

# **Business Plan 2022**

**Milan**

**February 17, 2020**



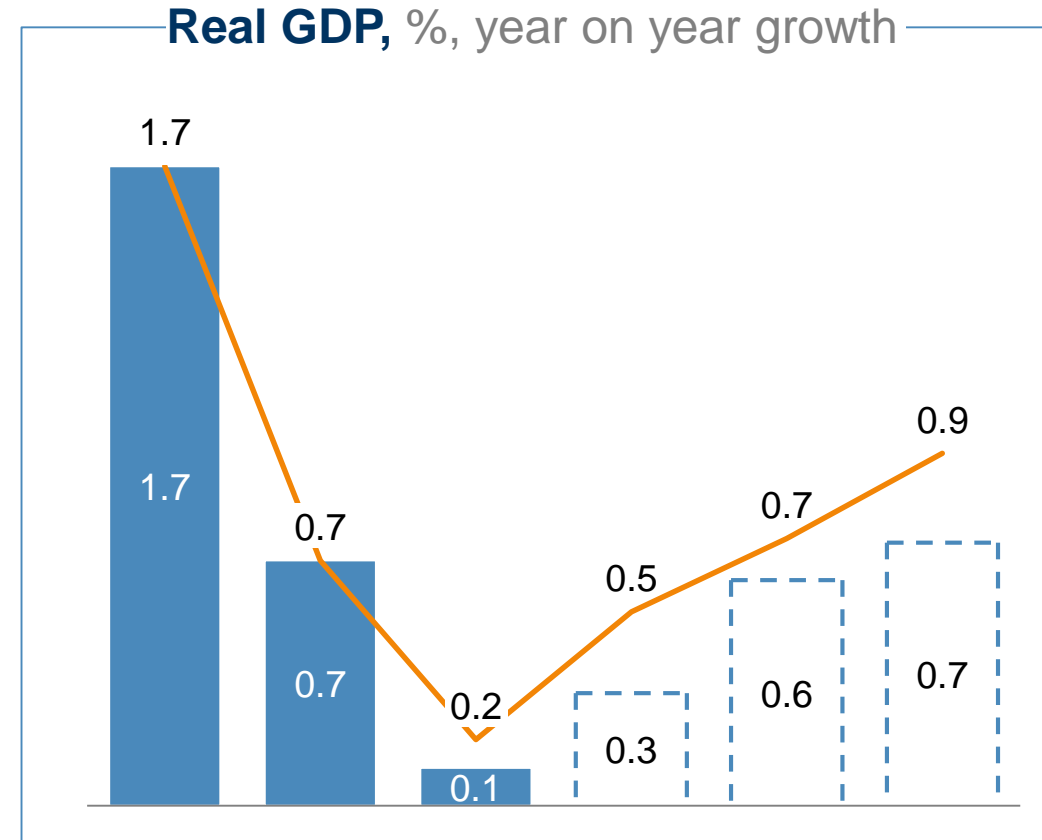
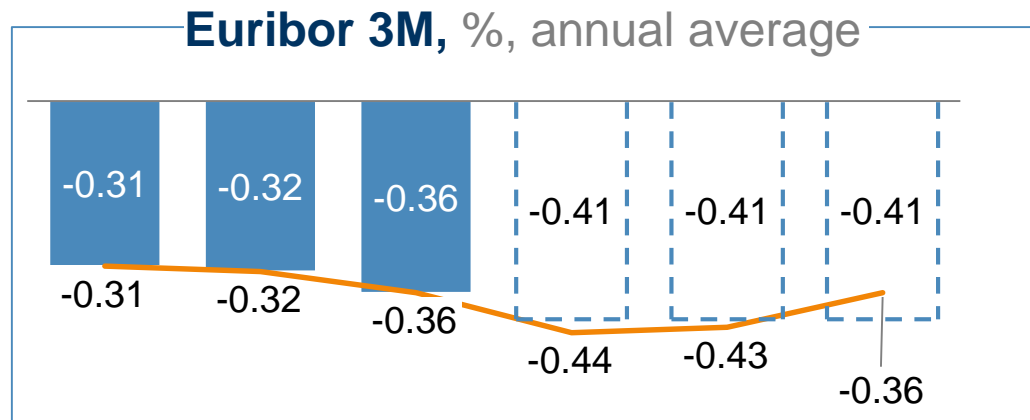
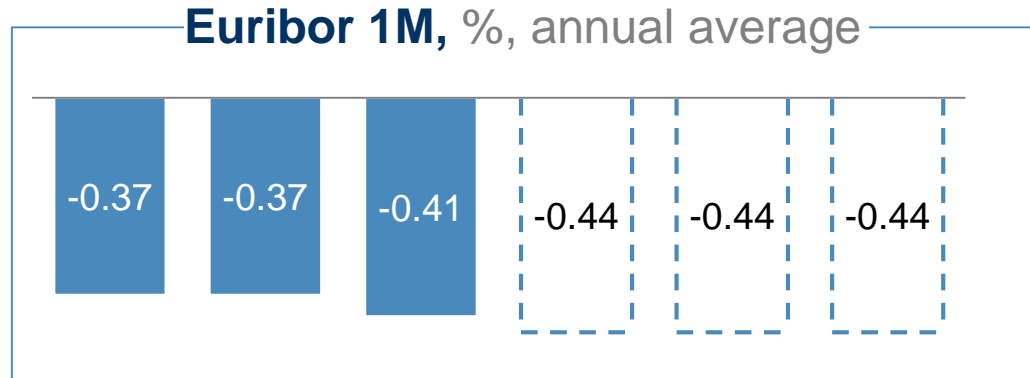


## Agenda

- » **UBI 2022: a value-creation plan based on a solid trajectory already started in 2019**
- » UBI 2022: a clear direction towards the future based on further de-risking, digitally-enabled cost reduction, and revenue protection
- » Closing remarks: a realistic plan based on conservative assumptions

# UBI 2022: a conservative macro-economic scenario, with no material improvement assumed over the next three years

— Consensus<sup>1</sup>



<sup>1</sup> Consensus for Euribor 3M defined using Euribor 3M futures as per 14 February 2020

<sup>2</sup> Forecast. Official data for FY 2019 will be available in March 2020

# UBI today: a strong player in the Italian context, with the DNA of a multi-specialist

## Trusted bank for Italian families

**3+**  
million

Retail customers (individuals and families), with growing satisfaction (from 56 in 2010 to 62 in 2019)<sup>1</sup>

**60%**

Gross banking volumes in Italian regions with above average GDP growth<sup>2</sup>

## Growth partner of the best Italian companies

**23**  
thousand

Corporate and CIB customers

**€30**  
billion

Loans to corporate and CIB customers



## Top Italian specialized lender

**10%**

Market share in CQS/CQP (salary and pension backed loan business)

**12%**

Italian Small Business clients served<sup>3</sup>

## Distinctive Wealth Manager

**4<sup>th</sup>**

WM in Italy in terms of AUM<sup>4</sup> among banking groups

**2,700**

Professional advisors to premium and private customers (including IW Bank)

**UBI has maintained a full-range of product factories, helping to boost commission revenues**

<sup>1</sup> Calculated through "UBINDEX", i.e., weighted sum of overall satisfaction, net promoter score, strength of client-bank relationship, and perceived positioning vs. competitors

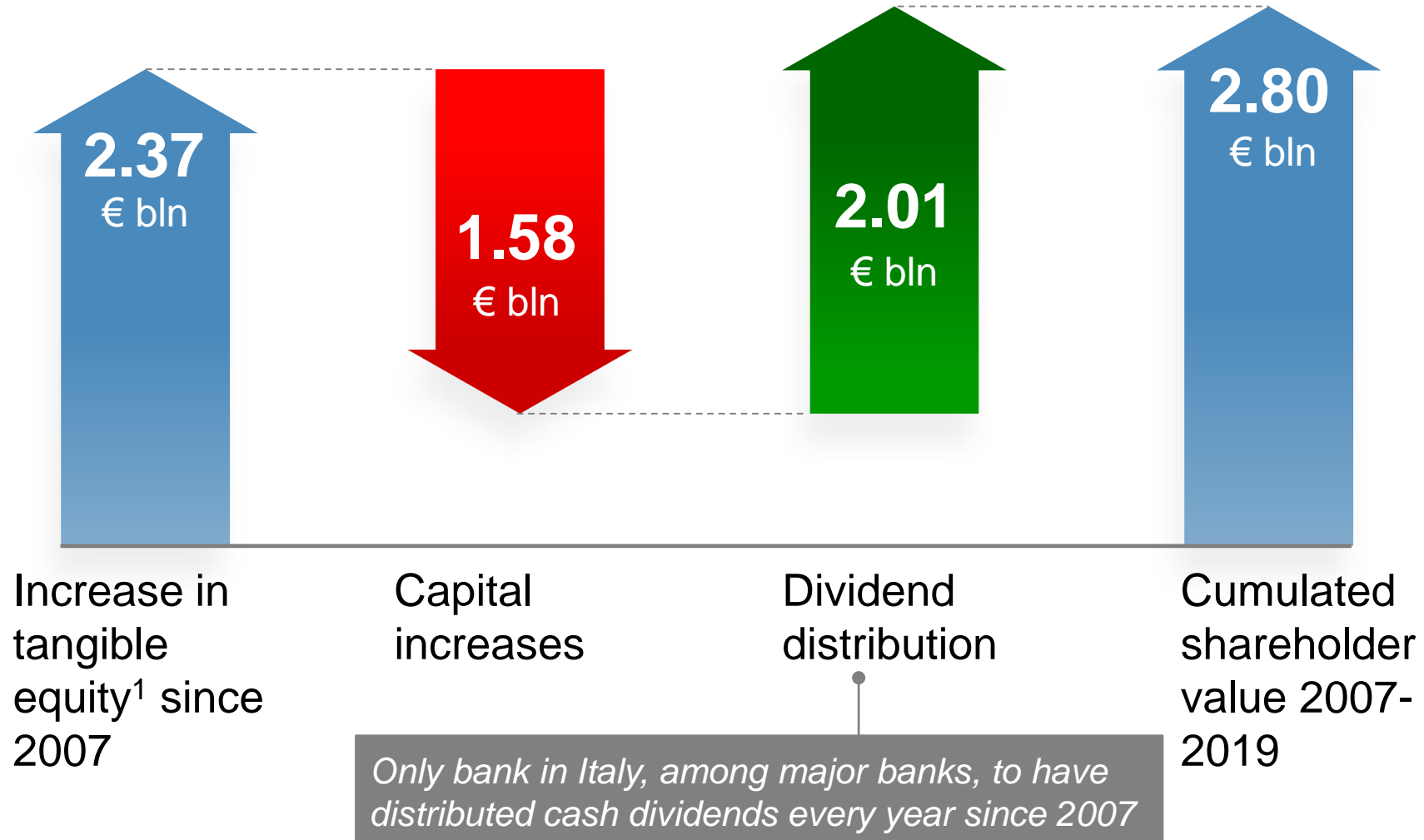
<sup>2</sup> Gross banking volumes calculated as the sum of loans and assets; analysis based on regional real GDP growth evolution between 2013 and 2017

<sup>3</sup> Small Business clients served over total Small Business clients in Italy

<sup>4</sup> Invested assets, excluding direct deposits and postal savings

# Since its inception, UBI Group has delivered ~2.8 € billion of shareholder value

€ billions



<sup>1</sup> 2019 tangible equity (including 2019 profit, net of 2019 proposed dividends to be paid in 2020) minus 2007 tangible equity (net of profit for the period)

# The key subsidiaries of UBI Banca: a complete service to the customer and a strong value reserve



## Ownership



## Ranking in Italy<sup>1</sup>



**65%** owned, in partnership with Prudential US Asset management company

**4<sup>th</sup>** among banking companies

**ZHONG OU**  
Asset Management

**25%** owned, Chinese partnership

**19<sup>th</sup>** by mutual funds and segregated accounts *and*  
**1<sup>st</sup>** by active equity mutual funds held by institutions

**PRESTITALIA**  
Gruppo UBI Banca

**100%** owned, salary backed loan company

**10%** market share in 2019



**100%** owned, leasing company

**4<sup>th</sup>** by outstanding (Dec 2018)



**100%** owned, factoring company

**6<sup>th</sup>** by outstanding (Sept 2019)



**100%** owned, online bank

**3<sup>rd</sup>** by traded equity volumes (Dec 2019)



**40%** owned, life bancassurance company  
*Partnership with Cattolica Assicurazione expiring in 2020*

**5<sup>th</sup>** by insurance portfolio



**20%** owned, life bancassurance company  
*Partnership with Aviva expiring in 2020*

**2<sup>nd</sup>** by Bancassurance (Dec 2018)



**100%** owned, life bancassurance company  
*Acquired with former Nuova Banca Etruria*

<sup>1</sup> Except for Zhong Ou Asset Management: ranking for China

# A responsible business approach based on a strong corporate culture



## “Fare Banca per Bene”

Sustainability is part of the DNA of the Group

**€6**  
billion

New Lending to Families and Small Businesses for social and environmental purposes in 2019

**€1.5**  
billion

Green and social bonds issued<sup>1</sup>

**10%**

Market share for loans to the third sector through a dedicated unit (i.e., UBI Comunità)

**53%**

Share of women hired in 2019

**#1**

"Gran Prix de la Mixité" among FTSE MIB companies in 2018

**GEI<sup>2</sup>**  
Bloomberg

Since 2020

**FTSE**  
**4Good**

Since 2014

**€2.6**  
billion

Socially responsible investments managed by Pramerica

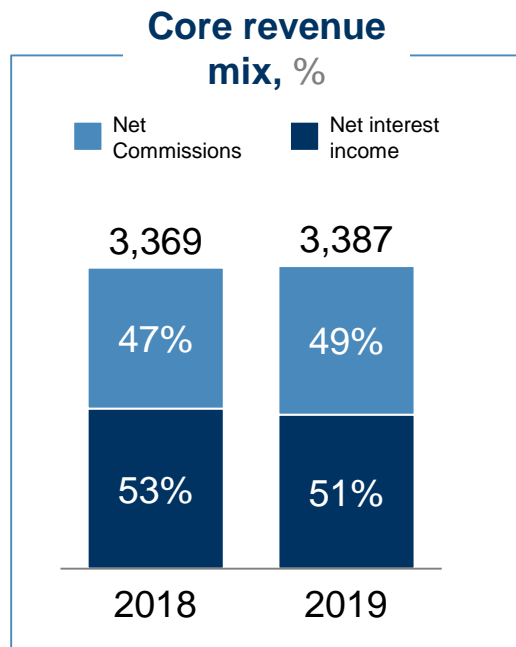
<sup>1</sup> Cumulated since 2012

<sup>2</sup> Gender Equality Index

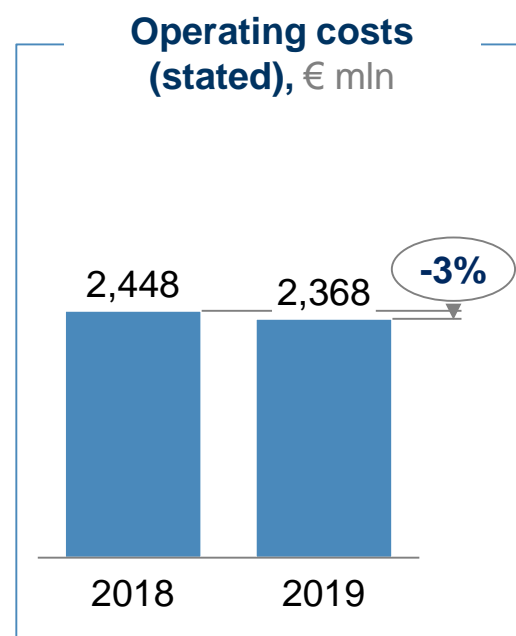
# UBI 2019: a solid starting point



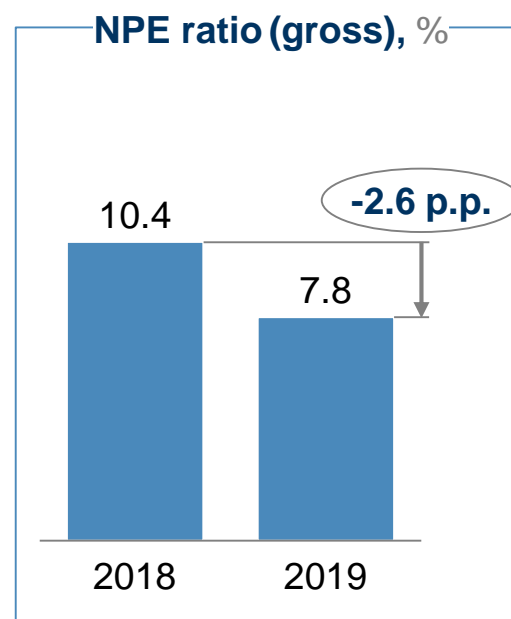
## Growing core revenues<sup>1</sup> with healthy mix



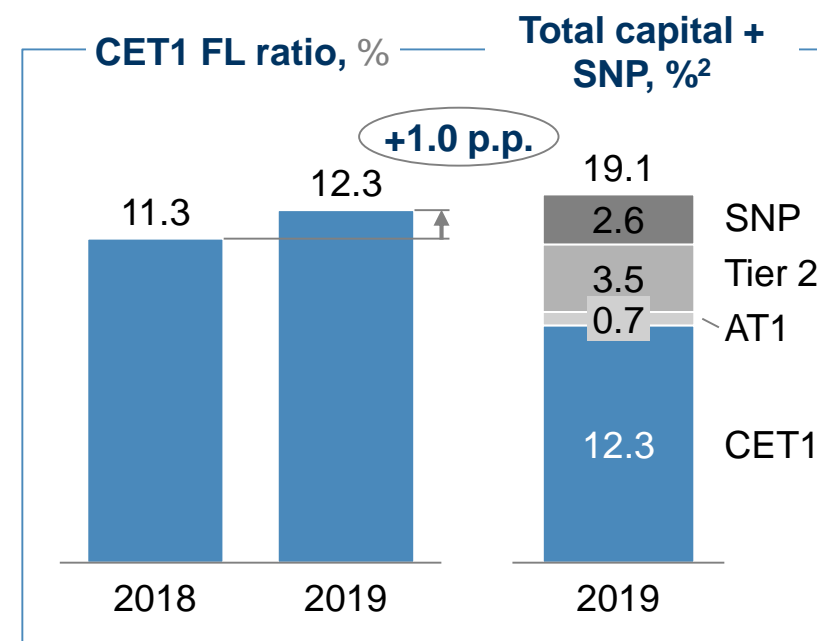
## Decreasing cost baseline



## Improving credit quality



## Growing capital ratio and strong protection for senior bondholders



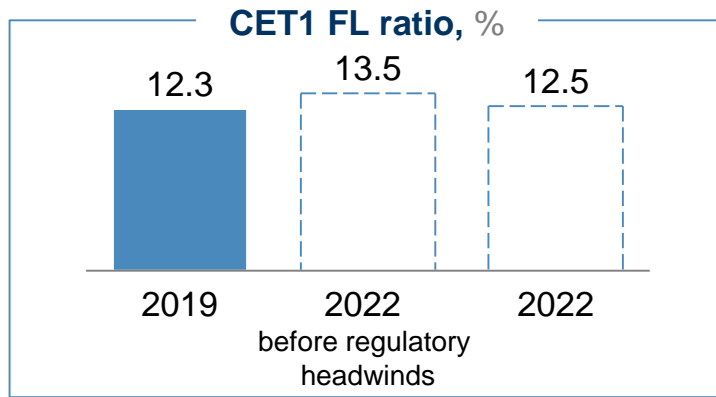
<sup>1</sup> Core revenues include net interest income and net commissions  
<sup>2</sup> AT1 issued in 2020 and included pro-forma in the calculation of the total ratio



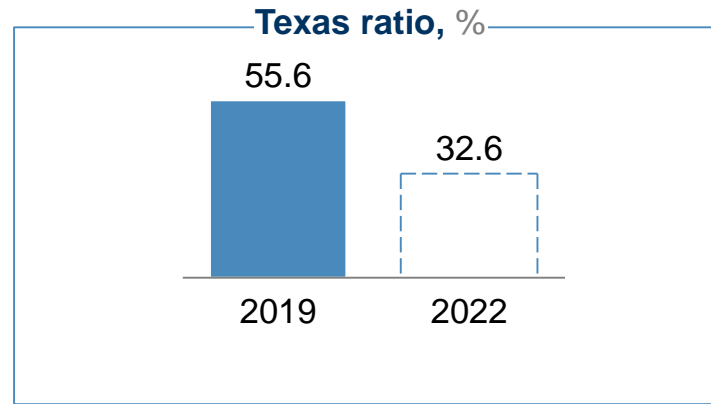
# UBI 2022 targets: a solid and attractive value creation plan



## Stronger capital



## Increased resilience

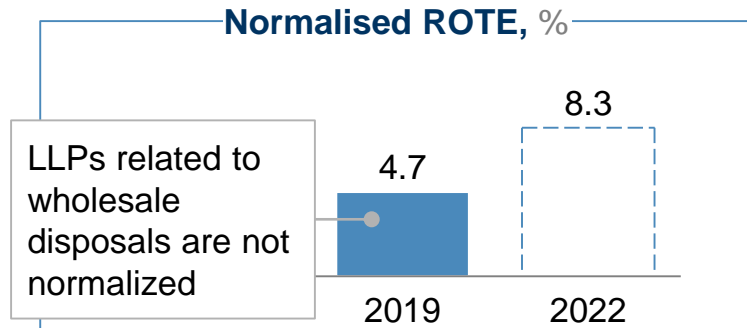


## Growing dividend over plan horizon

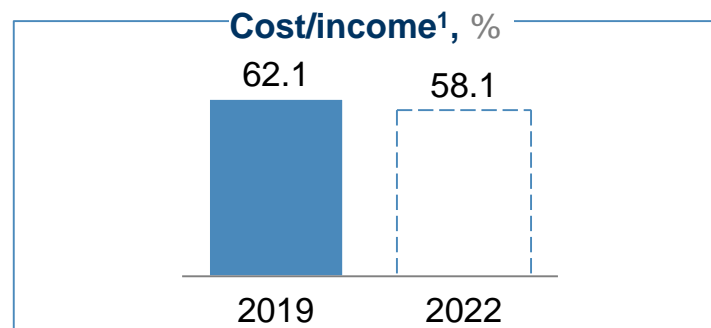
- Pay out ratio**
- Average pay out ratio over the 3 year plan of 40% of net profit, well balanced with the maintenance of a year-end CET1 ratio of 12.5%
  - In 2022 possible additional dividend increase if CET1 ratio >12.5%



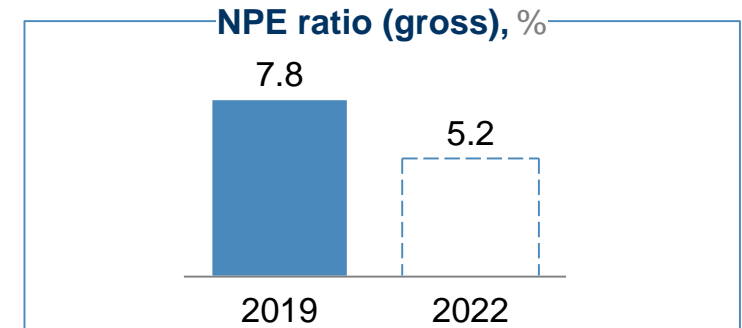
## Improved profitability



## Optimized operating structure



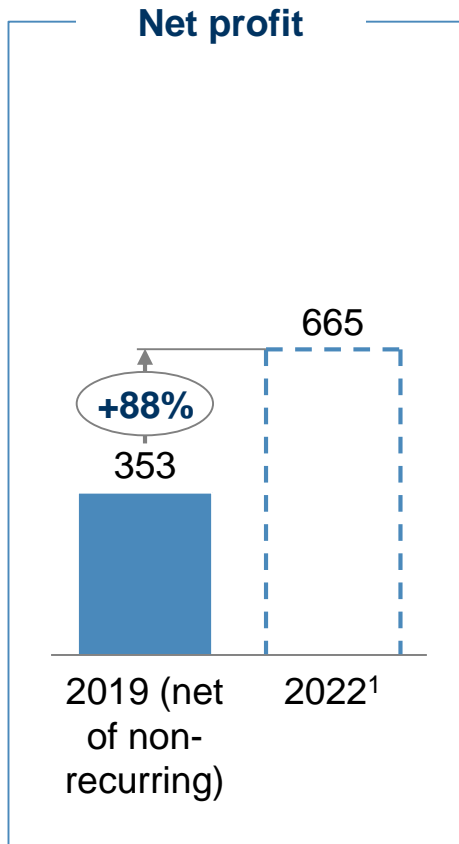
## Further improved credit quality



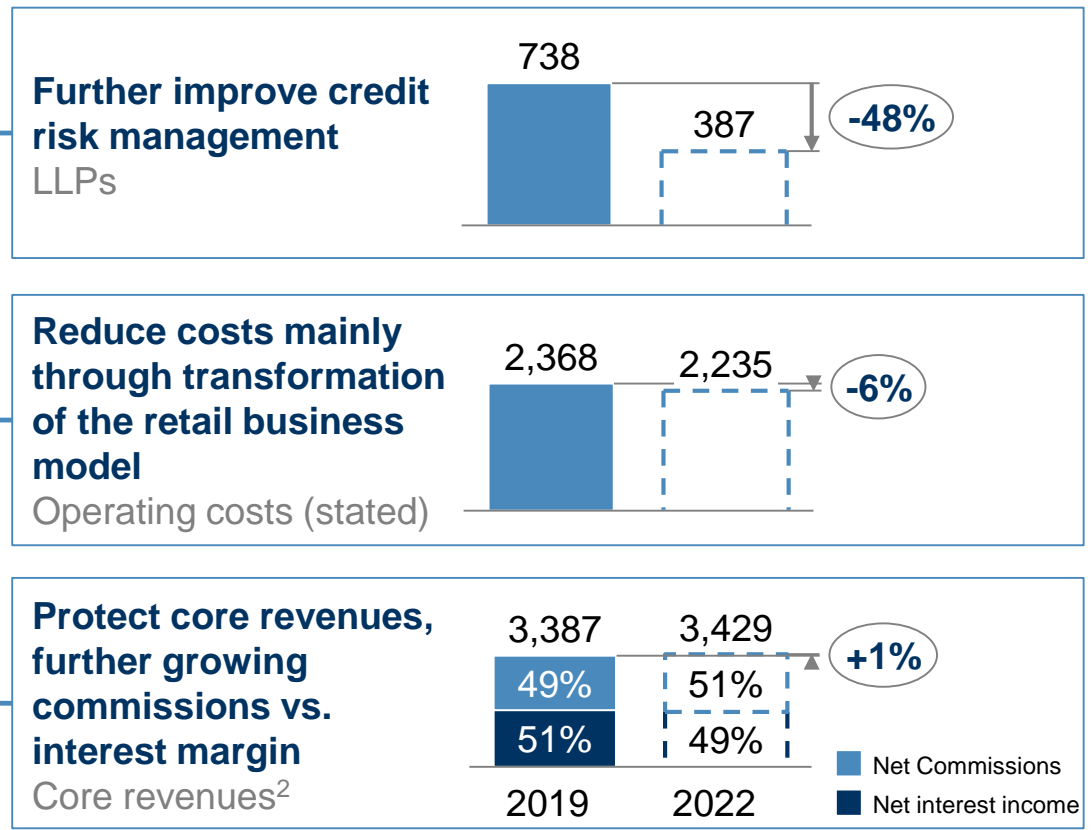
# Value creation based on further de-risking, digitally-enabled cost reduction and revenue protection, with growing investments to transform the business model

€ millions, percentage

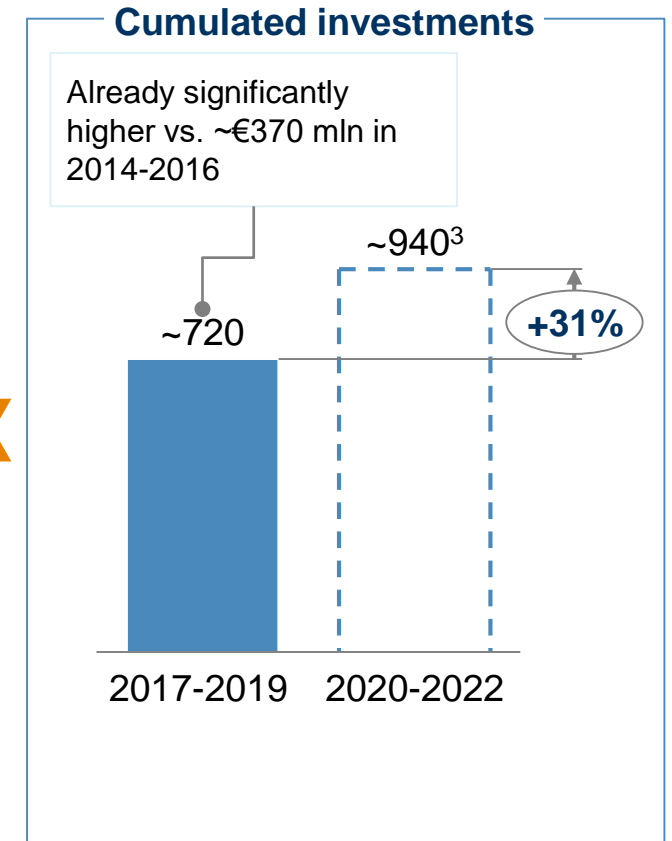
## Net profit increase...



## ...driven by concrete measures...



## ... with growing investments to transform the business model



<sup>1</sup> There are no non-recurring items in 2022

<sup>2</sup> Core revenues include interest margin and commissions

<sup>3</sup> Includes ~€240 mln of other administrative expenses and ~€700 mln of investments



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# UBI 2022: a clear strategic path, with focused efforts where we can truly be distinctive

A

**Further de-risk loan portfolio**



B

**Transform Retail business model** towards lower cost-to-serve and better service quality



C

**Invest in superior services to high-end customers**  
(Premium<sup>1</sup>, Private, Corporate and CIB)



**D Data and analytics** to support the transformation of the business model



**E Organize-to-innovate**, increasing the capacity to deliver sustainable change



**F Structural capital balance and flexibility**, driven by strong capital position, structural capital-liquidity balance and business flexibility



<sup>1</sup> Premium customers defined as customers with total financial assets between 100,000 and 500,000 €

# A Further de-risk loan portfolio: digitization of underwriting processes and new operating model for early delinquency

## Key strategic initiatives

Enhanced credit control through digitization/ automation of underwriting processes



- **Maintain a low risk portfolio** through accurate credit selection, in line with current strategies
- **Digitization and automation of credit underwriting**, leveraging on Artificial Intelligence, Robotics, Intelligent Optical Character Reader
- **Streamlining of credit underwriting processes**, through “fast tracks”, modular credit proposal and dynamic credit approval

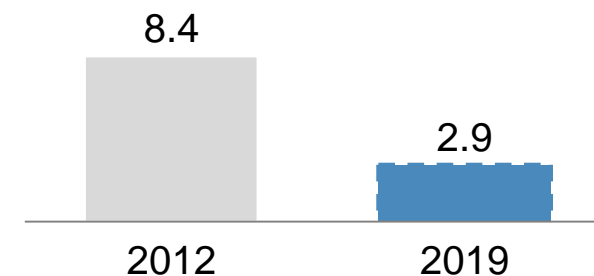
New operating model for early delinquency



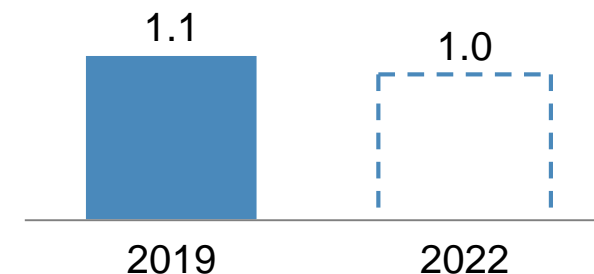
- **Optimization of early delinquency management** through investments in early warning systems and Advanced Analytics
- **Strengthening of the Retail early delinquency process** with centralized management of the position right from the first credit anomaly

## Target 2022

High-risk performing loans, % of total performing loans, mgmt accounts



Default rate<sup>1</sup>, %



<sup>1</sup> Gross flows of loans from performing loans to non-performing exposures / initial stock of gross performing loans

# A Further de-risk loan portfolio: enhancement of NPE recovery

## Key strategic initiatives

### Enhancement of NPE recovery

- Further improvement of NPE recovery and end-to-end NPE management, leveraging on an excellent in-house credit recovery platform

**2008** Centralization of bad loan recovery

**2017** Centralization of UTP management

**2020** Centralization of "high risk" and past-due clients

- Acceleration of NPE reduction through NPE campaigns and enhanced NPE tools, systems, and reporting



Dedicated FTE

170

270

50

490

## Target 2022

Recovery rate<sup>1</sup>, %

11.7

11.9

NPE stock (gross), € bln

6.8

4.5

NPE ratio (gross), %

7.8

5.2

Cost of risk, bps

87

46

2019

2022

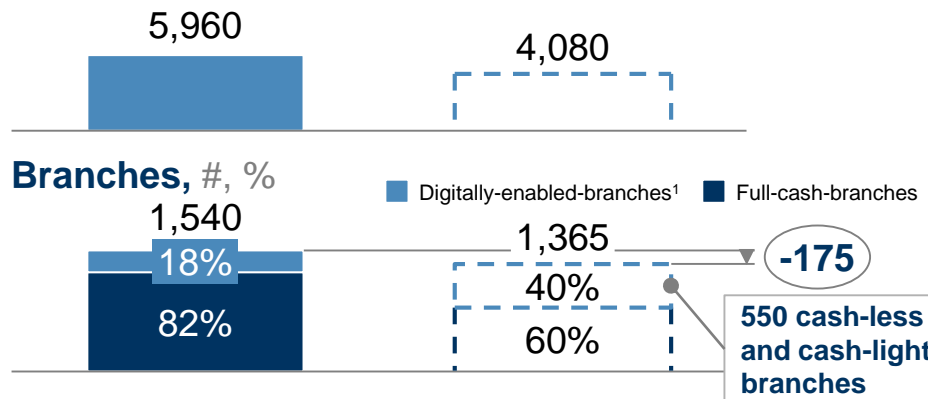
Decrease obtained **without** the need of additional whole-sale disposals (but including in 2020 SME sale initiated in 2019)

<sup>1</sup> Cash in and back to performing

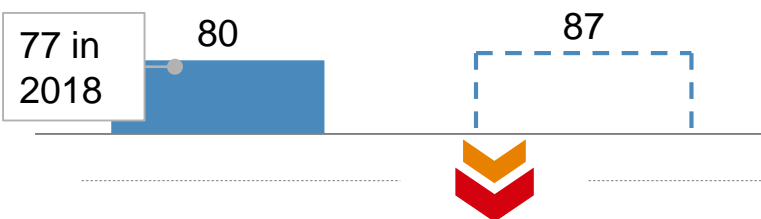
# B Transform Retail business model towards lower cost-to-serve and better service quality: an omnichannel business model

## Target 2022

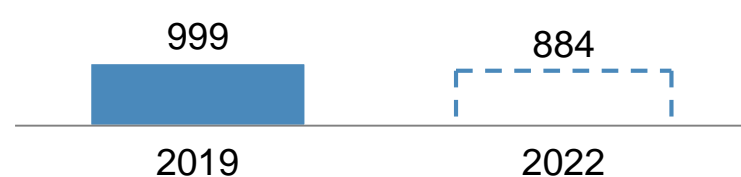
Physical Retail business: cashiers and commercial, partially redeployed, FTE



Transaction migration to digital channels<sup>2</sup>, %



Operating cost reduction in Retail Business<sup>3</sup>, € mln



## Key strategic initiatives

### Digital and omni-channel business model

- **Digitization and automation** of decision making, both commercial (e.g., Instant Lending) and non-commercial (e.g., controls)<sup>4</sup>
- **New customer journeys** (over 20 already active in 2019) on the omnichannel commercial engagement machine, already operational
- **Transaction migration** to digital channels (one third of branch transactions) further improving digital ratio

### Superior delivery and leverage on customer analytics

- **Strengthened product offer** (e.g., in bancassurance, instalment loans, etc.) and **online delivery**
- **Real-time targeting and customer insights** through further development of advanced analytics

### Branch footprint optimization

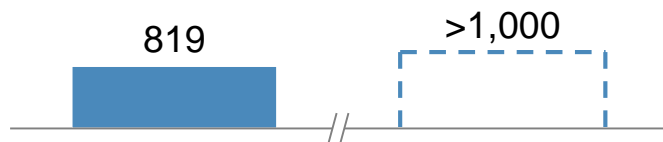
- **Branch footprint optimization** (-175 branches)
- **Further branch format roll-out and technological improvements** with 35% reduction of full-cash branches. Over 40% of branches (largest) totally refurbished by 2022

1 Cash-less and cash-light branches 2 Digital ratio, calculated as # digitally enabled operations executed over the year via direct digital channels (i.e., ATM, internet and mobile) / # digitally enabled operations executed over the year (digitally enabled, i.e., available on direct channels). For individuals, it includes withdrawals (<€500), payments, bank transfers, other operations (e.g., MAV)  
 3 Operating cost of Households and Individuals segment, including attribution of corporate center costs  
 4 Also refer to page 19 for commercial and non-commercial digital processes

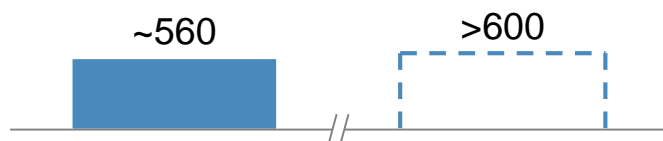
# B Transform Retail business model towards lower cost-to-serve and better service quality: consolidate domestic leadership in specialized retail financing and enhance the relationship with Small Business customers

## Target 2022

New personal loans production, € mln



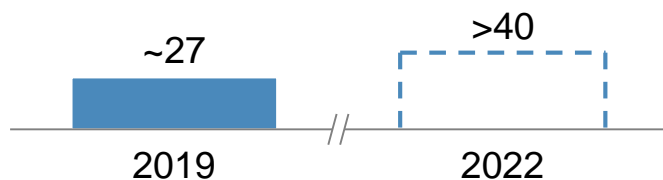
New Prestitalia production (CQS and CQP)<sup>1</sup>, € mln



Pre-approved number of Small Business customers, %



New SB customers (gross), '000



## Key strategic initiatives

**Digitization of customer acquisition**

- **Non captive consumer credit offer** linked to payment partnerships
- Salary backed and pension backed loans **digitization (CQS and CQP)**
- **Dedicated youth offer** and **mobile onboarding**

**Improved SB customer coverage**

- Dedicated **Remote RM for Small Business customers**
- **New business development** of Small Business customers through **advanced analytics**

**Enhanced acquisition and retention of SB clients**

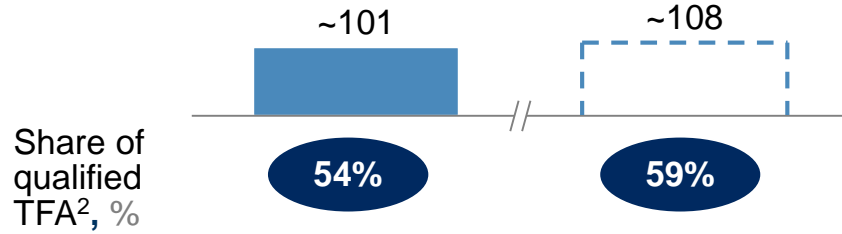
- Strengthened **network of developers** for Small Business customers (including business developers, partnerships best of the breed platforms to target new customers, e.g., Atoka)
- **Digital onboarding** of new customers, also through instant lending processes



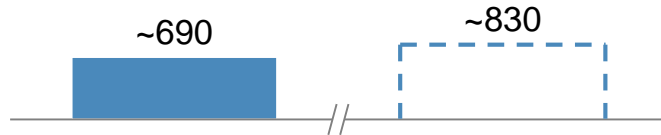
# C Invest in superior services to high-end customers: Premium and Private

## Target 2022

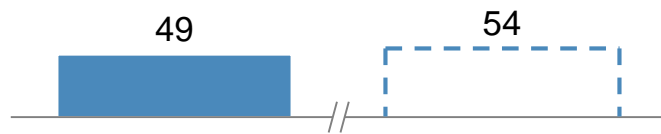
### Total financial assets (TFA)<sup>1</sup>, € bln



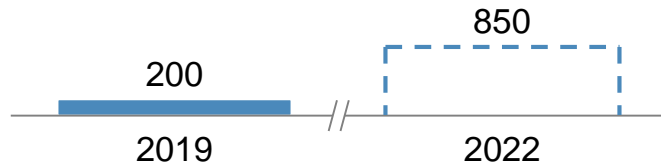
### Financial advisors in IW Bank<sup>3</sup>, #



### Return on assets<sup>4</sup>, bps



### Premium RMs with financial advisor certification, #



## Key strategic initiatives

### Strengthened service model

### Digitization of investment advisory

- **New advanced advisory** with "fee only" and "fee on top" service model in roll-out during 2020
- Staff training: **financial advisor certification** to be offered to all Premium Relationship Managers
- New **Wealth Advisory service** for Premium Relationship Managers leveraging on consolidated experience in Private Banking
- Further growth of **IW Bank financial advisors network** (net acquisition based on "open platform" model)
- **Advanced Analytics** and **account aggregation** services for SOW development

### Integrated product offer

- **Strengthened product offer** for Private (e.g., Lombard lending, attraction of off-shore assets, new products for structured finance and with focus on sustainability)
- **Top Private large client team** with **Family Office** and **Asset Protection services**
- **Enhancement of ESG offer** in the Asset Management factory

<sup>1</sup> Total assets (i.e., direct and indirect) of Premium and Private customers; it does not include TFA of IW Bank. No assumptions on performance effects

<sup>2</sup> AUM and insurance assets

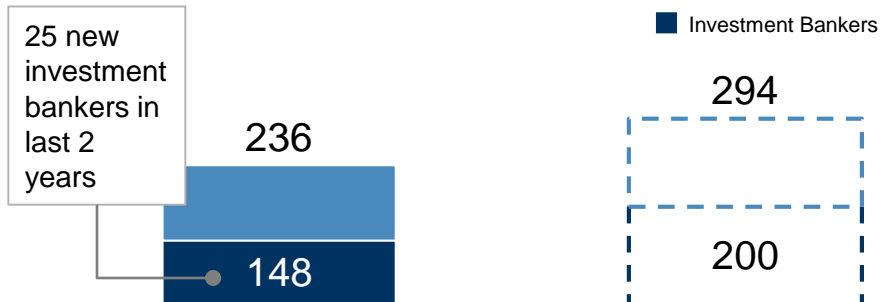
<sup>3</sup> "Promotori" in IW Bank

<sup>4</sup> ROA calculated on assets and loans of Top Private segment

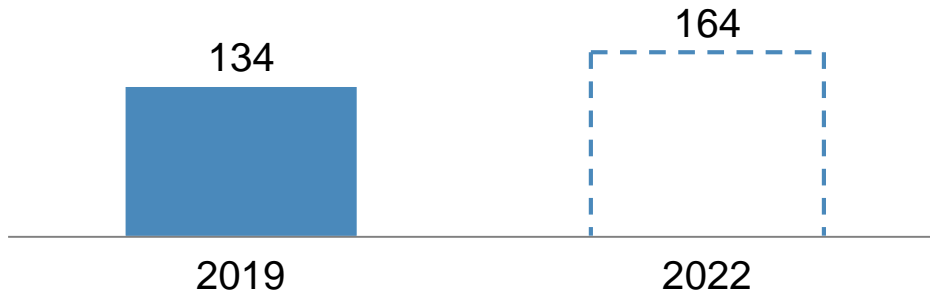
# C Invest in superior services to high-end customers: Corporate and CIB

## Target 2022

### CIB personnel (Investment Banking, Large Corporates, Global Markets), headcount



### CIB income (excluding lending and deposit margin), € mln



## Key strategic initiatives

### Enhanced service model for Mid-Corporate clients

- Further leverage on **new account planning (CRM) system** and product specialist integration
- **1,000 Top corporate clients** served with coverage teams (high-potential customers)
- **Targeted commercial actions** on clients with low Share of Wallet (SOW)

### Rebalanced portfolio

- **Focus on relationships** where UBI can achieve a "main bank" positioning
- **Optimized risk-return** with continued risk-adjusted pricing and commercial covenants

### New specialistic services for CIB segment

- Significant **growth of the Investment Banking component** focused on Mid Corporates and of its weight on revenues
- Development of an **Originate-To-Distribute model in Investment Banking** to further develop structured and corporate finance
- Upgraded **structured solutions and derivatives catalogue** (development of **Global Markets** platform)

## D Data and Analytics to support the transformation of the business model

**New Digital, Advanced Analytics, and Innovation teams**, strengthening existing partnerships with selected Fintech and Universities



**Commercial and non commercial processes enhanced through big data & Advanced Analytics**

### Commercial



- **Targeting and customer insights** through behavioural analytics
- Extension of **digital credit processes** with instant lending and automatic resolution
- Implementation of **Robo4Advisory** in Wealth Management
- **Client acquisition and retention** improvements through predictive modelling
- Data driven **pricing model**

### Non-commercial



- Automation of **compliance and audit controls**
- Digitization of **finance processes**
- **Anti-Money-Laundering (AML)** transaction monitoring assisted with analytics
- **Know-Your-Customer**
- Advanced **early-warning systems**

# D New Digital, Analytics and Innovation teams to deliver the transformation

## Key Strategic initiatives

### Robust data governance



- **New enterprise Data Lake and data quality governance framework** already in place to support business decision (e.g. automatic credit eligibility)
- **Evolution of the Data Lake** leveraging on innovative technologies and capabilities

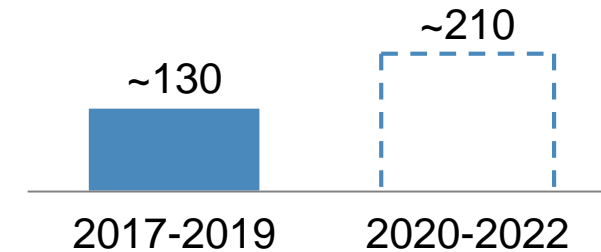
### Innovation Hub and partnership with Fintechs



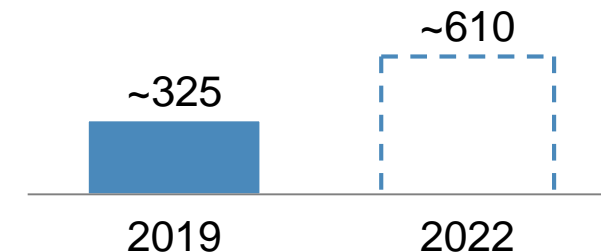
- **Enhancement of the Innovation Hub** to scout, incubate, and accelerate innovation projects across the Group, assessing more than 250 FinTech companies every year:
  - **Partnership agreements signed with accelerators and incubators** (e.g., Plug & Play, FinTech District) and partnerships **with 7 start-ups**
  - **Further strengthening of partnerships and collaboration programs** with Fintech and Universities

## Target 2022

### Investments in Digital<sup>1</sup>, € mln



### Internal digital factory, # headcount

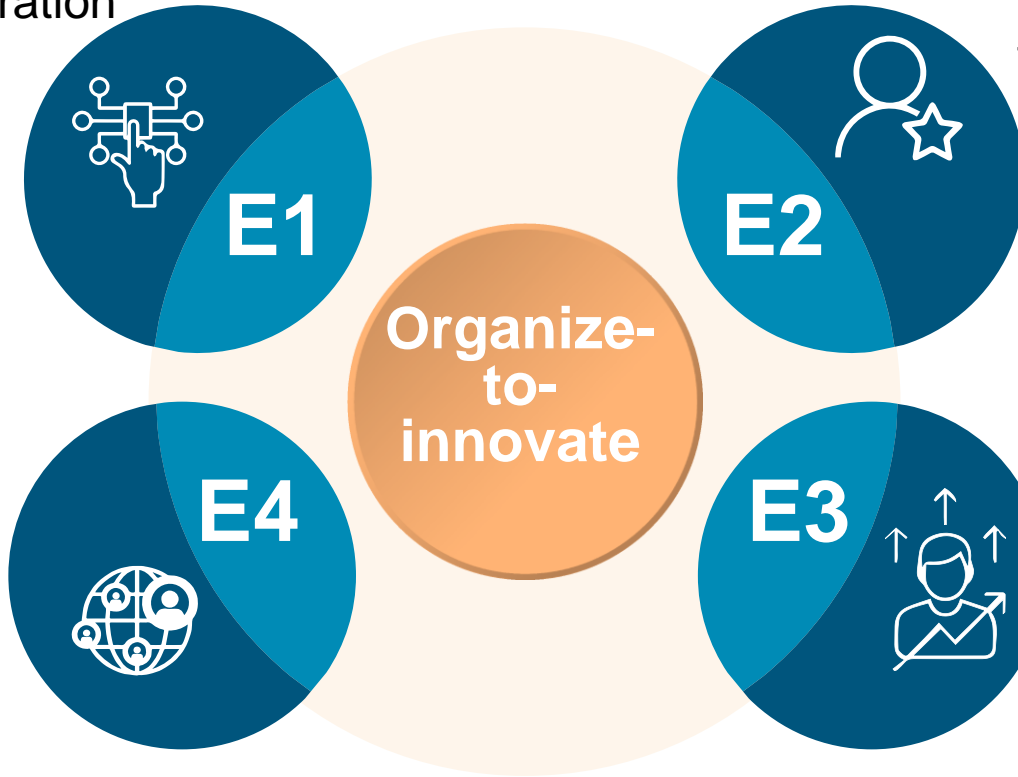


<sup>1</sup> Includes investments in process digitization, innovation, and network automation

# E Organize-to-innovate: increasing the capacity to deliver sustainable change

## Upgrade of the IT factory

through investments in cloud, cybersecurity, and next-generation IT processes



**Up/Re-skilling factory** to cultivate new talents, ensure internal workforce rotation and foster a new "Agile" way of working

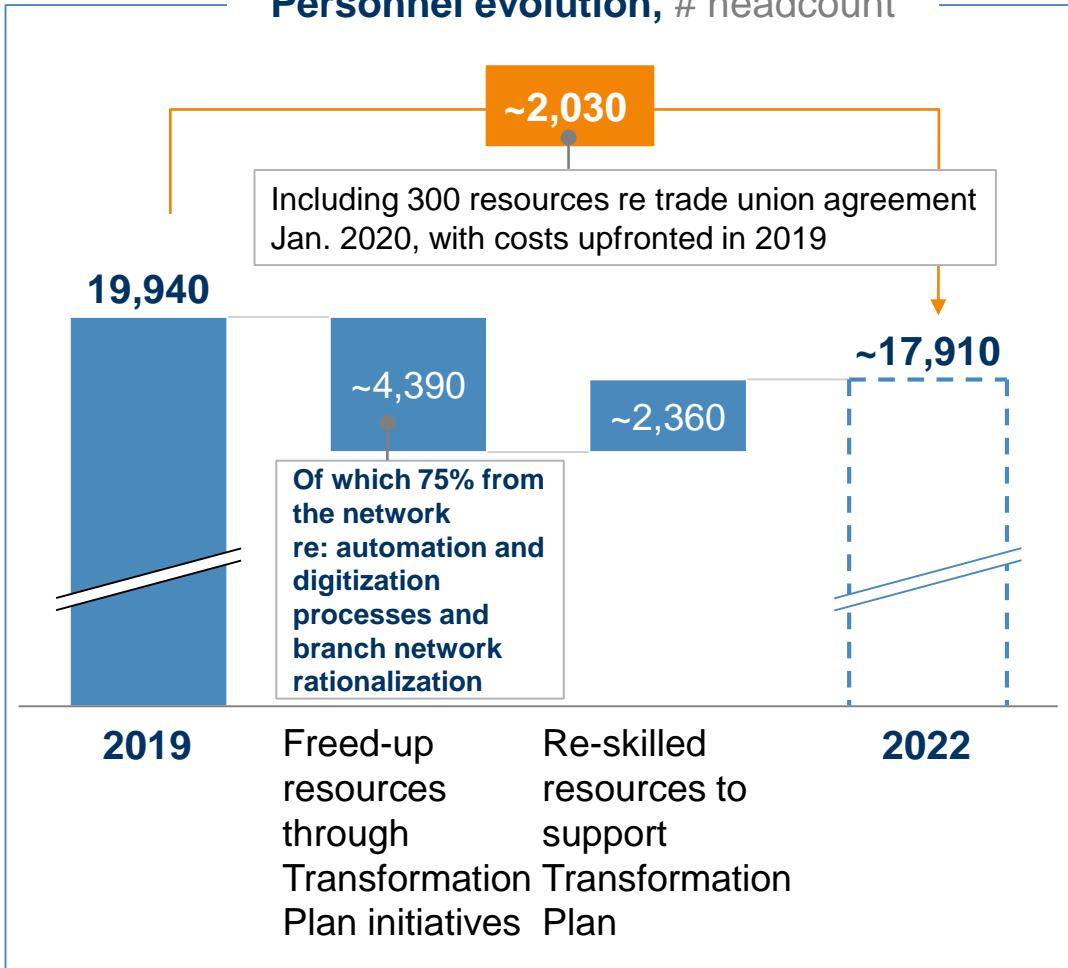
## Dedicated sustainability team

to ensure deployment of new sustainability themes across the organization

**Enhancement of human capital** to promote employees' growth, well-being, and health

# E2 Up/Re-skilling factory created to cultivate new talents and ensure internal workforce rotation

Personnel evolution, # headcount



## Initiatives

- ⇓ Automation of **non-commercial activities** (e.g., ⇓⇓ *Branch Tellers*, ⇓⇓ *Credit Administrators*)
- ⇑ Enhancement of **contact center, remote advice** and **specialized business functions** (e.g., ⇑ *Remote Teller*, ⇑ *Top Private*) and **first-line control units** (e.g., AML)
- ⇑ Creation of **new roles** (e.g., ⇑ *Digital Specialist*, ⇑ *Application Developer*)
- ⇑ Strengthening of **control functions** (e.g., within the *Security and Safety Governance Area*)

## Up/Re-skilling effort

~2,360 people to be up- and re-skilled:

~40% with significant reskilling effort (60,000 training days)

~60% with medium reskilling effort (20,000 training days)

Re-skilling extended to existing roles (e.g., branch managers in omnichannel environment)

*Broad adoption of the “Agile” approach to all core Digital & Analytics projects with cross functional teams and dedicated spaces (from 5% to >30% of new projects developed in an “Agile” way)*

# E3 Strong investments in human capital to promote employees' growth, well-being, and health

## Key strategic initiatives

Enhancement of digital learning programs



- “**Learning platform**” evolution (through *Massive Open Online Courses, Digital coach, Gamification learning, Chatbot*)
- **Partnerships with the most qualified Italian universities** and launch of secondment programs
- “**Mentor School**” aimed at developing junior and middle management resources

New career paths based on an innovative “Job Family Model”



- Review of the **competencies model** (skills and knowledge by role) of central units
- Design of **specific development paths** for each *Job Family* also through **horizontal rotations** and within Job Families
- Formalization of “**succession program**”

Investments on Talent Management



- Identification of **200 “future leaders”** (top 1%) and creation of a dedicated *community*
- Evolution of the “**Manager Academia**” with focus on “*future leaders*”
- Launch of a biannual session of the **Board of Directors** on “**People Strategy**”, focused on human capital development initiatives

Promotion of employee well-being and health

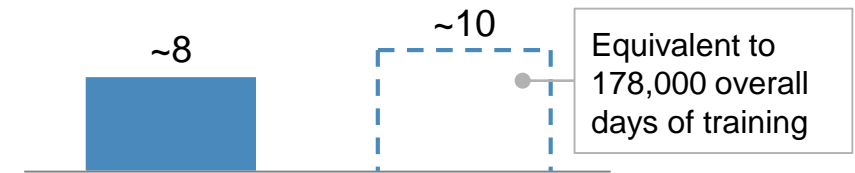


- Strengthening of services aimed at promoting **work flexibility**
- Renewal of **Welfare Platform** fostering use of corporate welfare
- Enhancement of **gender diversity** with focus on work-life balance
- Development of a dedicated **survey** on “health” level of the organization

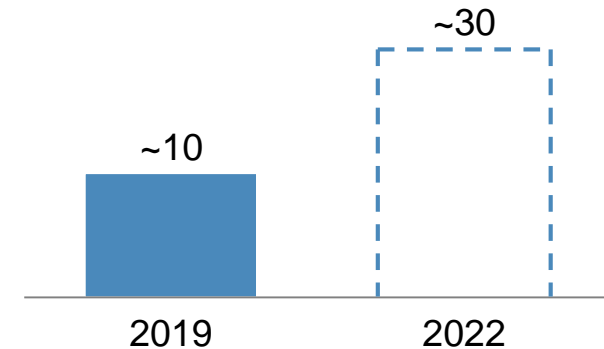


## Target 2022

Days of training per FTE, #



Days of Smart Working, # thousands



# E4 Dedicated sustainability team to ensure deployment of new sustainability themes across the organization

## Target 2022

**CSO**

Chief Sustainability Officer to coordinate Group-level sustainability efforts (2020)

**≥10%**

Variable remuneration linked to sustainability goals for top management

**€1.5 bln**

Lending linked to sustainability development in Italy in the next 3 years

**€2 bln**

New social and green bonds issued

**O<sub>2</sub>**

Complete "green" product catalogue (current account, mortgage, credit card, personal loan, investment products)

**-61%**

CO<sub>2</sub> emissions<sup>1</sup>

**55,000**

Beneficiaries of financial education programs delivered to the community

**+20%**

Increase in the share of women in managerial roles

**>25%**

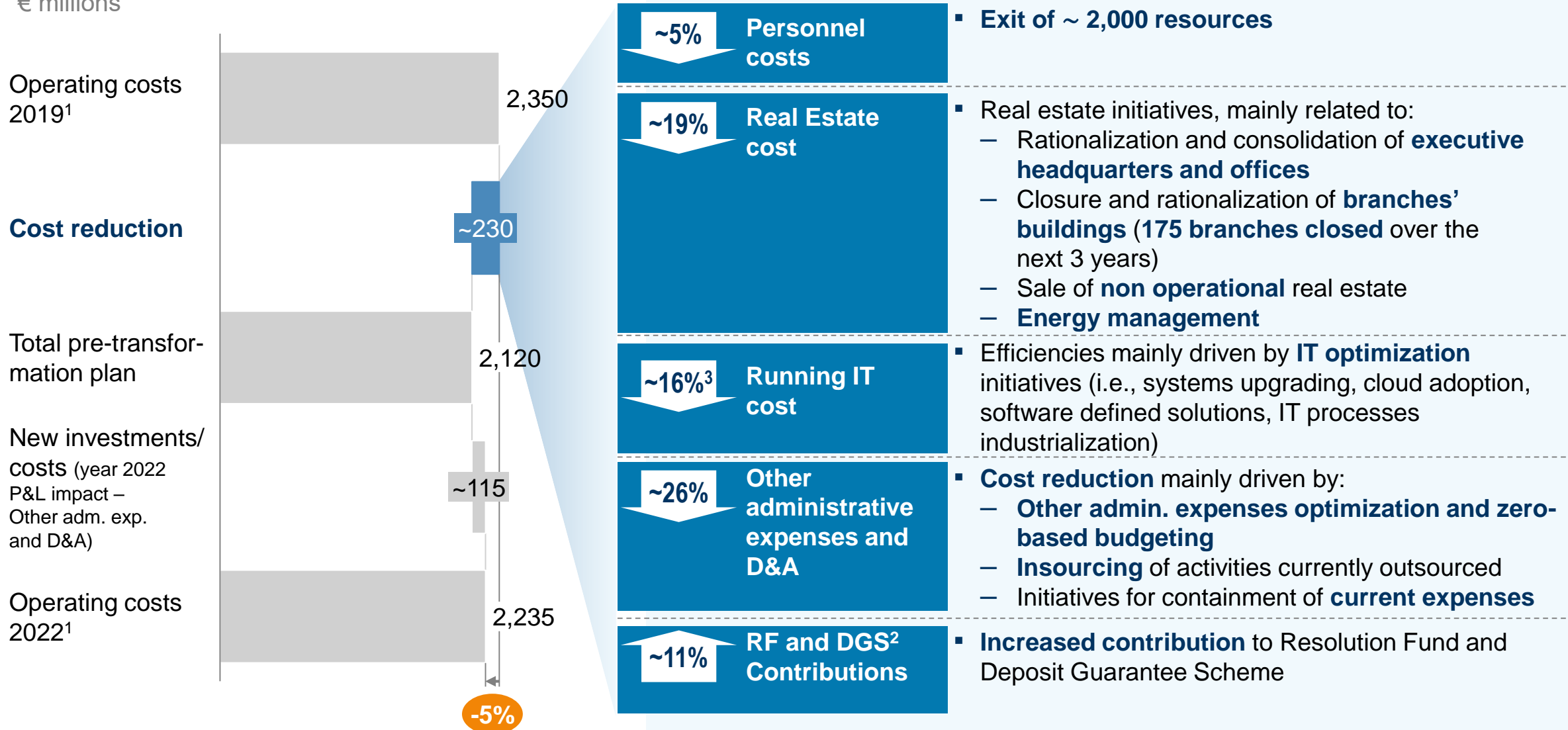
Of Pramerica UCI AUM in ESG strategies

<sup>1</sup> Scope 1 and Scope 2 market based vs 2007



# Cost evolution: -5% in operating costs, including the costs to self-fund the Transformation Plan (approx. -10% excluding Transformation costs)

€ millions



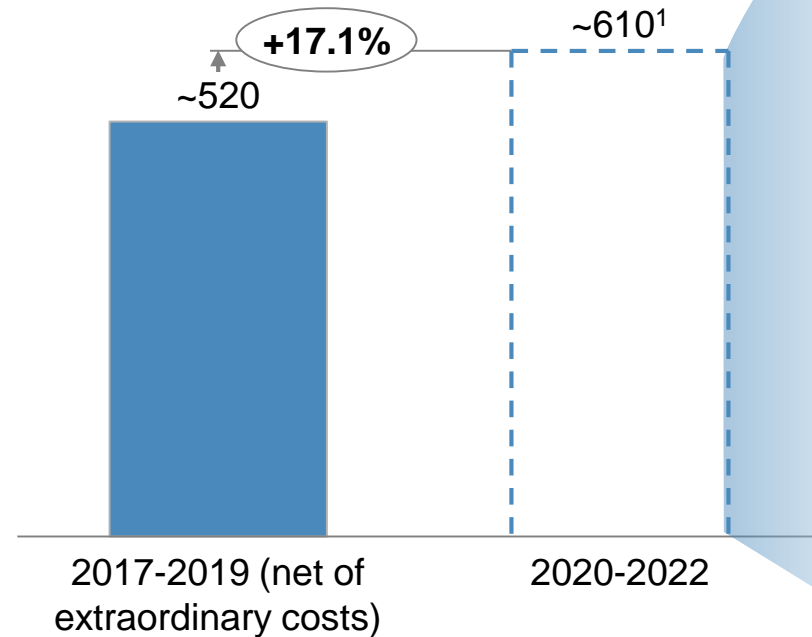
1 Net of non-recurring items; 2022 does not include any non-recurring items 2 Resolution Fund and Deposit Guarantee Scheme

3 Yearly drop in other admin. expenses and D&A compared to 2019 IT expense

# Technology and efficiency: evolution of IT costs aimed at “changing” the Bank

## Cumulated IT investments

€ mln



## Initiatives Overview

### Transformation plan

~60%

### Regulatory & other projects

~40%

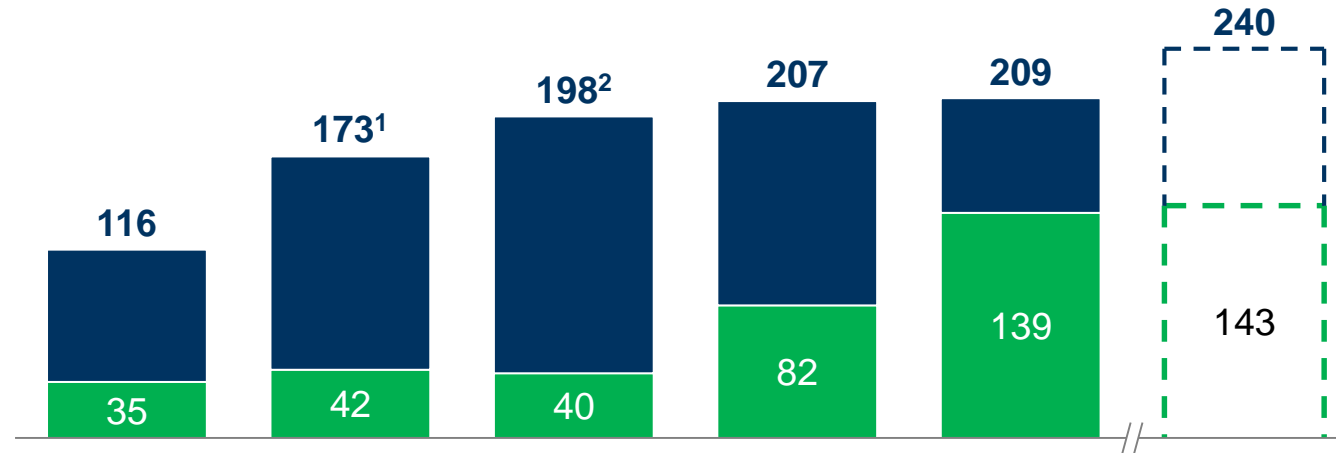
- **Distribution Network** evolution (e.g., branches plan, technological refresh)
- Business and **digitization** initiatives (e.g., development of advanced customer insight capabilities, digital lending, Robo4Advisory, development of global markets platform, optimisation of pricing governance)
- **Credit area** (e.g., credit process digitization, enhancement of NPE recovery capabilities)
- **IT upgrade** (e.g., cloud transformation, cyber security investments, core banking modernisation, software defined solutions)
- **Human capital** development and **re-skilling**
- Projects related to **regulation** and **requests** from supervisor over Plan horizon
- **Continued** investments on **ongoing** projects (e.g., product development)

<sup>1</sup> Of which ~€170 mln other admin. expenses and ~€440 mln investments

# Shift of IT spending from "Run the Bank" to "Change the Bank"

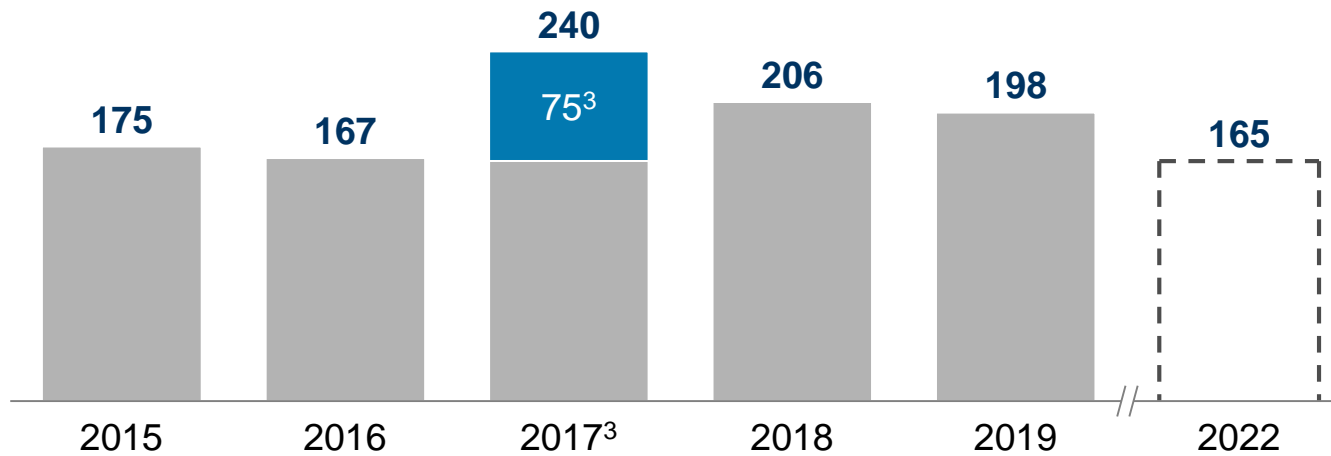
Other administrative expenses, D&A and staff cost, € millions

**“Change the Bank”**  
Other adm. exp., D&A and staff cost



- Regulatory
- Corporate operations
- Technological refresh and evolution
- Innovation and business development

**“Run the Bank”**  
Other adm. exp. and staff cost



- Software management
- Hardware management
- Info providers
- Telecommunications

1 Including €40 mln of corporate operations relating to the Single Bank project  
 2 Including €72 mln of corporate operations relating to the acquisition of the 3 banks in central Italy  
 3 Pro-forma to include banks acquired in April 2017

# F Structural balance and flexibility: a responsive business model and capital buffers

## F1 Business flexibility



**New and scalable business processes and tools** (e.g., cloud, digital, omnichannel), allowing flexibility according to change in customer needs

**Significant pool of resources re-skilled**, to ensure responsiveness to market demand evolution

**Financial Assets portfolio distribution** allowing for a lower exposure to Italian BTP (from 51% to 37% in 2022) and diversified investment opportunities (e.g., corporate bonds)

**Capital allocation measures** (eg., corporate bond investments could shift to corporate loans, always in full respect of the risk-reward profile set by UBI)

## F2 Capital & liquidity



*Defined positive impacts on capital in 2020, included in the plan:*

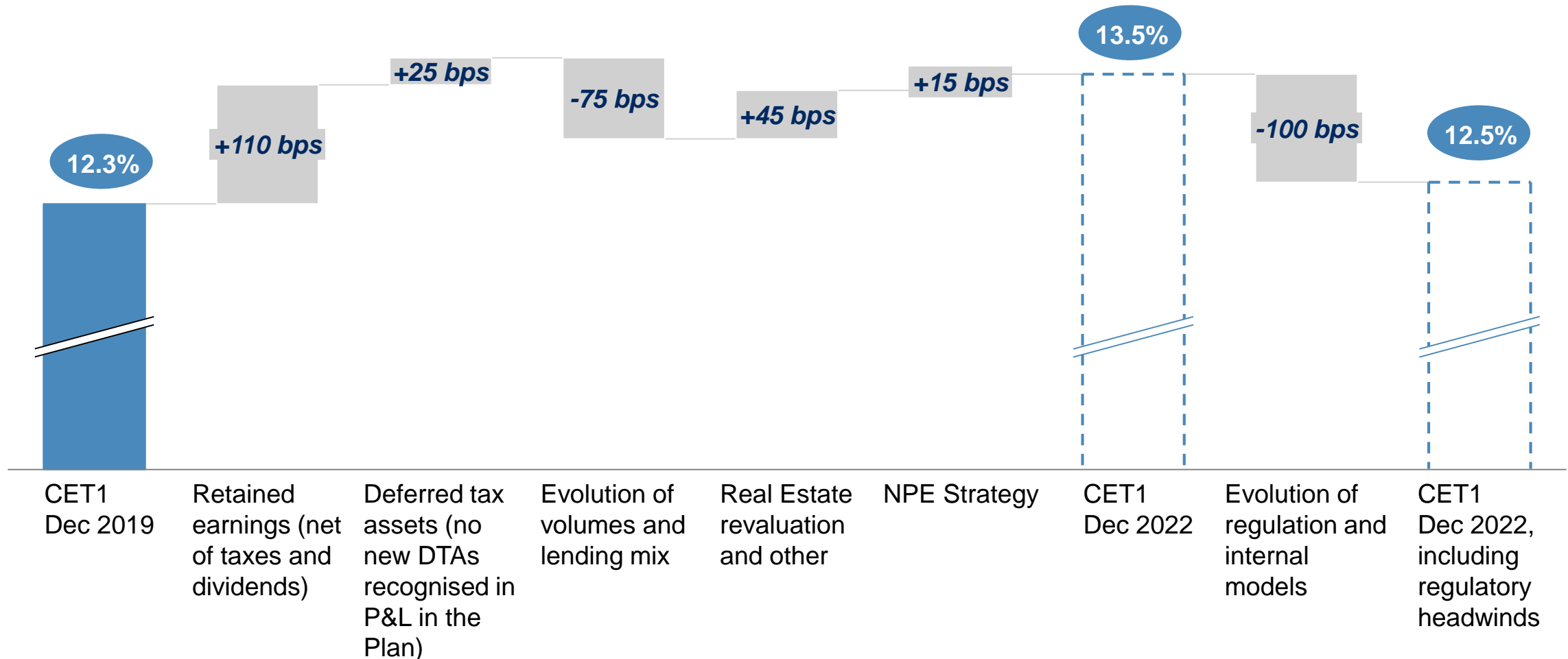
- **Real estate** at fair value (+32 bps on CET1 ratio)
- **Reorganization of the Group's presence in Milan**
- **Renegotiation** of securities services agreement

*Capital “buffers”, not included in the plan, e.g.:*

- **Bancassurance**
- **Zhong Ou stake** (currently recognized at the book value of €40.5 million)
- Etc.

*Robust balance sheet structure*

## F2 Structural balance and flexibility: CET1 evolution over the Business Plan – landing at a solid 12.5% after regulatory headwinds



## F2 Structural balance and flexibility: details on regulatory headwinds

### Impacts on the CET1 Ratio

	Cumulated 2020-2022	2020	2021	2022
<b>Total Regulatory Headwinds impact</b>	<b>-1.0</b>	<b>-0.3</b>	<b>-0.1</b>	<b>-0.6</b>
Regulation and internal model evolution	-0.2	-0.1	0.2	-0.3
EBA guidelines	-0.5	-0.2	-0.3	-0.0
Basel IV	-0.3	-	-	-0.3

CET1 MDA Buffer, bps

On average >330 bps

CET1 Ratio MDA trigger, %

9.25%

CET1 Ratio, % year-end

>12.5%

### Preliminary Pillar 2 impact

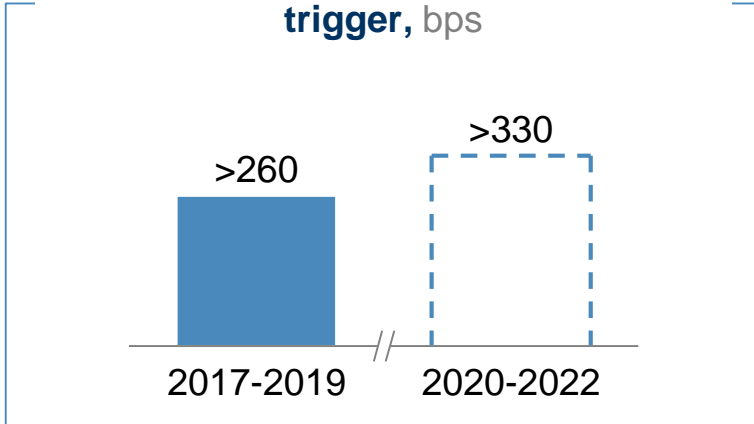
SREP + Addendum + Calendar provisioning

-0.3

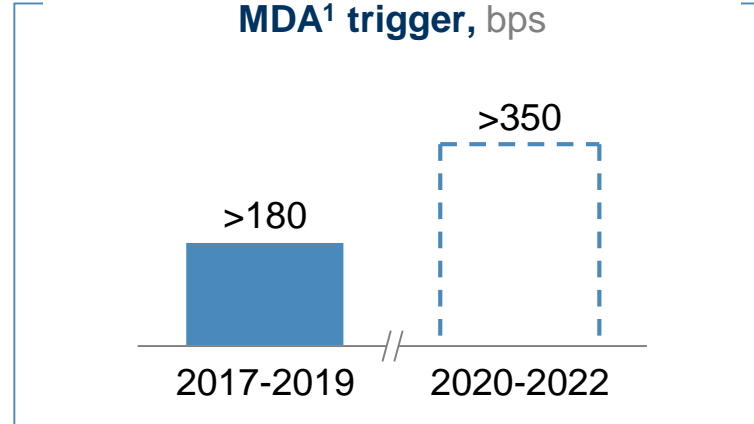
MDA: Maximum Distributable Amount

# F2 Structural balance and flexibility: confirmation of balance sheet equilibrium

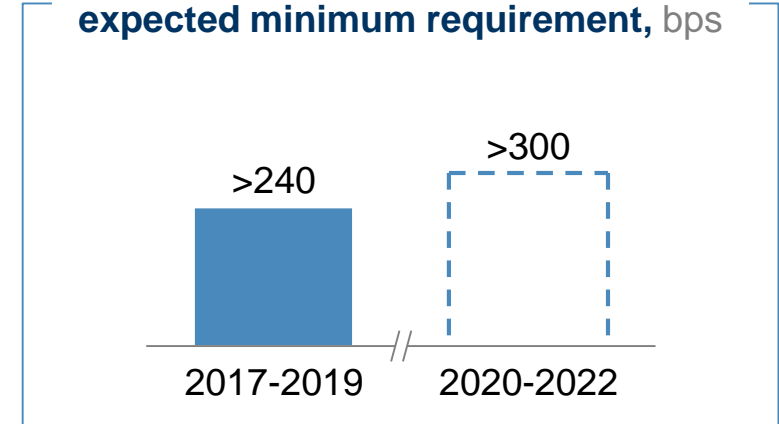
**CET1 Ratio – Average buffer on MDA<sup>1</sup> trigger, bps**



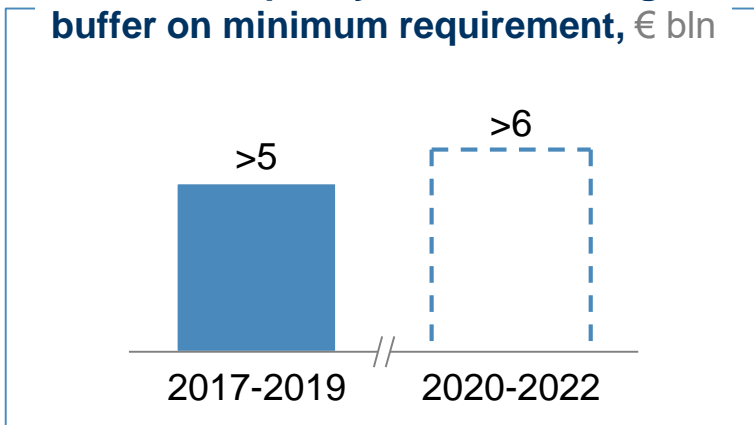
**Total Capital Ratio – Average buffer on MDA<sup>1</sup> trigger, bps**



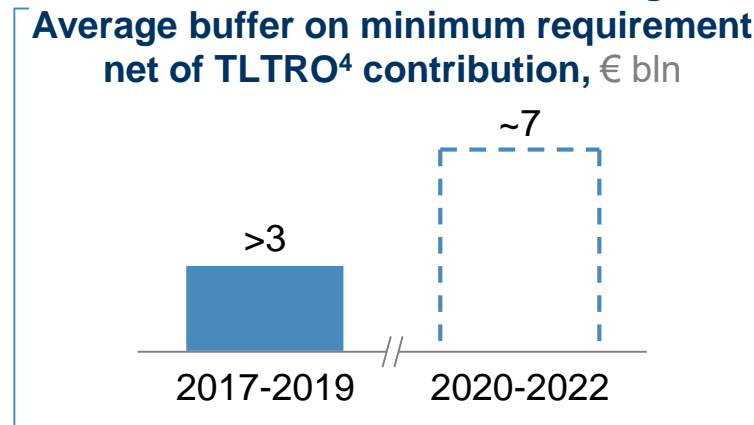
**Leverage Ratio – Average buffer on expected minimum requirement, bps**



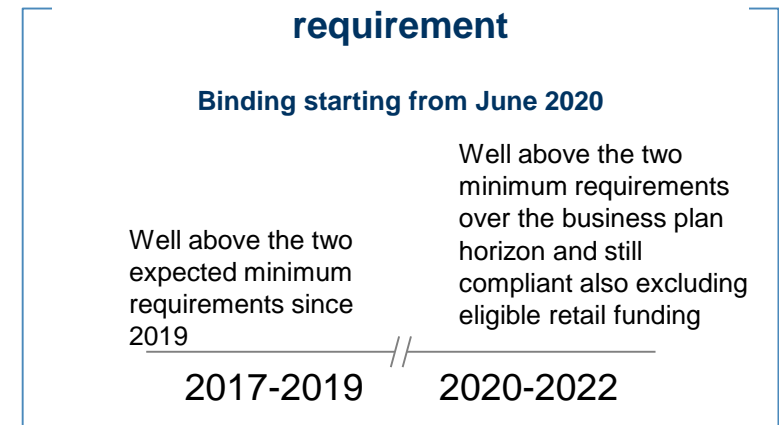
**LCR<sup>2</sup> – Liquidity Buffer – Average buffer on minimum requirement, € bln**



**NSFR<sup>3</sup> - Available stable funding – Average buffer on minimum requirement net of TLTRO<sup>4</sup> contribution, € bln**



**MREL<sup>5</sup> and minimum subordination requirement**



1 Maximum Distributable Amount

2 Liquidity Coverage Ratio

3 Net Stable Funding Ratio

4 Targeted long-term refinancing operations

5 Minimum Requirement for own funds and Eligible Liabilities








## Agenda

- » UBI 2022: a value creation plan based on a solid trajectory already started in 2019
- » UBI 2022: a clear direction towards the future based on further de-risking, digitally-enabled cost reduction, and revenue protection
- » **Closing remarks: a realistic plan based on conservative assumptions**



# Significant value creation to shareholders over the next three years

			2019	2022	3-years CAGR, %
<b>Balanced revenue mix</b> 	<b>Operating income</b>	€ mln	3,638	3,675	+0.3%
	<i>o/w net commissions</i>	%	45.7	47.6	
	<i>o/w net interest income</i>	%	47.4	45.7	
	<b>Total financial assets (TFA<sup>1</sup>)</b>	€ bln	196	209	+2.2%
	<i>o/w direct banking funding</i>	€ bln	95	93	
	<i>o/w Institutional funding</i>	€ bln	18	20	
	<i>o/w AUM + bancassurance</i>	€ bln	73	88	
<b>Continued cost reduction</b> 	<b>Net loans to customers<sup>2</sup></b>	€ bln	83.7	83.7	
	<i>o/w net performing loans</i>	€ bln	79.5	81.0	
	<b>Operating costs</b>	€ mln	-2,368	-2,235	-1.9%
<b>Lower cost of credit</b> 	<i>o/w staff costs</i>	€ mln	-1,428	-1,361	
	<i>o/w other administrative expenses<sup>3</sup></i>	€ mln	-603	-517	
	<b>Operating costs (net of systemic contributions)</b>	€ mln	-2,261	-2,136	-1.9%
	<b>Cost/income (net of systemic contributions)</b>	%	62.1	58.1	
<b>Significant value creation for shareholders</b> 	<b>Cost of risk</b>	bps	87	46	
	<b>LLPs</b>	€ mln	738	387	-19.3%
	<b>NPE ratio (gross)<sup>4</sup></b>	%	7.8	5.2	
	<b>NPE coverage incl. write offs</b>	%	50.9	51.5	
<b>Stronger capital and structural position</b> 	<b>Stated net income (normalised in brackets)</b>	€ mln	251 (353)	665 (665)	
	<b>ROTE normalised</b>	%	4.7	8.3	
	<b>CET1 ratio</b>	%	12.3	12.5	
	<b>Texas ratio</b>	%	55.6	32.6	
	<b>RWA (fully loaded)</b>	€ bln	58,053	61,527	
	<b>Tangible equity<sup>5</sup></b>	€ bln	7,498	8,056	

- Average pay out ratio over the 3 year plan of 40% of net profit well balanced with the maintenance of a year-end CET1 ratio of 12.5%
- In 2022 possible additional dividend increase if CET1 ratio >12.5%

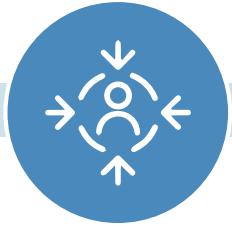
1 Includes direct and indirect funding, excludes repos with CCG  
4 Net NPE ratio: 5% in 2019 and 3.1% in 2022

2 Excludes repos with CCG

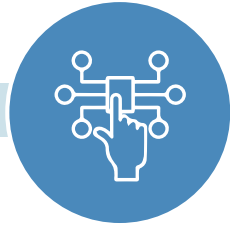
3 Excluding systemic contributions

5. Net equity excluding profit – intangible assets

## Core foundations for the future



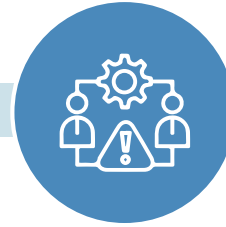
**Customer-centric omnichannel experience**



**Advanced Analytics and Big Data**



**Enhancement of human capital, evolved workforce skill-set and widespread "agile" teams**



**Efficient risk management and credit processes**



**Updated and scalable technological platform and migration to cloud**



**Structural solidity**



**Sustainability and social responsibility at the core**

# A plan based on solid foundations

## Evidences

Conservative macroeconomic scenario

- **-0.44% Euribor 1M** in 2022, with no assumption of material improvement between 2020 and 2022
- **0.7% real GDP growth** in 2022, vs consensus of 0.9%

Realistic business assumptions

- **Revenue growth: +0.3% CAGR 2019-2022**
- **Gross NPE ratio** already improved by 2.6 p.p. 2019 vs 2018

Proven track record of delivery

- **Previous business plan targets under management control achieved in 2019** 

Foundation for 2022 business plan

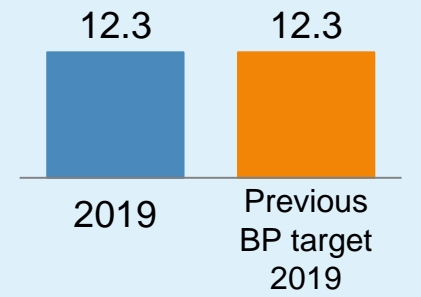
- **~€130 million** already invested in **digitization and Advanced Analytics** between 2017 and 2019
- **-5% branches in 2019** vs. 2018, with an increase of ~55% of digitally enabled ones
- **Redundancy plan already ongoing**, with additional €70 million gross expenditure sustained in 2019 for 300 FTEs to exit in 2020<sup>1</sup>
- **Cost of disposal of ~€800 million** of SMEs bad loans partially sustained in 2019 (pro-forma gross NPE ratio 6.9%)

<sup>1</sup> Over 300 further exits announced in January 2020 and already partially included in 2019 cost base

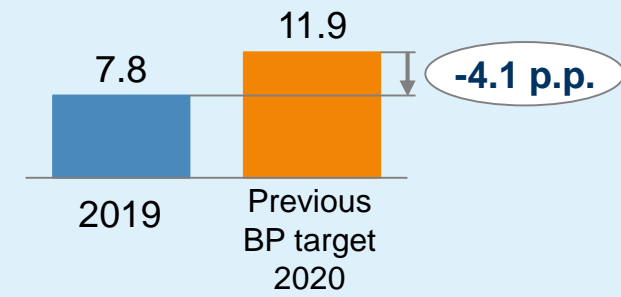
<sup>3</sup> Includes closure of 12 branches decided in 2019 and planned for early 2020

## 2019 results vs. PREVIOUS BP<sup>2</sup> targets

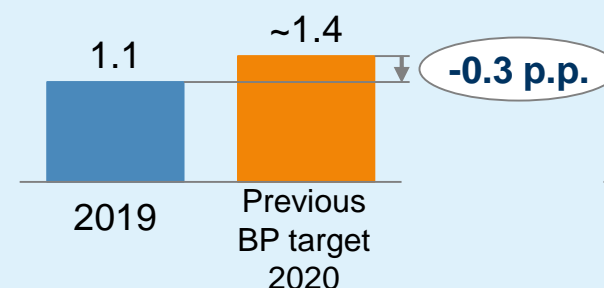
### CET1 ratio, %



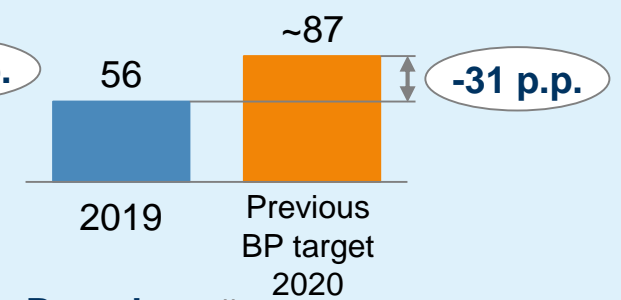
### NPE ratio (gross), %



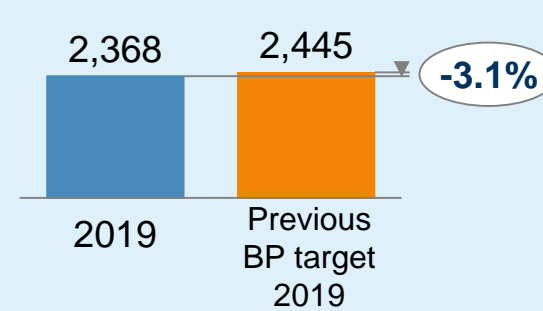
### Default rate, %



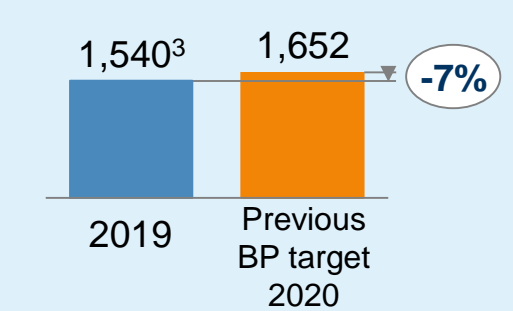
### Texas ratio, %



### Operating costs, € mln



### Branches, #



<sup>2</sup> Update of UBI Business Plan to include the 3 Bridge Banks acquired, 11 May 2017

# Sensitivity to market rates

2022

Prudence level



Business plan scenario

Negative interest rates at -0.44%

Net profit, € mln

665

Zero interest rate in 2022

Improvement of interest rates in 2022, with Euribor 1M reaching 0.00%

> +100

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