

10 May 2009 - 07:42:44 PM BST

COMPANY ALERT

UBI Banca

First thoughts on Q1-09 results

Results

Sell

Reuters:UBI.MI Exchange:MIL Ticker:UBI

Price (EUR)	11.48
Price target (EUR)	9.60
52-week range (EUR)	17.60 - 6.15
Market cap (EUR)	7,331
Shares outstanding (m)	639
DJ (.STOXXE)	230.0
Free float	1

FYE 12/31	2008A	2009E	2010E
Revenue (EUR)	4,310	4,223	4,454
PBT (EUR)	949	509	955
Stated Net Profit (EUR)	69	69	443
EPS Adjusted (EUR)	0.95	0.38	0.84
Dividend Yield (%)	3.0	0.7	3.0
P/E Adjusted (x)	10.8	29.9	13.6

On May 9th, UBI Banca disclosed Q1-09 figures and management will comment on them in a conference call May 11 at 3:30PM CET (Italy - +39 02 805 8811; UK +44 203 1474696; US +1 866 632 0328).

UBI Banca reported a Q1-09 net profit of Euro 24m (after a PPA effect of Euro 18m), better than our forecasts (Euro 18m), due to: (1) higher proceeds from dividends, associates and trading activities; (2) lower operating costs; (3) lower provisions on loan losses (LLPs). In line with our forecasts, bottom line has been penalized by Euro 75.4m (Euro 69m in Q1-09E) write-down on AFS stakes, like Intesa and A2A (whose market values, however, have already recovered and, if this favorable market performance is confirmed by June 30th, there might be a write-back in Q2-09 accounts).

Looking at the recurring operating lines, revenues were weak (-7% YoY), as we expected, while costs (-2% YoY) benefited from the integration of the IT system (allowing the exit of some temporary staff and a reduced depreciation).

Net interest income was in line with our forecast (Euro 715m), declining 7% YoY and 10% QoQ, as a result of spread contraction, but also because of the evolution of customer loans (+4% YoY and flat QoQ). Commissions (Euro 250m) were 4% lower than we expected (Euro 260m), decreasing 21% YoY and 11% QoQ; their poor performance has to be attributed to the weakness of asset management (AUM: -26% YoY) and also to the reduction of upfront fees (QoQ). LLPs reached Euro 160m, implying a provisioning level of 16bps (or 66bps annualized). These figures are below our Q1-09E of 18bps and our FY-09E of 86bps; however, we still think that real economy might worsen in H2-09, leading to an increase in the cost of credit for UBI Banca and for the system as a whole.

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