.512            | 36.645           | 38.995           |
| <b>Operating income</b>  | <b>982.721</b>   | <b>1.178.438</b> | <b>1.068.069</b> | <b>1.146.211</b> | <b>1.051.339</b>  | <b>1.155.783</b> | <b>1.085.980</b> |
| <b>Operating income excluding impact of PPA</b>  | <b>997.893</b>   | <b>1.202.517</b> | <b>1.087.288</b> | <b>1.164.483</b> | <b>1.071.706</b>  | <b>1.182.657</b> | <b>1.108.275</b> |
| Staff costs  | (379.413)        | (414.609)        | (394.644)        | (395.140)        | (386.286)         | (357.931)        | (397.645)        |
| Other administrative expenses  | (165.970)        | (199.084)        | (174.514)        | (226.012)        | (172.874)         | (190.171)        | (178.910)        |
| Net impairment losses on property, plant and equipment and intangible assets                         | (66.949)         | (66.942)         | (66.552)         | (63.340)         | (61.570)          | (62.286)         | (57.611)         |
| <i>of which: impact of Purchase Price Allocation</i>   | (18.237)         | (18.237)         | (18.227)         | (15.405)         | (15.405)          | (15.405)         | (15.405)         |
| Net impairment losses on property, plant and equipment and intangible assets excluding impact of PPA | (48.712)         | (48.705)         | (48.325)         | (47.935)         | (46.165)          | (46.881)         | (42.206)         |
| <b>Operating costs</b>   | <b>(612.332)</b> | <b>(680.635)</b> | <b>(635.710)</b> | <b>(684.492)</b> | <b>(620.730)</b>  | <b>(610.388)</b> | <b>(634.166)</b> |
| <b>Operating costs excluding impact of PPA</b>   | <b>(594.095)</b> | <b>(662.398)</b> | <b>(617.483)</b> | <b>(669.087)</b> | <b>(605.325)</b>  | <b>(594.983)</b> | <b>(618.761)</b> |
| <b>Net operating income</b>  | <b>370.389</b>   | <b>497.803</b>   | <b>432.359</b>   | <b>461.719</b>   | <b>430.609</b>    | <b>545.395</b>   | <b>451.814</b>   |
| <b>Net operating income excluding impact of PPA</b>  | <b>403.798</b>   | <b>540.119</b>   | <b>469.805</b>   | <b>495.396</b>   | <b>466.381</b>    | <b>587.674</b>   | <b>489.514</b>   |
| Net impairment losses on loans   | (102.868)        | (93.299)         | (59.657)         | (163.782)        | (65.703)          | (51.602)         | (61.834)         |
| Net impairment losses on other assets and liabilities  | 2.122            | 3.517            | (10)             | (20.236)         | (2.437)           | (4.802)          | (1.096)          |
| Net provisions for liabilities and charges   | (13.100)         | (17.431)         | (8.489)          | (18.379)         | (5.973)           | (2.853)          | (10.750)         |
| Profit (loss) from disposal of equity and other investments  | 1.196            | 21.708           | 57.382           | 1.040            | 211               | 21.217           | 328              |
| <b>Profit (loss) on continuing operations before tax</b>   | <b>257.739</b>   | <b>412.298</b>   | <b>421.585</b>   | <b>260.362</b>   | <b>356.707</b>    | <b>507.355</b>   | <b>378.462</b>   |
| <b>Profit (loss) on continuing operations before tax excluding impact of PPA</b>                     | <b>291.148</b>   | <b>454.614</b>   | <b>459.031</b>   | <b>294.039</b>   | <b>392.479</b>    | <b>549.634</b>   | <b>416.162</b>   |
| Taxes on income for the period for continuing operations   | (120.023)        | (66.345)         | (160.740)        | (70.526)         | (163.646)         | (195.653)        | (167.438)        |
| <i>of which: impact of Purchase Price Allocation</i>   | 11.123           | 13.782           | 12.033           | 12.883           | 13.683            | 16.171           | 14.420           |
| Integration costs  | (16.954)         | (14.037)         | (14.420)         | (14.244)         | (6.176)           | (146.301)        | -                |
| <i>of which: staff costs</i>   | (14.735)         | (8.634)          | (9.889)          | (2.746)          | (2.676)           | (188.095)        | -                |
| <i>other administrative expenses</i>   | (8.288)          | (10.788)         | (10.402)         | (19.732)         | (6.125)           | (6.960)          | -                |
| <i>net impairment losses on tangible and intangible assets</i>                                       | (951)            | (718)            | (322)            | (357)            | (973)             | (25.877)         | -                |
| taxes  | 7.020            | 6.103            | 6.193            | 8.591            | 3.598             | 74.631           | -                |
| Profit (loss) of non current assets held for sale and discontinued operations net of tax             | -                | (11.029)         | -                | 291.925          | 38                | 16.868           | (284)            |
| Net profit for the period attributable to minority interests   | (19.908)         | (20.971)         | (27.155)         | (51.329)         | (22.654)          | (15.468)         | (17.427)         |
| <i>of which: impact of Purchase Price Allocation</i>   | 3.646            | 4.942            | 4.128            | 2.796            | 2.796             | 3.036            | 2.877            |
| Profit for the period attributable to the Parent Bank excluding impact of PPA                        | 119.494          | 323.508          | 240.555          | 434.186          | 183.562           | 189.873          | 213.716          |
| <b>Profit for the period attributable to the Parent Bank</b>   | <b>100.854</b>   | <b>299.916</b>   | <b>219.270</b>   | <b>416.188</b>   | <b>164.269</b>    | <b>166.801</b>   | <b>193.313</b>   |
| <i>Total impact of PPA on Income Statement</i>   | (18.640)         | (23.592)         | (21.285)         | (17.998)         | (19.293)          | (23.072)         | (20.403)         |

Some items in the income statement relating to prior comparative periods have been subject to reclassification to take account of the alignment of the policies of some companies that were merged with Group accounting policies. The item "Net impairment losses on loans" in the fourth quarter of 2007 includes the impact of the change in the method for calculating collective impairment losses on performing loans, amounting to 85,1 million euro.

# Reclassified consolidated income statement net of the main non recurring items and net of result from trading, hedging and disposal/repurchase activities valued at fair value

|  | non recurring items |                   |                                  |  |                                |  |                                     | non recurring items                     |                |                   |                    |                                      |  |   | Changes A-B        | % Changes A/B    | 30.09.2008 net of non recurring items and net profit (loss) from trading, hedging and disposal/repurchase activities valued at fair value | 30.09.2007 net of non recurring items and net profit (loss) from trading, hedging and disposal/repurchase activities valued at fair value | Changes net of non recurring items and net profit (loss) from trading, hedging and disposal/repurchase activities valued at fair value |  |
|--|---------------------|-------------------|----------------------------------|--|--------------------------------|--|-------------------------------------|---|----------------|-------------------|--------------------|--------------------------------------|--|---|--------------------|------------------|---|---|--|--|
|  | 30.09.2008          | Integration costs | Impairment of equity investments | "Tax redemption" "EC section" of the income tax form | Disposal of equity investments | Price adjustment on the sale of Branches | Impairment on signature engagements | 30.09.2008 net of non recurring items A | 30.09.2007     | Integration costs | Leaving incentives | Other costs and IT system write-offs | Effect of supplementary pension reform | Disposal of equity investments and branches of Banca Carime |                    |                  |   |   |  | Impairment of equity investments and other items |
| Figures in thousands of euro   |                     |                   |                                  |  |                                |  |                                     |   |                |                   |                    |                                      |  |   |                    |                  |   |   |  |  |
| Net interest income (including impact of PPA)  | 2.203.603           |                   |                                  |  |                                |  | 2.203.603                           | 1.966.473                               |                |                   |                    |                                      |  |   | 1.966.473          | 237.130          | 12,1%   | 2.203.603   | 1.966.473  | 12,1%  |
| Dividends and similar income   | 69.994              |                   |                                  |  |                                |  | 69.994                              | 80.312                                  |                |                   |                    |                                      |  |   | 80.312             | (10.318)         | (12,8%)   | 69.994  | 80.312   | (12,8%)  |
| Profit (loss) on equity investments valued using the equity method                                     | 14.574              |                   |                                  |  |                                |  | 14.574                              | 24.038                                  |                |                   |                    |                                      |  |   | 24.038             | (9.464)          | (39,4%)   | 14.574  | 24.038   | (39,4%)  |
| Net commission income  | 899.041             |                   |                                  |  |                                |  | 899.041                             | 1.001.146                               |                |                   |                    |                                      |  |   | 1.001.146          | 102.105          | (10,2%)   | 899.041   | 1.001.146  | (10,2%)  |
| Performance fees   | -                   |                   |                                  |  |                                |  | -                                   | 4.605                                   |                |                   |                    |                                      |  |   | 4.605              | (4.605)          | (100,0%)  | -   | 4.605  | (100,0%)   |
| Net profit (loss) from trading, hedging and disposal/repurchase activities valued at fair value        | (49.704)            |                   |                                  | (7.055)  |                                |  | (56.759)                            | 79.443                                  |                |                   |                    |                                      |  |   | 79.443             | (136.202)        | n.s.  | (49.704)  | 79.443   | n.s.   |
| Net income on insurance operations   | 16.554              |                   |                                  |  |                                |  | 16.554                              | 27.933                                  |                |                   |                    |                                      |  |   | 27.933             | (11.379)         | (40,7%)   | 16.554  | 27.933   | (40,7%)  |
| Other net operating income/(expense)   | 75.166              |                   |                                  |  |                                |  | 75.166                              | 109.152                                 |                |                   |                    |                                      |  |   | 109.152            | (33.986)         | (31,1%)   | 75.166  | 109.152  | (31,1%)  |
| <b>Operating income (including impact of PPA)</b>  | <b>3.229.228</b>    |                   |                                  | <b>(7.055)</b>                                       |                                |  | <b>3.222.173</b>                    | <b>3.293.102</b>                        |                |                   |                    |                                      |  |   | <b>3.293.102</b>   | <b>(70.929)</b>  | <b>(2,2%)</b>   | <b>3.278.932</b>  | <b>3.213.659</b>   | <b>2,0%</b>                                      |
| Staff costs  | (1.188.666)         |                   |                                  |  |                                |  | (1.188.666)                         | (1.141.862)                             |                |                   |                    | (49.396)                             |  |   | (1.191.258)        | (2.592)          | (0,2%)  | (1.188.666)   | (1.191.258)  | (0,2%)   |
| Other administrative expenses  | (539.568)           |                   |                                  |  |                                |  | (539.568)                           | (541.955)                               |                |                   |                    |                                      |  |   | (541.955)          | (2.387)          | (0,4%)  | (539.568)   | (541.955)  | (0,4%)   |
| Net impairment losses on property, plant and equipment and intangible assets (including impact of PPA) | (200.443)           |                   |                                  |  |                                |  | (200.443)                           | (181.467)                               |                |                   |                    |                                      |  |   | (181.467)          | 18.976           | 10,5%   | (200.443)   | (181.467)  | 10,5%  |
| <b>Operating costs (including impact of PPA)</b>   | <b>(1.928.677)</b>  |                   |                                  |  |                                |  | <b>(1.928.677)</b>                  | <b>(1.865.284)</b>                      |                |                   |                    |                                      |  |   | <b>(1.914.680)</b> | <b>13.997</b>    | <b>0,7%</b>   | <b>(1.928.677)</b>  | <b>(1.914.680)</b>   | <b>0,7%</b>                                      |
| <b>Net operating income (including impact of PPA)</b>  | <b>1.300.551</b>    |                   |                                  |  |                                |  | <b>1.293.496</b>                    | <b>1.427.818</b>                        |                |                   |                    |                                      |  |   | <b>1.378.422</b>   | <b>(84.926)</b>  | <b>(6,2%)</b>   | <b>1.350.255</b>  | <b>1.298.979</b>   | <b>3,9%</b>                                      |
| Net impairment losses on loans   | (255.824)           |                   |                                  |  |                                |  | (255.824)                           | (179.139)                               |                |                   |                    |                                      |  | 11.610  | (167.529)          | 88.295           | 52,7%   | (255.824)   | (167.529)  | 52,7%  |
| Net impairment losses on other assets and liabilities  | 5.629               | 6.432             |                                  |  |                                | (8.524)                                  | 5.629                               | (8.335)                                 |                |                   |                    |                                      |  | 5.085   | (3.250)            | 6.787            | n.s.  | 5.629   | (3.250)  | (208,8%)   |
| Provisions for liabilities and charges   | (39.020)            |                   |                                  |  |                                |  | (39.020)                            | (19.576)                                |                |                   |                    |                                      |  |   | (19.576)           | 19.444           | 99,3%   | (39.020)  | (19.576)   | 99,3%  |
| Profit (loss) from disposal of equity and other investments  | 80.286              |                   |                                  | (78.808)   |                                |  | 1.478                               | 21.756                                  |                |                   |                    | (21.246)                             |  |   | 510                | 968              | 189,8%  | 80.286  | 510  | 189,8%   |
| <b>Profit (loss) on continuing operations before tax (including impact of PPA)</b>                     | <b>1.091.622</b>    |                   | <b>6.432</b>                     | <b>#####</b>   |                                | <b>(8.524)</b>                           | <b>1.003.667</b>                    | <b>1.242.524</b>                        |                |                   |                    | <b>(49.396)</b>                      | <b>(21.246)</b>                        | <b>16.695</b>   | <b>1.188.577</b>   | <b>(184.910)</b> | <b>(15,6%)</b>  | <b>1.060.426</b>  | <b>1.109.134</b>   | <b>(4,4%)</b>                                    |
| Taxes on income for the period for continuing operations   | (347.108)           |                   |                                  | (73.832)   | 7.545                          | 2.344                                    | (411.051)                           | (526.737)                               | 0              | 0                 | 16.301             | 554                                  | 3.169                                  | (506.713)   | (95.662)           | (18,9%)          |   |   |  |  |
| Integration costs  | (45.411)            | 45.411            |                                  |  |                                |  |                                     | (152.477)                               | 126.461        | 26.016            |                    |                                      |  |   |                    |                  |   |   |  |  |
| of which: staff costs  | (33.258)            | 33.258            |                                  |  |                                |  |                                     | (190.771)                               | 188.747        | 2.024             |                    |                                      |  |   |                    |                  |   |   |  |  |
| other administrative expenses  | (29.478)            | 29.478            |                                  |  |                                |  |                                     | (13.085)                                | 0              | 13.085            |                    |                                      |  |   |                    |                  |   |   |  |  |
| net impairment losses on tangible and intangible assets  | (1.991)             | 1.991             |                                  |  |                                |  |                                     | (26.850)                                | 0              | 26.850            |                    |                                      |  |   |                    |                  |   |   |  |  |
| taxes  | 19.316              | #####             |                                  |  |                                |  |                                     | 78.229                                  | (62.286)       | (15.943)          |                    |                                      |  |   |                    |                  |   |   |  |  |
| Profit (loss) of non current assets held for sale and discontinued operations net of taxes             | (11.029)            |                   |                                  |  | 11.029                         |  |                                     | 16.622                                  | 0              | 0                 | 0                  | (16.646)                             | 0                                      | (24)  | (24)               |                  | n.s.  |   |  |  |
| Net profit for the period attributable to minority interests   | (68.034)            | (2.566)           | 0                                | 6.115  | 554                            | (1.831)                                  | 900                                 | (64.862)                                | (55.549)       | (9.858)           | (33)               | 1.725                                | 2.214                                  | (81)  | (61.582)           | 3.280            | 5,3%  |   |  |  |
| <b>Profit for the period attributable to Parent Bank</b>   | <b>620.040</b>      | <b>42.845</b>     | <b>6.432</b>                     | <b>(67.717)</b>                                      | <b>#####</b>                   | <b>9.198</b>                             | <b>(5.280)</b>                      | <b>527.754</b>                          | <b>524.383</b> | <b>116.603</b>    | <b>25.983</b>      | <b>(31.370)</b>                      | <b>(35.124)</b>                        | <b>19.783</b>   | <b>620.258</b>     | <b>(92.504)</b>  | <b>(14,9%)</b>  |   |  | <b>(1,3%)</b>                                    |