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PRESS RELEASE

2011-2013/2015 INDUSTRIAL PLAN

- **Quality combined with profitability at the basis of the new Industrial Plan**
- **UBI sets net profit targets (excluding the effect of PPA) close to 700 million euro in 2013 and above 1,1 billion euro in 2015 with a ROTE of 10% in 2013 and 14,9% in 2015**
- **Net Profit including the effect of PPA is expected above 600 million euro in 2013 and close to 1,1 billion euro in 2015, with a ROTE of 9% in 2013 and 14,1% in 2015**
- **These results will be achieved through:**

  - growth in operating income: to 4,2 billion€ in 2013 and to approximately 5 billion€ in 2015
  - containment of operating expenses at current levels: approximately 2,5 billion€ notwithstanding investments during the plan period of 700 million euro
  - the achievement of a cost/income ratio (excluding the effect of PPA) of 56,7% in 2013 and 48,2% in 2015
  - a high quality capital mix: a common equity ratio of 8,2% in 2013 and 8,9% in 2015
  - maintenance of a low risk profile:
    writedowns against net loans: 0,45% in 2013, 0,40% in 2015
    financial leverage: 15,6x in 2013, 14,6x in 2015
  - improved structural balance between financial assets and liabilities through growth in lending consistent with growth in funding: loans/direct funding[1] of 100% in 2013 and 96% in 2015

- **Dividends:**
  - payout >50% on each yearly net profit
  - dividend per share increasing constantly
  - cumulative dividends over the time span of the plan higher than the amount of the share capital increase
- **The Management Board exercises its powers to increase the share capital by a maximum of one billion euro**

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Bergamo, 13th May 2011 – Today the Management Board and the Supervisory Board of UBI Banca have approved the Group Industrial Plan containing strategic guidelines and operating, financial and capital targets for the period 2011-2013/2015.

Industrial Plan guidelines and objectives

In the current market context, banking products and services are easily replicated and subject to increasingly greater regulatory constraints in a sector which is structurally mature. This context strengthens the UBI Group's belief that it can further affirm its distinctiveness within Quality.

[1] Funding net of repos with Cassa di Compensazione e Garanzia

The Industrial Plan is based on the following <u>guidelines</u>, designed to maximise quality in its various aspects, as follows:

- optimising the structure of capital
- a stronger structural balance between assets and liabilities
- innovation in the distribution model
- redefinition of the roles of the product companies in terms of:
  - specialisation and complementarity with the network banks' commercial offer;
  - a change of focus by external networks on the acquisition of new customers to be directed to the network banks to increase customer loyalty and rates of cross-selling;
  - optimization of the product companies' financial structure and structural balance
- maintenance of the current level of expense although with significant investments
- consolidation of the low risk profile
- strengthening of the already firm dividend policy.

It sets the following <u>targets</u>:

- financial targets:
  - a swift return to profit levels consistent with the cost of capital
    - ✓ ROTE[2] 2013: 10,0%
    - ✓ ROTE[2] 2015: 14,9%
  - maintenance of high capital solidity
    - ✓ common equity ratio 2013: 8,2% (Basel 3, fully phased-in)
    - ✓ common equity ratio 2015: 8,9% (Basel 3, fully phased-in)
  - stronger asset and liability structural balance
    - ✓ loans/direct funding[1] 2013: 100%, 2015: 96%
    - ✓ a net interbank position tending to zero
- the Industrial Plan also aims at:
  - improving customer satisfaction;
  - strengthening a sense of Group identity among employees;
  - heightening the general perception by customers, personnel, investors and local communities that UBI Banca = "a High Quality Bank"

The Industrial Plan targets

Assumptions

The Industrial Plan sets targets for 2015. The 2013 targets are given as a guide to the market.

The Industrial Plan projections were developed:
- on the basis of the macroeconomic scenario below;

Macro-economic scenario (%)	2010	2013	2015	Δ 2010-2013	Δ 2010-2015
Italian GPD	1,2	1,3	1,3		
Euro-zone inflation	1,6	2,0	2,0		
ECB reference rate (end of year)	1,00	2,50	3,25	+1,50	+2,25
Euribor 1M (yearly average)	0,57	2,48	3,35	+1,91	+2,78

- <u>without including extraordinary operations;</u>
- <u>without taking account of the hypothesis of conversion of the 2009-2013 convertible loan</u>
- <u>all data include the effects of PPA unless otherwise stated.</u>

[2] Excluding the effects of Purchase Price Allocation

Growth in profitability

The Industrial Plan estimates an increase in net profit (excluding the effects of PPA) to approximately 700 million euro in 2013 and to over 1,1 billion euro in 2015. Net profit, including the effects of PPA, is expected to grow to over 600 million euro in 2013 and to approximately 1,1 billion in 2015.
The objective of value creation in terms of EVA is of approximately 100 million euro in 2013 and 580 million euro in 2015.

Key indicators	2010	2013	2015	∆ 2010-2013	∆ 2010-2015
ROTE ex PPA [1]	3,5%	10,0%	14,9%	+6,5 pp	+11,4 pp
ROTE [2]	2,0%	9,0%	14,1%	+7,0 pp	+12,1 pp

1) Return on Tangible Equity calculated as the ratio between net income and tangible equity (year-end shareholders' equity excluding earnings, net of intangible assets) 2) Including the effects of PPA

The Plan includes the distribution of <u>cumulative dividends higher than the amount of the capital increase, based on a payout constantly higher than 50% of every year's net profit and on a constantly increasing dividend per share over the whole Industrial Plan period.</u>

The plan involves the following:

(i) <u>growth in assets consistent with growth in liabilities</u>

Volumes (euro bn)	2010	2013	2015	CAGR 2010-2013	CAGR 2010-2015
Direct funding from customers	106,8	114,0	123,2	+2,2%	+2,9%
Direct funding from customers excluding CCG	97,5	110,1	123,2	+4,2%	+4,8%
Indirect funding from customers	78,1	90,1	98,7	+4,9%	+4,8%
Loans to customers	101,8	110,3	118,5	+2,7%	+3,1%

(ii) <u>growth with low risk profiles</u>

Volumes (euro bn)	2010	2013	2015	CAGR 2010-2013	CAGR 2010-2015
RWA*	94,4	98,7	100,7	+1,5%	+1,3%

* Estimated according to Basel 3 and taking into consideration the effects of the adoption of the Advanced Model (IRB Advanced)

Growth in risk weighted assets will be lower than growth in lending, also thanks to the Group's focus on low risk profile customers.

<u>Structural balance</u>

The Industrial Plan provides for the strengthening of the structural balance of the Group as follows:

- ✓ ratio of loans to customers to direct funding (net of funding through the *Cassa di Compensazione e Garanzia*): from 105% in 2010 to 100% in 2013 and to 96% in 2015.
- ✓ net interbank position tending to zero
- ✓ Liquidity Coverage Ratio and Net Stable Funding Ratio compliant with Basle III regulations within the Industrial Plan's time span, in advance compared to Basle III set timing for their introduction.

(iii) a focus on increased asset profitability, (iv) the maximisation of economies of scale through the containment of costs and (v) confirmation of the historically high credit quality.

Consolidated income statement (euro bn)	**2010***	**2013**	**2015**	**CAGR, Δ 2010-2013**	**CAGR, Δ 2010-2015**
Operating income	3.5	4.2	5.0	+6,6%	+7,4%
Operating expenses	2.4	2.5	2.5	+0,8%	+0,4%
Net operating income	1.1	1.7	2.5	+17,9%	+18,7%
Cost income	69.5%	58.8%	49.7%	-10,7pp	-19,8pp
Cost income ex PPA	66.2%	56.7%	48.2%	-9,5pp	-18,0pp
Net write downs on loans / Total loans to customers	0.69%	0.45%	0.40%	-0,24pp	-0,29pp
Net income	0.1	> 0,6	~ 1,1	~ +81%	~ +60%
Net income ex PPA	0.2	~ 0,7	> 1,1	~ +54%	~ +44%

Figures net of non recurring items

The results do not include any extraordinary operations

All figures include the effect of PPA if not otherwise stated

Growth in operating income

Profitability is expected to increase during the period, with growth in operating income up from 3,5 billion euro in 2010 to 4,2 billion euro in 2013 and to approximately 5 billion euro in 2015.
It must be underlined that an interest rate scenario more favourable by 50 basis points compared to Industrial Plan assumptions would generate an increase in operating income of approximately 100 million euro in 2013 and 120 million euro in 2015.

The plan is designed to increase Group income also through strategic initiatives which will enhance the Group's distribution capacity and its strong customer base. These include:

- a new "hour-glass" shaped distribution model, which combines the best features of the conventional "hierarchical" and "portfolio" models to create synergies from interaction between the different markets and the distribution network through co-ordination performed by new Territorial Areas. The model also involves the introduction of Head Branches coordinating Aggregate Branches which together with mini-branches[3] will give a finer more focused coverage of local markets;

- a market segmentation which will allow those segments of customers currently not served in an optimal way to be reached with high value added services;

- "mass market machine": the introduction within retail branches of a joint pool of account managers and operational staff for the management of mass market customers, with the consequent release of retail account managers which will be dedicated to commercial development. The initiative will involve 2,5 million customers and approximately 5.500 branch personnel and will allow approximately 700 staff currently employed in branches to focus on the acquisition of new customers. It is forecast that the "mass market machine" will result in the acquisition of 28.000 customers per year and increase in cross selling from 3,2 to 3,5 in 2015.

[3] Compared to Aggregate Branches, Compared to Aggregate branches, mini-branches have no administrative autonomy; moreover, account managers are not specialized by market and do not look after complex customers (eg SMEs)

- the Pricing Excellence Project: this project will improve structured management of pricing, designed to close the gap with the sector nationally. For example at the beginning of 2011, the interest rates applied by the UBI Group to household loans and to non financial companies loans were respectively 53 and 29 basis points lower than the average for an Italian Banking Association sample.

In addition to the above, the following initiatives are designed to support the acquisition and to consolidate the retention of customers:

- acceleration of the integrated multi-channel distribution project. An increase is planned in the number of the QuiUBI internet banking service users at a prudently estimated CAGR of 14,5% over the plan period;
- the development of high value added customised products and services such as the more flexible modular current account to meet customer requirements, in place of bundled accounts, and also a broad range of advisory services (private banking, corporate, etc.).

At the same time, the Industrial Plan also involves a significant effort to streamline and/or automate internal operational and administrative processes and sales processes in order to shorten customer response times and improve transparency and clarity in contracts and regulations. This is also strongly focused on reducing costs.

The above initiatives will be accompanied and facilitated by intense personnel training, with 100.000 person days per year planned.

Trends for personnel

Personnel retraining for commercial roles and increases in operating efficiency will allow a net reduction in Group personnel numbers of approximately 1.000, of which 800 in addition to those already planned for 2011. Total personnel numbers will therefore fall from approximately 19.700 in 2010 to approximately 18.700 in 2015. Furthermore, the net reduction already includes over 1.000 new appointments during the plan period, to support generation turnover and allow personnel management action needed to support career growth and cover markets.

Performance of operating expenses

Action taken to improve efficiency will allow operating expenses to remain stable even with capital expenditure of 700 million euro to support growth and innovation.

On aggregate the Industrial Plan will result in slight growth in operating expenses from 2,4 billion euro in 2010 at a CAGR between 2010 and 2013 of +0,8% and a CAGR between 2010 and 2015 of +0,4%.

- Personnel expense, amounting to 1,4 billion euro in 2010, is expected to increase at a CAGR between 2010 and 2013 of +1,8% and a CAGR between 2010 and 2015 of +1,0%, due to the combined effect of a reduction in staff numbers over the plan period, of developments in the national labour contract renewal scenario, of the increase - in relation to higher expected productivity/profitability - of the variable portion of remunerations and of expenses incurred for personnel training and retraining.

- Other administrative expenses of 770 million euro in 2010 will reduce at a CAGR between 2010 and 2013 of -1,3% and at a CAGR between 2010 and 2015 of -0,8% as a result of the centralisation of product company supply procurement (action affecting 30% of other administrative expenses) and specific action taken to rationalise and optimise spending. The projections include an ISTAT increase in inflation estimated at 2% annually.

- Depreciation and amortisation are expected to grow at a CAGR for 2010-2013 of +1,4% and a CAGR for 2010-2015 of +0,1% as a result of approximately 700 million euro of capitalised expenditure planned during the plan period, focused mainly on the development of IT platforms and support for business (approximately 220 million euro).

The combined effect of all these actions is expected to produce an improvement in the cost/income ratio (excluding of the effects of PPA) from 56,7% in 2013 to 48,2% in 2015, and from 58,8% to 49,7% respectively including the effects of PPA.

Credit quality

The plan involves specific organisational and technological initiatives, which include the following:

- Proactive management of non-performing loans:
    - the implementation of a technologically advanced IT platform to manage the life cycle of problem loans;
    - a revision of the organisational model to refine operating processes, differentiated by loan exposure and type of loan;
    - segmentation and division of positions into portfolios assigned to account managers who are allocated specific recovery budgets.

- maximisation of problem loan credit quality:
    - a new management by objectives approach which allocates a budget for the management of problem loan portfolios and electronic “problem loan sheets” to monitor the objectives set at the branch or corporate centre level of each network bank.

- Extension of the credit monitoring model
    - structural reduction of loan impairment rates by extending efficient Group models for use in the main product companies.

This action will lead to a further improvement in the already historically high level of credit quality to allow the following to be achieved during the plan period:
- a reduction in deteriorated loans from 5,3 billion euro in 2010 to 4,9 million euro in 2015. Problem loans are expected to rise until the end of 2011 and then progressively fall over the plan period;
- a further reduction in the ratio of impairment losses on loans to total loans to customers from 0,69% in 2010 to 0,40% in 2015.

Capital ratios

Basel III and Advanced Models

The Industrial Plan estimates take full account of the new regulations introduced by Basel III and of the change to advanced models, in line with the scheduled gradual implementation.
More specifically with regard to the advanced models, the plan also factors in the change to internal models to determine capital requirements for operational and credit risks according to the following time schedule:

- in 2011 the adoption of an advanced model for operational risks;
- in 2012 the adoption of internal models for credit risk in the network banks and Centrobanca on the corporate segment;
- in 2013 the extension of the use of corporate models to include UBI Leasing;
- in 2014 the extension of the use of corporate models to include UBI Factor;
- in 2015 the extension of the use of internal models to include retail exposures.

Estimates of the impact of the new Basel III regulations result, when fully phased-in, in a negative impact on the Common Equity one ratio of approx. 50 basis points, which is fully offset by the estimated benefits of the adoption of internal rating models of approx. 75 basis points.

Capital ratios over the Industrial Plan period:

Capital ratios were estimated without considering an hypothesis of conversion of the Convertible Bond, which would account for further additional 64 bps of Common Equity and would bring the Common Equity ratio in 2015 to 9,5%.

Capital Ratios	**2010**	**2013**	**2015**
Common Equity ratio	6,95%	8,2%	8,9%
Tier 1	7,47%	8,3%	8,9%
Total Capital ratio	11,17%	12,7%	11,7%

* * *

The Management Board exercises its powers to increase the share capital by a maximum of one billion euro.

The Management Board of Unione di Banche Italiane S.c.p.a., following authorisation by the Supervisory Board, also passed a resolution to implement the authorisation conferred on it by the Shareholders' Meeting of 30th April 2011 to increase the share capital, in more than one issuance by payment in cash, by a maximum amount of one billion euro inclusive of the share premium. It set 31st December 2011 as the ultimate time limit for the subscription of the newly issued shares.
The increase in question shall be performed by the issuance of ordinary shares with normal dividend entitlement, with option rights for the shareholders of UBI Banca and holders of the convertible bond issue "*UBI 2009/2013 convertibile con facoltà di rimborso in azioni*".

The final conditions of the issuance will be set in a subsequently by the corporate bodies, which will be convened in the days immediately before the commencement of the rights issue. On that occasion they will set the price per share for the subscription of the newly issued shares (inclusive of the share premium) and also the number of shares and the relative subscription ratio for the options, thereby determining the exact amount of the capital increase.

The Management Board also resolved to present the prospectus for the share issue to the Consob. Publication of that prospectus will be subject to prior authorisation by the Consob on the basis of the legislation and regulations in force.

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For further information:
UBI Banca
Investor relations – Tel. +39 035 3922217 External communications – Tel. +39 030 2433591 – cell +39 335 8268310
email: investor.relations@ubibanca.it; relesterne@ubibanca.it
Copy of this press release is available on the website www.ubibanca.it