

# **Business Plan 2022**

**Milan**

**February 17, 2020**



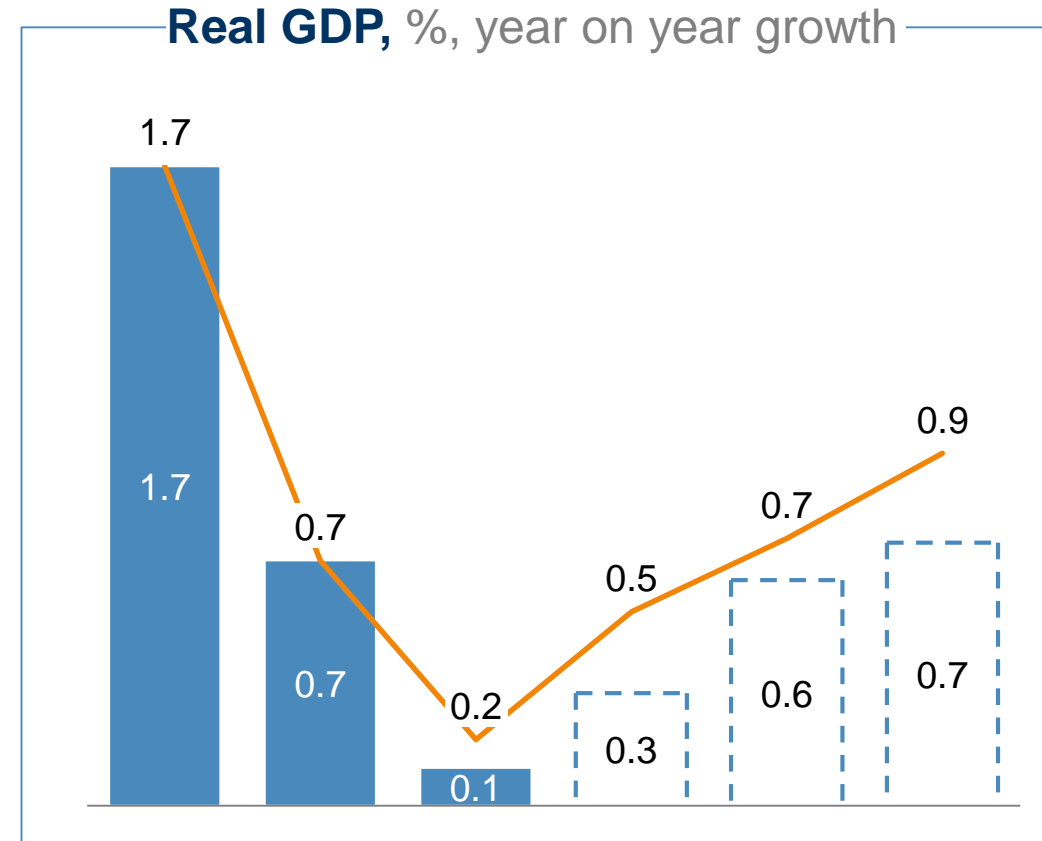
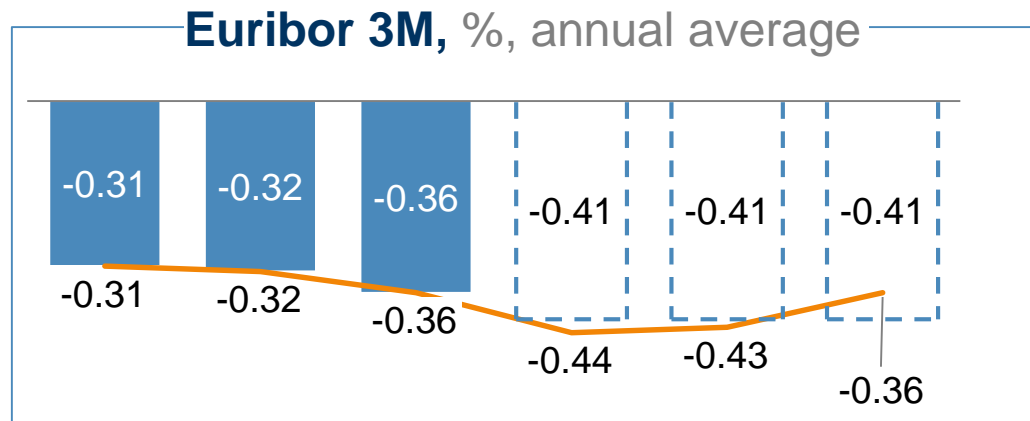
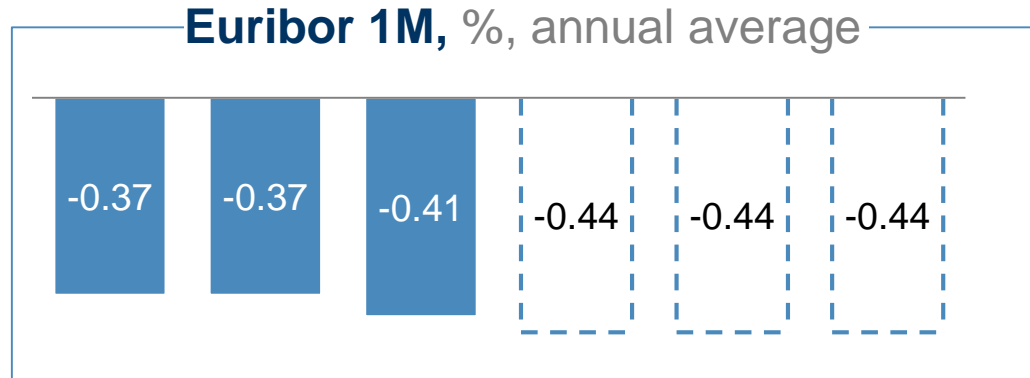


## Agenda

- » **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

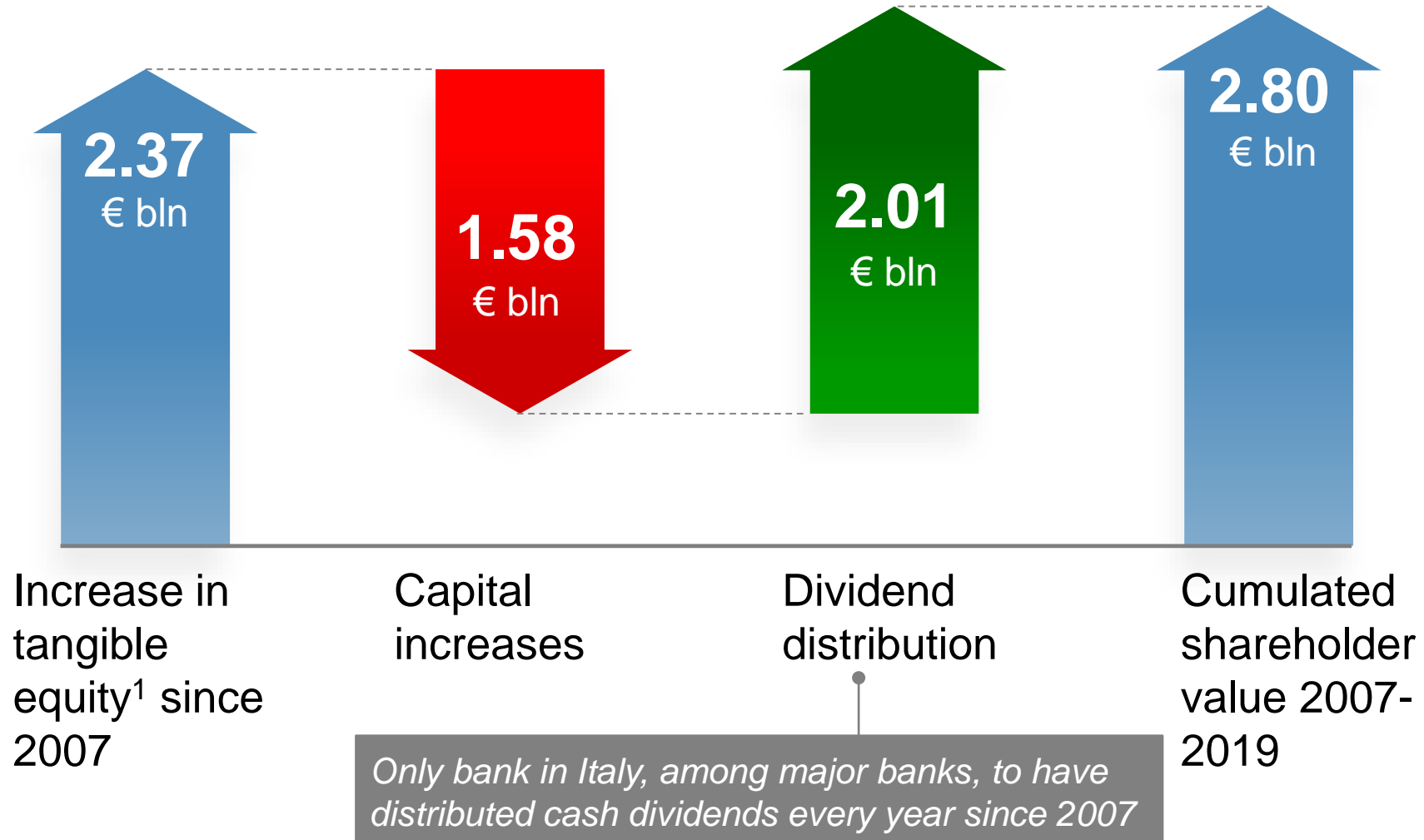
<sup>2</sup> Gross banking volumes calculated as the sum of loans and assets; analysis based on regional real GDP growth evolution between 2013 and 2017

<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

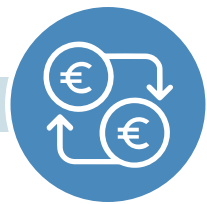
**€2.6**  
billion

Socially responsible investments managed by Pramerica

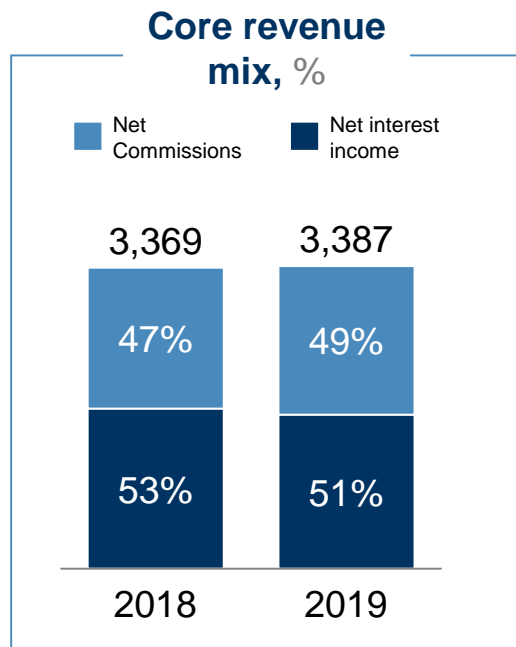
<sup>1</sup> Cumulated since 2012

<sup>2</sup> Gender Equality Index

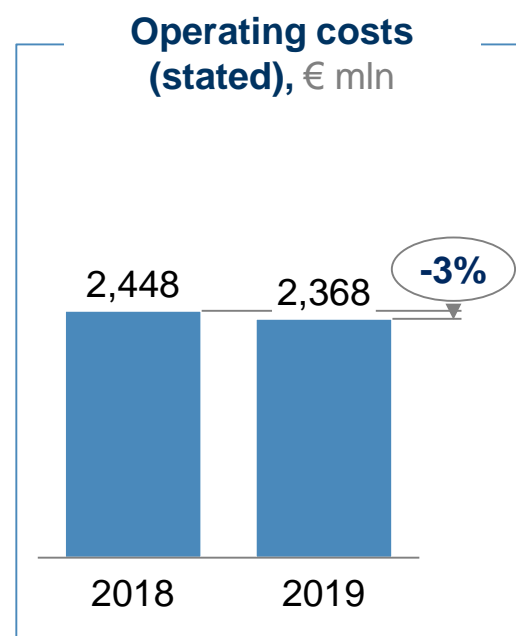
# UBI 2019: a solid starting point



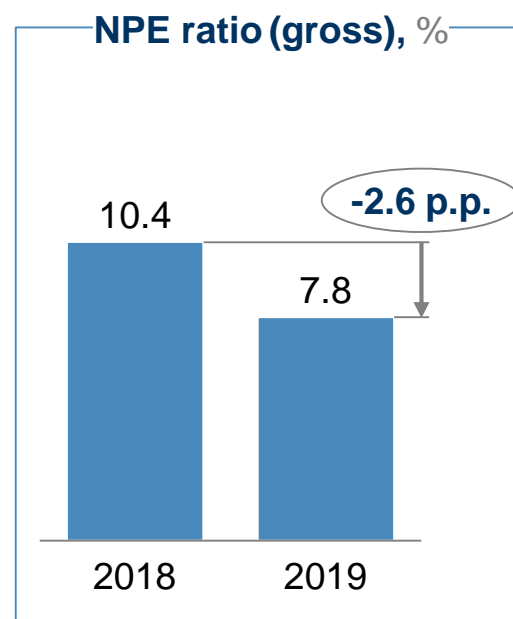
## Growing core revenues<sup>1</sup> with healthy mix



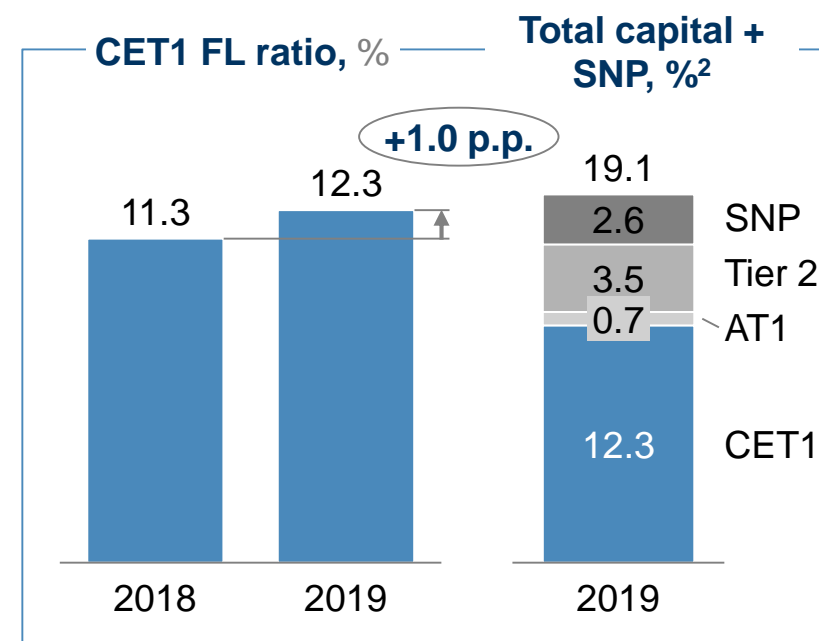
## Decreasing cost baseline



## Improving credit quality



## Growing capital ratio and strong protection for senior bondholders



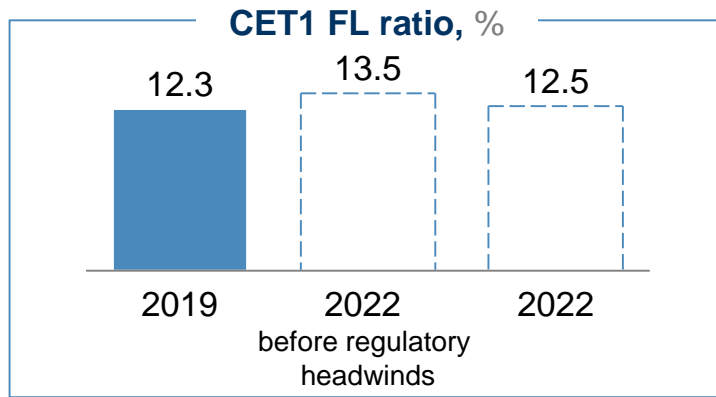
<sup>1</sup> Core revenues include net interest income and net commissions  
<sup>2</sup> AT1 issued in 2020 and included pro-forma in the calculation of the total ratio



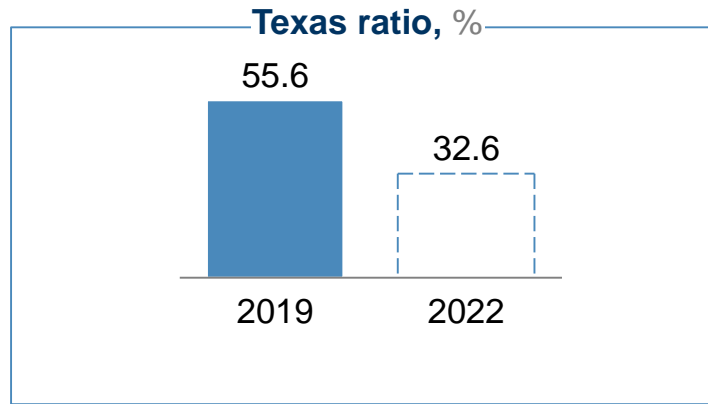
# UBI 2022 targets: a solid and attractive value creation plan



## Stronger capital



## Increased resilience

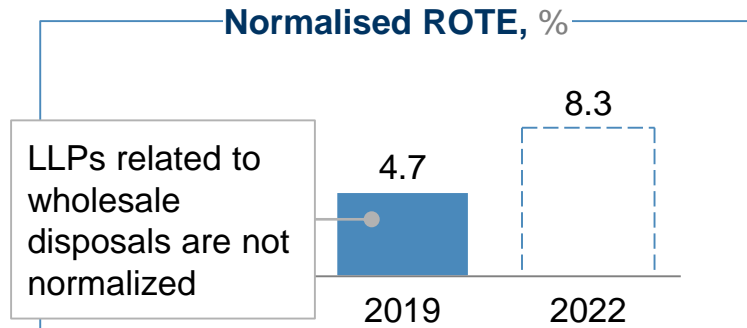


## Growing dividend over plan horizon

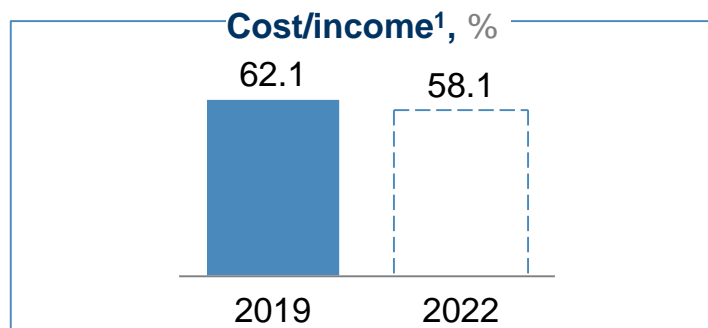
- Pay out ratio**
- Average pay out ratio over the 3 year plan of 40% of net profit, well balanced with the maintenance of a year-end CET1 ratio of 12.5%
  - In 2022 possible additional dividend increase if CET1 ratio >12.5%



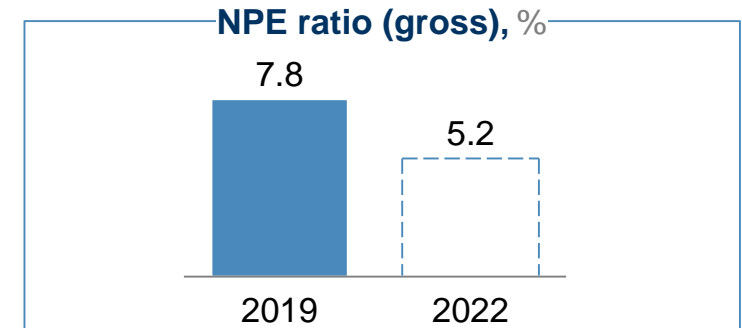
## Improved profitability



## Optimized operating structure



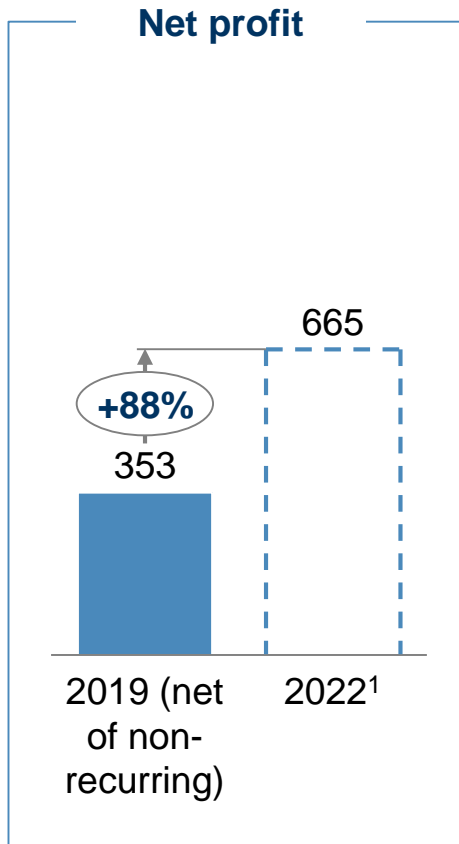
## Further improved credit quality



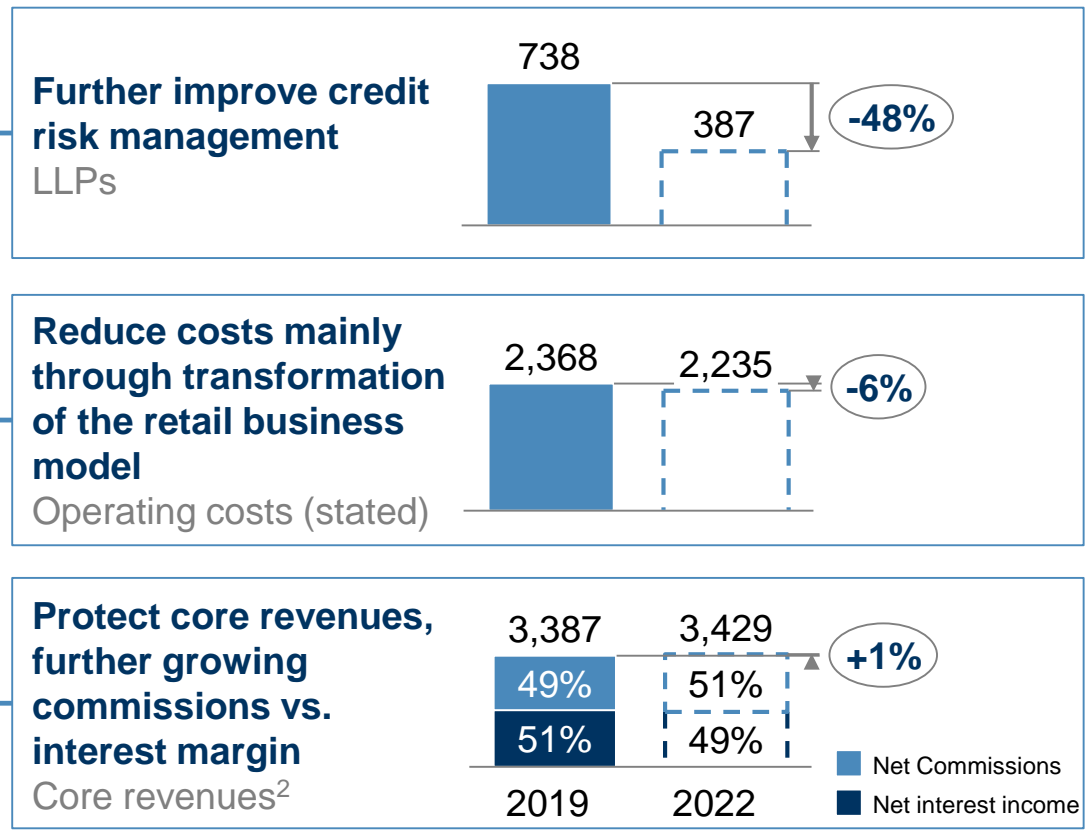
# Value creation based on further de-risking, digitally-enabled cost reduction and revenue protection, with growing investments to transform the business model

€ millions, percentage

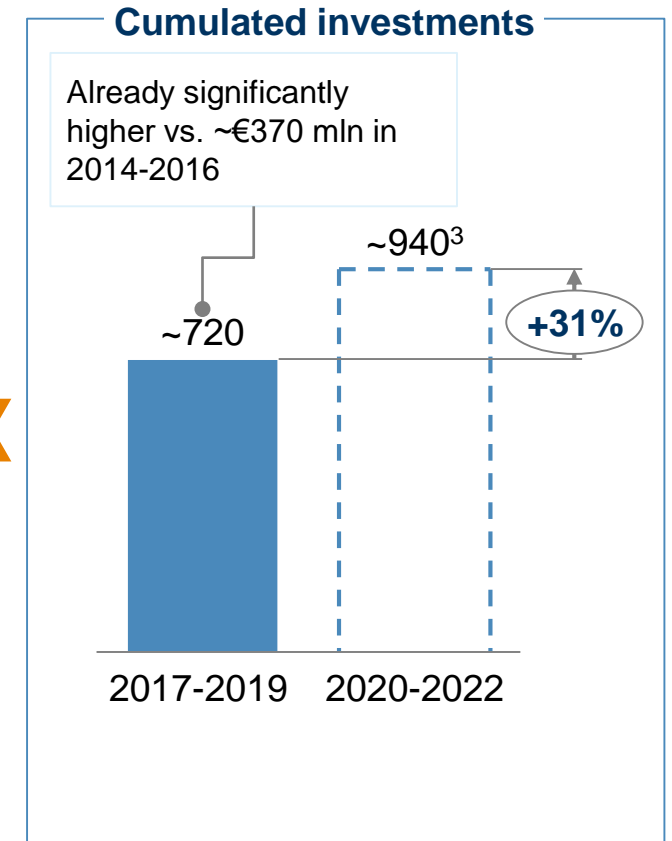
## Net profit increase...



## ...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



## 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 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

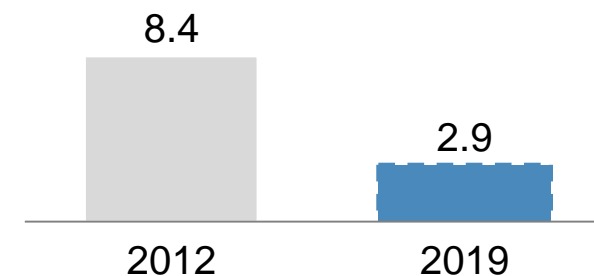
### New operating model for early delinquency



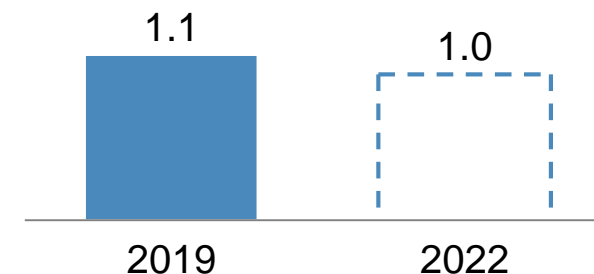
- **Optimization of early delinquency management** through investments in early warning systems and Advanced Analytics
- **Strengthening of the Retail early delinquency process** with centralized management of the position right from the first credit anomaly

## 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

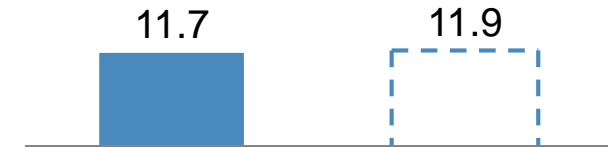
270

50

490

## Target 2022

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



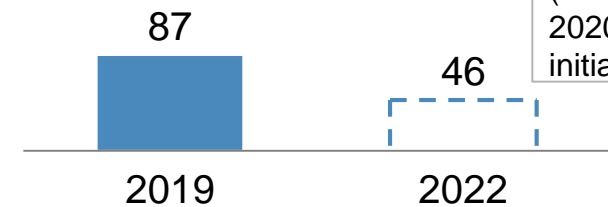
NPE stock (gross), € bln



NPE ratio (gross), %



Cost of risk, bps



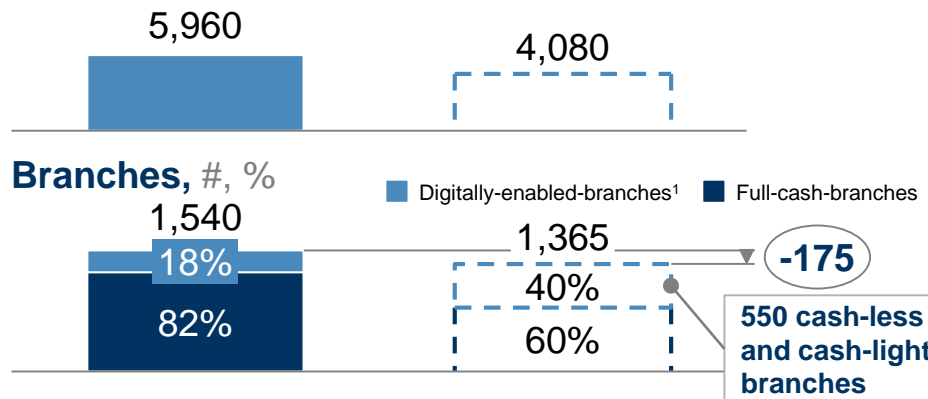
Decrease obtained **without** the need of additional whole-sale disposals (but including in 2020 SME sale initiated in 2019)

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

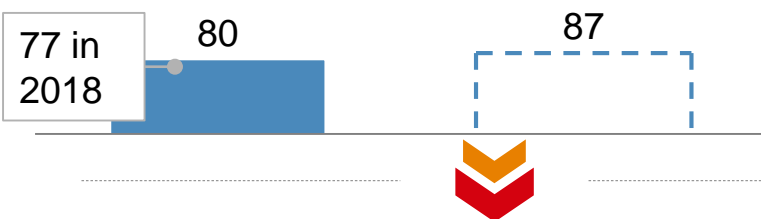
# B Transform Retail business model towards lower cost-to-serve and better service quality: an omnichannel business model

## Target 2022

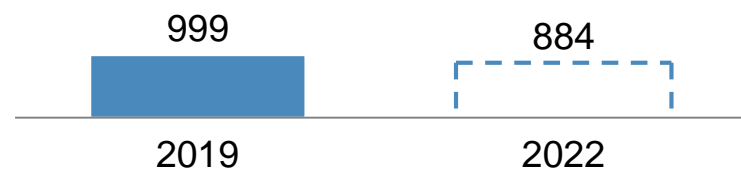
Physical Retail business: cashiers and commercial, partially redeployed, FTE



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

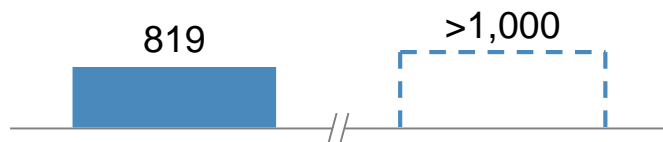
- **Branch footprint optimization** (-175 branches)
- **Further branch format roll-out and technological improvements** with 35% reduction of full-cash branches. Over 40% of branches (largest) totally refurbished by 2022

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

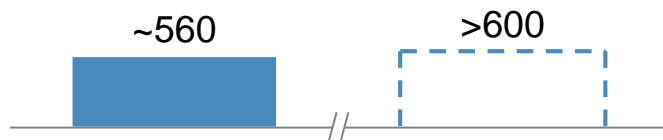
# B Transform Retail business model towards lower cost-to-serve and better service quality: consolidate domestic leadership in specialized retail financing and enhance the relationship with Small Business customers

## Target 2022

New personal loans production, € mln



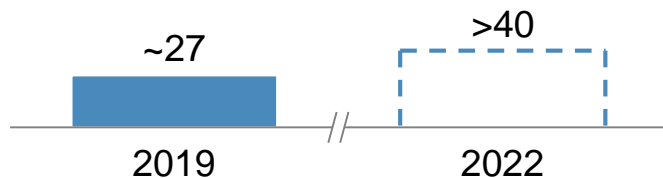
New Prestitalia production (CQS and CQP)<sup>1</sup>, € mln



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**

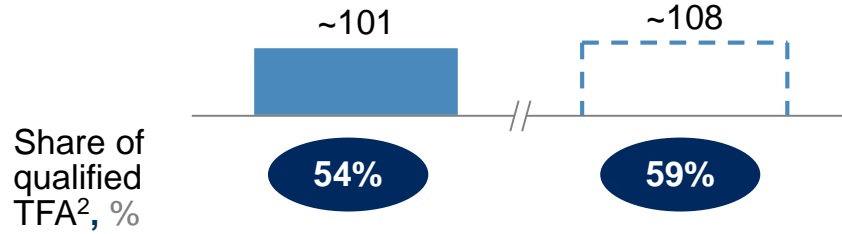
- Strengthened **network of developers** for Small Business customers (including business developers, partnerships best of the breed platforms to target new customers, e.g., Atoka)
- **Digital onboarding** of new customers, also through instant lending processes



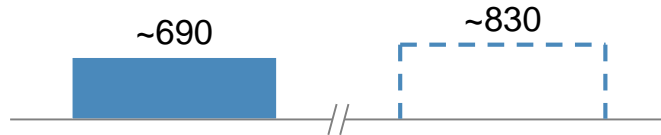
# Invest in superior services to high-end customers: Premium and Private

## Target 2022

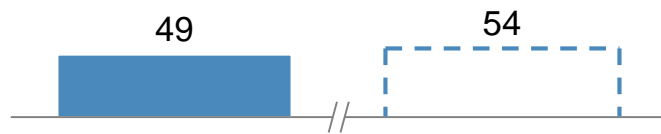
### Total financial assets (TFA)<sup>1</sup>, € bln



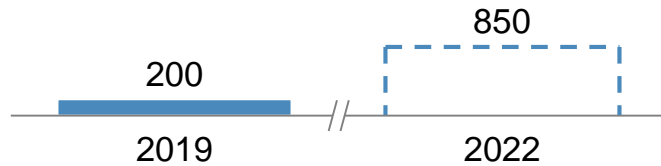
### Financial advisors in IW Bank<sup>3</sup>, #



### 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

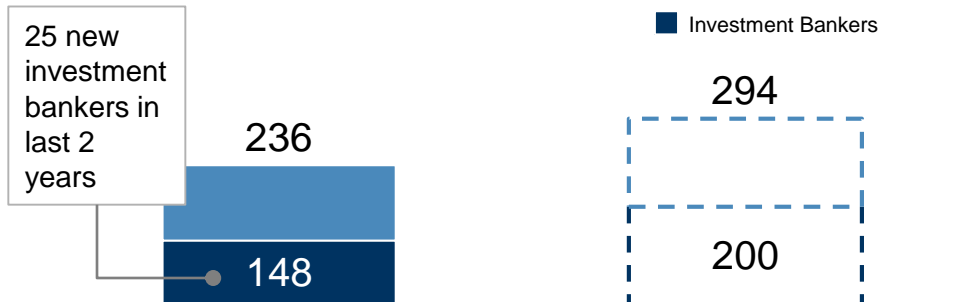
<sup>3</sup> "Promotori" in IW Bank

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

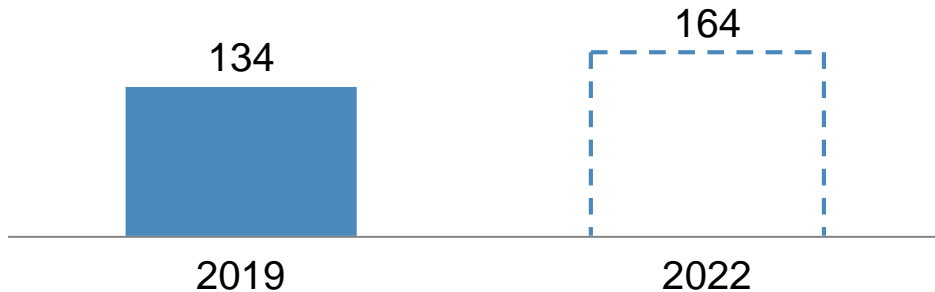
# C Invest in superior services to high-end customers: Corporate and CIB

## 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

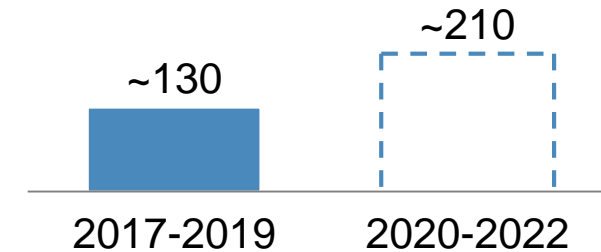
### Innovation Hub and partnership with Fintechs



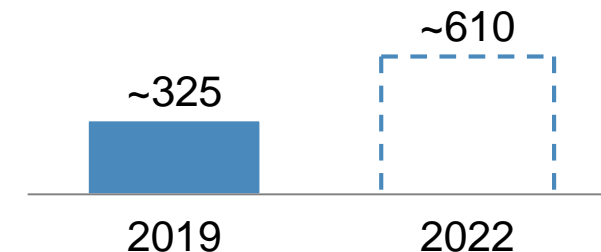
- **Enhancement of the Innovation Hub** to scout, incubate, and accelerate innovation projects across the Group, assessing more than 250 FinTech companies every year:
  - **Partnership agreements signed with accelerators and incubators** (e.g., Plug & Play, FinTech District) and partnerships **with 7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

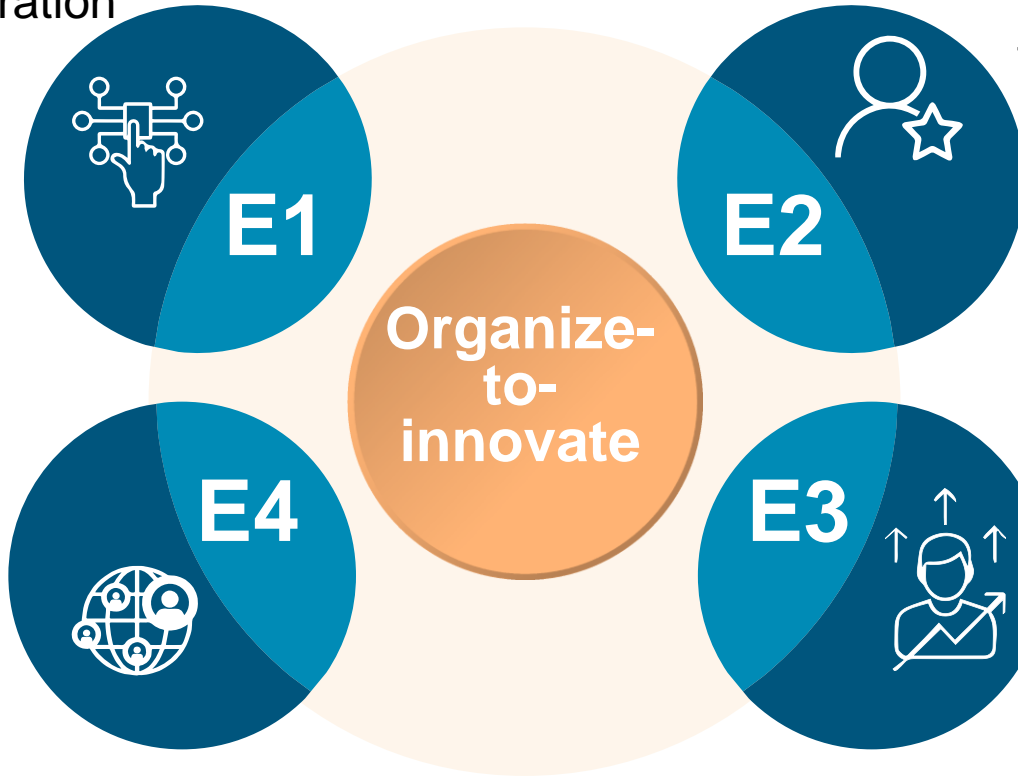


<sup>1</sup> Includes investments in process digitization, innovation, and network automation

# 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

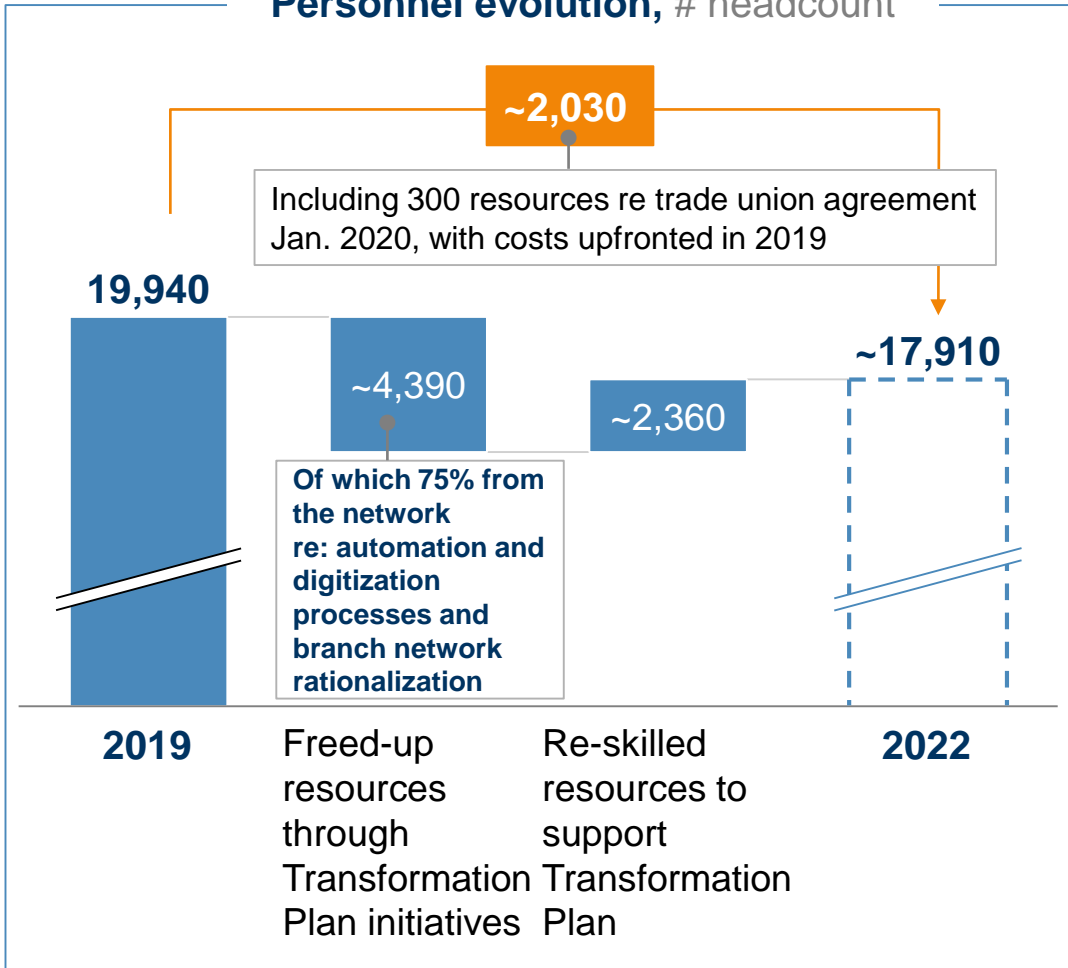
## Dedicated sustainability team

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

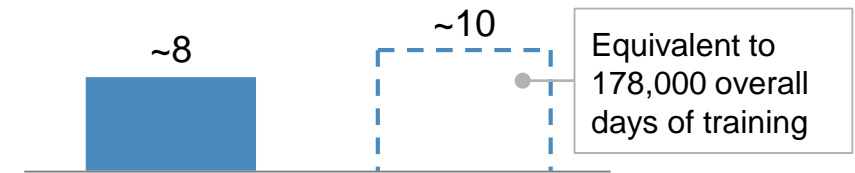


- Strengthening of services aimed at promoting **work flexibility**
- Renewal of **Welfare Platform** fostering use of corporate welfare
- Enhancement of **gender diversity** with focus on work-life balance
- Development of a dedicated **survey** on “health” level of the organization

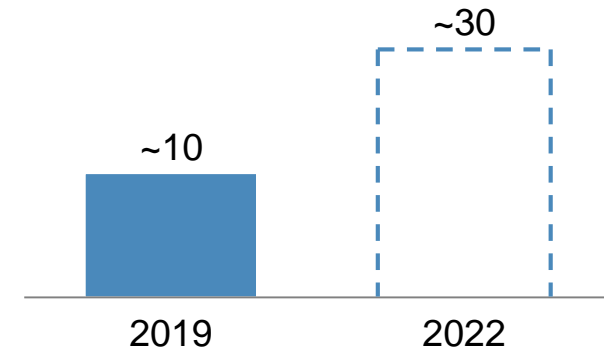


## Target 2022

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%**

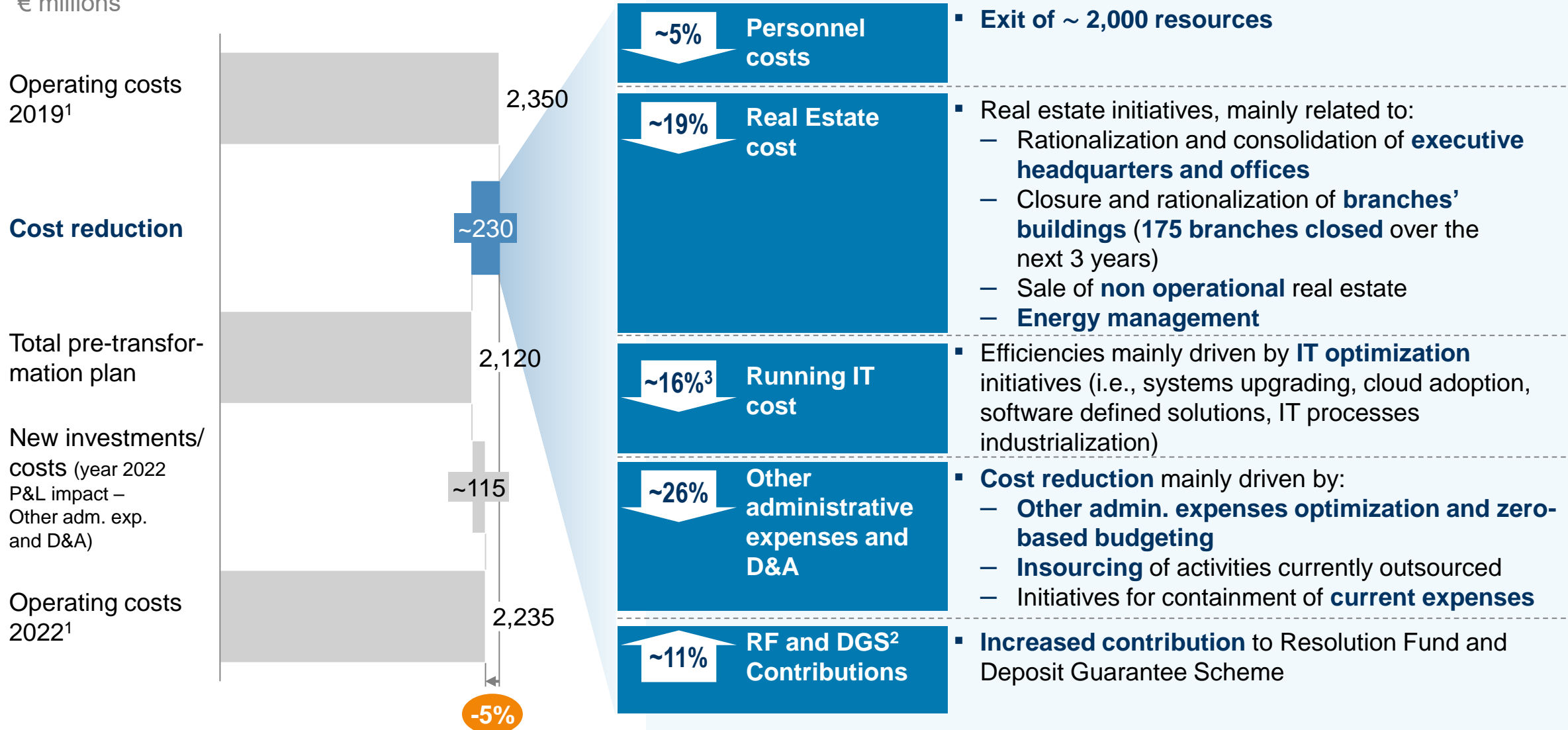
Of Pramerica UCI AUM in ESG strategies

<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



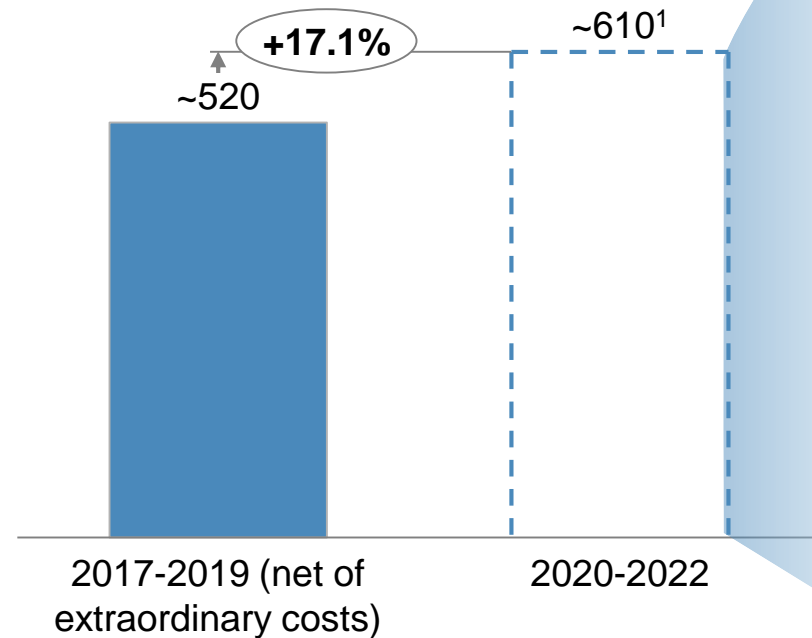
<sup>1</sup> Net of non-recurring items; 2022 does not include any non-recurring items    <sup>2</sup> Resolution Fund and Deposit Guarantee Scheme

<sup>3</sup> 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%

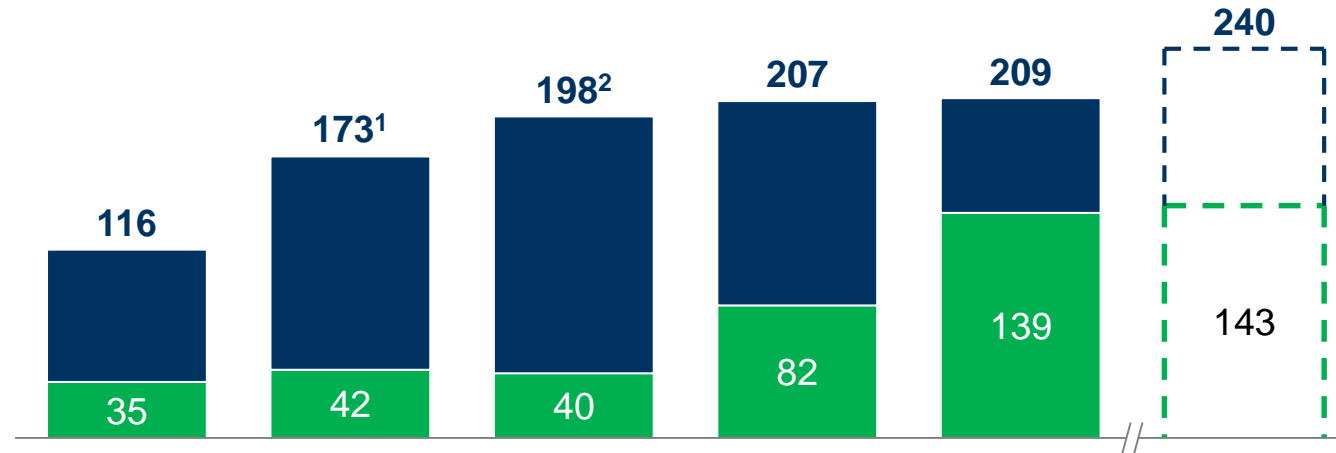
- **Distribution Network** evolution (e.g., branches plan, technological refresh)
- Business and **digitization** initiatives (e.g., development of advanced customer insight capabilities, digital lending, Robo4Advisory, development of global markets platform, optimisation of pricing governance)
- **Credit 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"

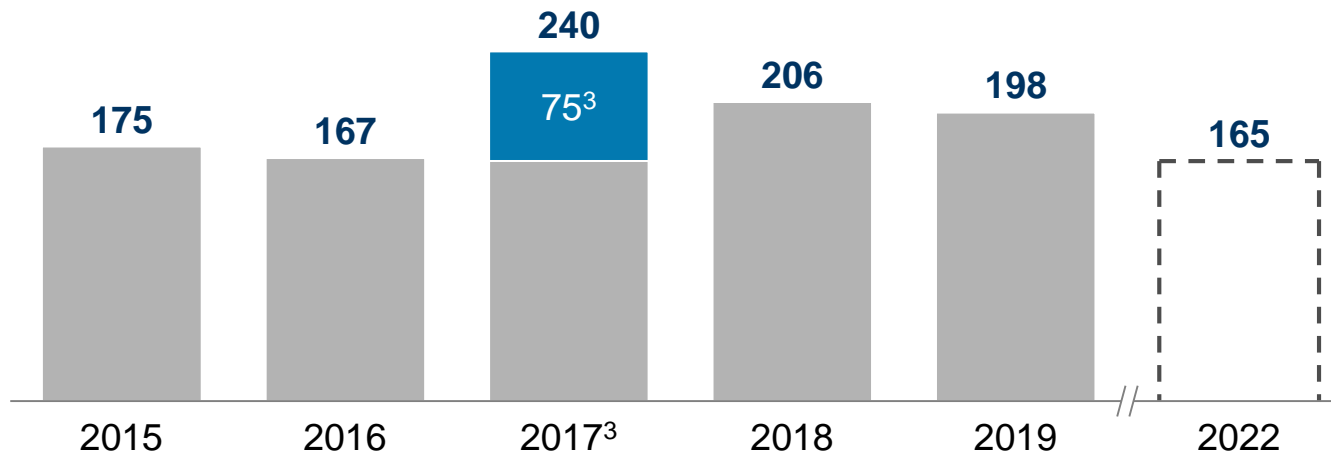
Other administrative expenses, D&A and staff cost, € millions

**“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:*

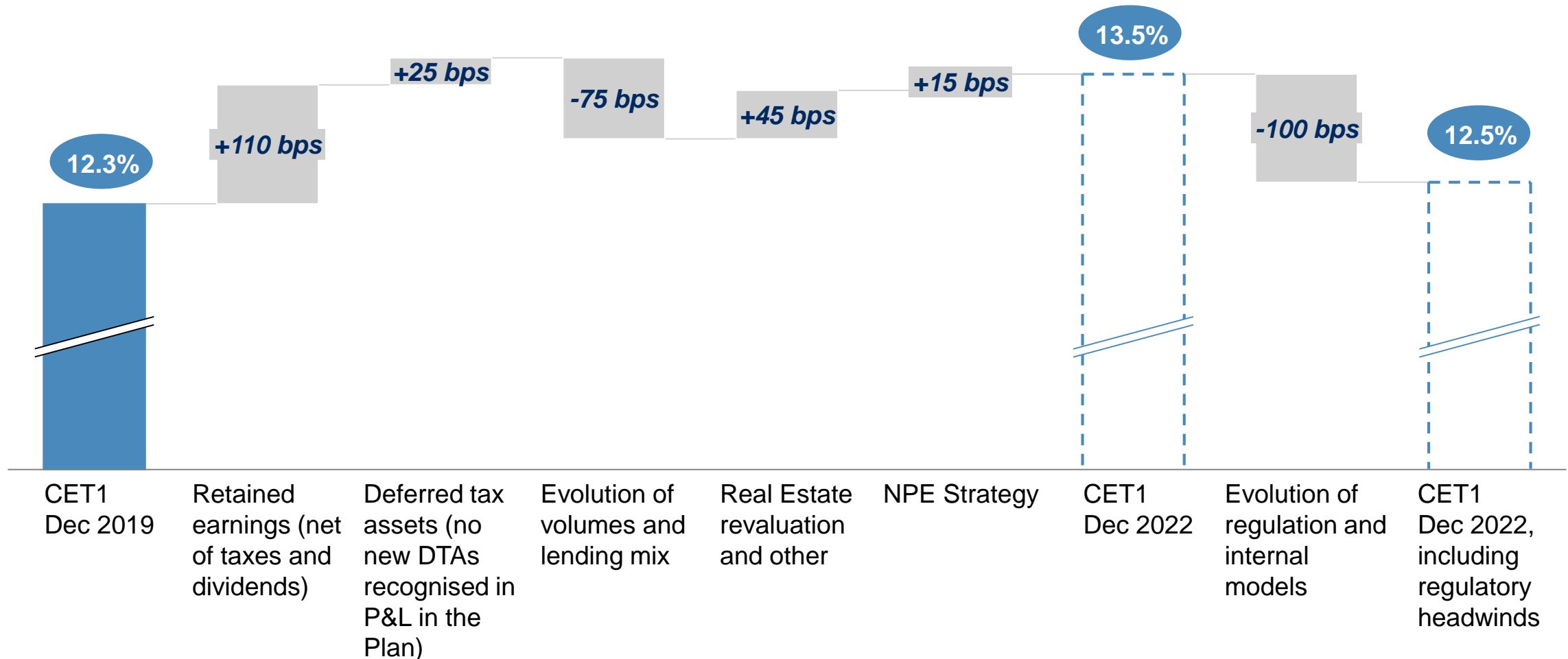
- **Real estate** at fair value (+32 bps on CET1 ratio)
- **Reorganization of the Group's presence in Milan**
- **Renegotiation** of securities services agreement

*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

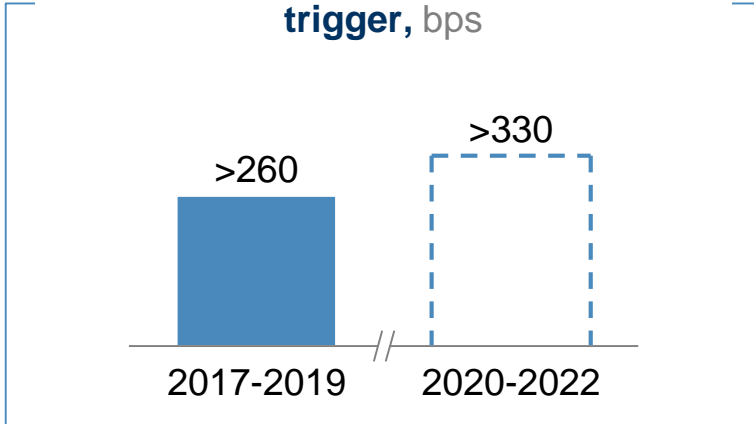
SREP + Addendum + Calendar provisioning

-0.3

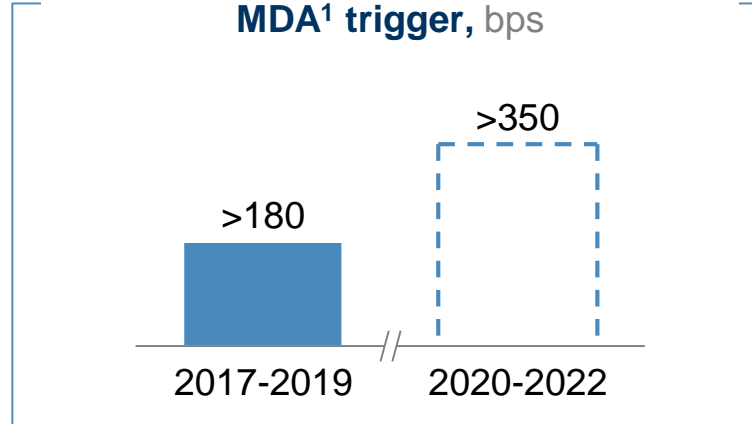
MDA: Maximum Distributable Amount

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

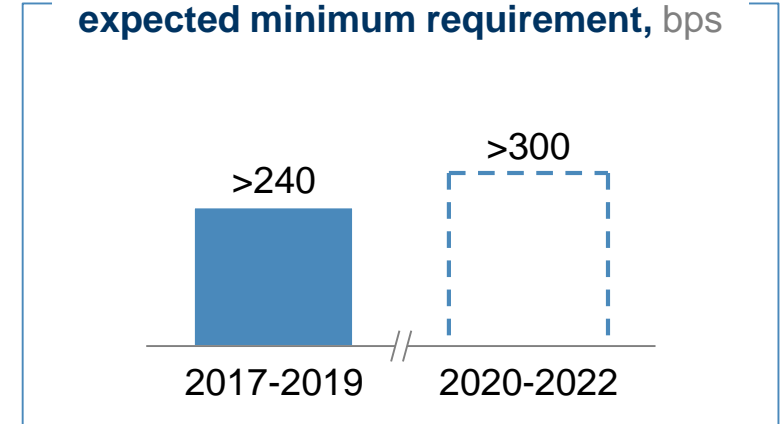
**CET1 Ratio – Average buffer on MDA<sup>1</sup> trigger, bps**



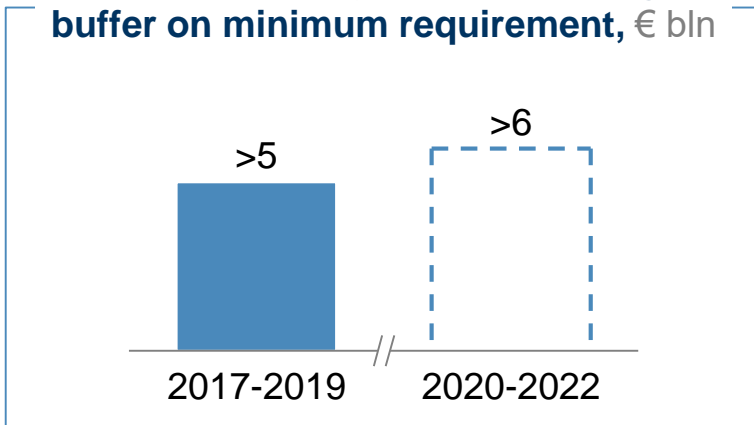
**Total Capital Ratio – Average buffer on MDA<sup>1</sup> trigger, bps**



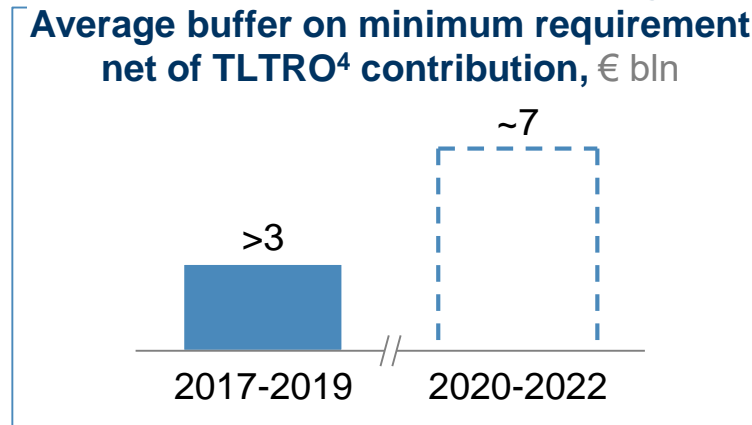
**Leverage Ratio – Average buffer on expected minimum requirement, bps**



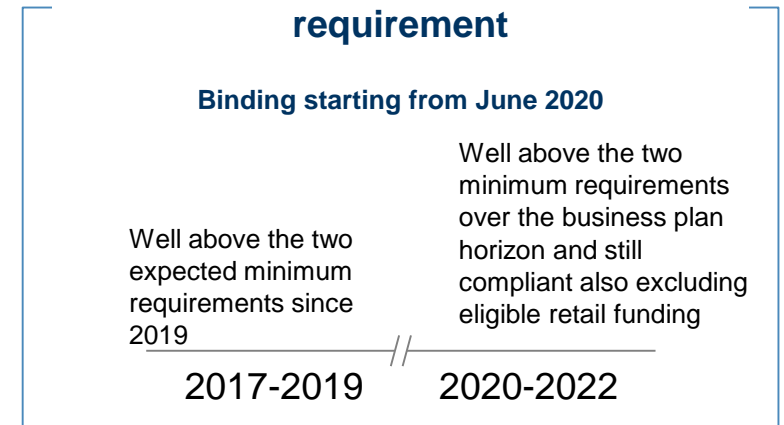
**LCR<sup>2</sup> – Liquidity Buffer – Average buffer on minimum requirement, € bln**



**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>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>Continued cost reduction</b> 	<b>Operating costs</b>	€ mln	-2,368	-2,235	-1.9%
	<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>Lower cost of credit</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>Significant value creation for shareholders</b> 	<b>Stated net income (normalised in brackets)</b>	€ mln	251 (353)	665 (665)	
	<b>ROTE normalised</b>	%	4.7	8.3	
<b>Stronger capital and structural position</b> 	<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%

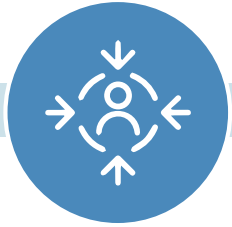
1 Includes direct and indirect funding, excludes repos with CCG  
4 Net NPE ratio: 5% in 2019 and 3.1% in 2022

2 Excludes repos with CCG

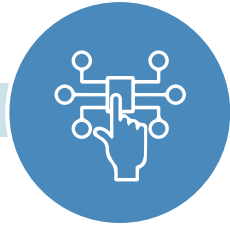
3 Excluding systemic contributions

5. Net equity excluding profit – intangible assets

# Core foundations for the future



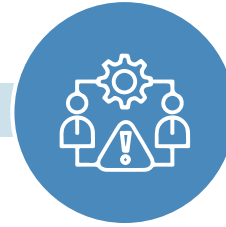
**Customer-centric omnichannel experience**



**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

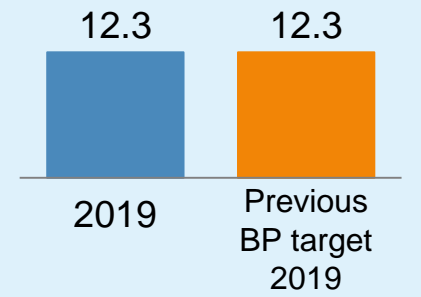
- **~€130 million** already invested in **digitization and Advanced Analytics** between 2017 and 2019
- **-5% branches in 2019** vs. 2018, with an increase of ~55% of digitally enabled ones
- **Redundancy plan already ongoing**, with additional €70 million gross expenditure sustained in 2019 for 300 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

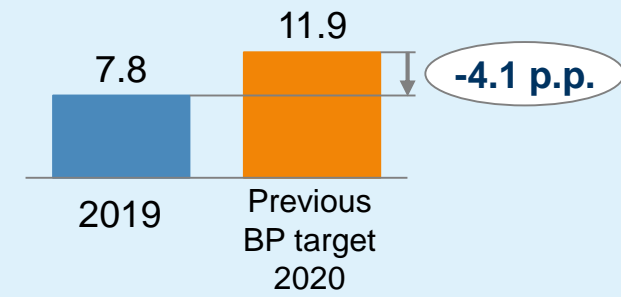
<sup>3</sup> Includes closure of 12 branches decided in 2019 and planned for early 2020

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

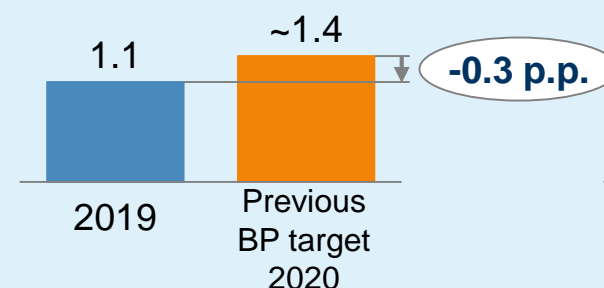
### CET1 ratio, %



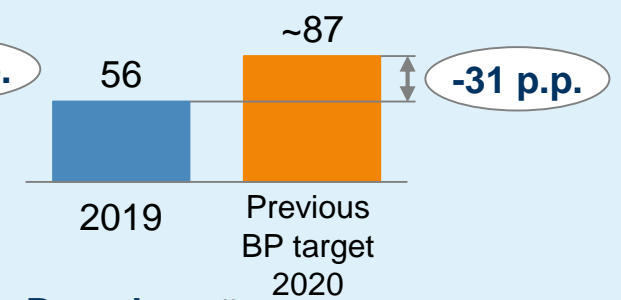
### NPE ratio (gross), %



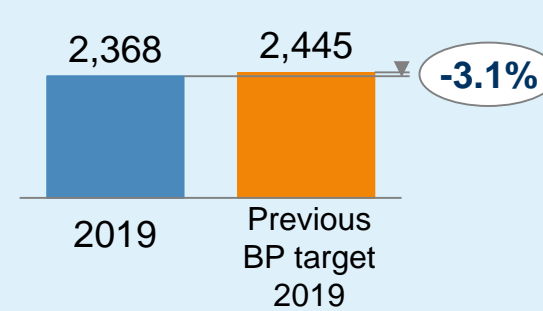
### Default rate, %



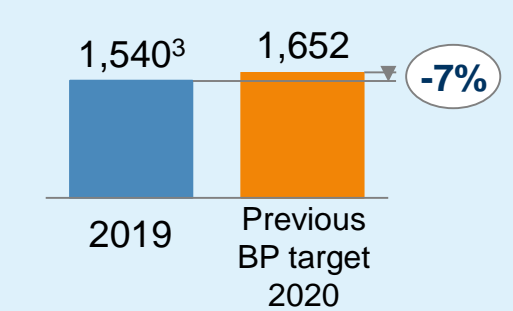
### Texas ratio, %



### 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

Net profit, € mln



## Disclaimer

*This document has been prepared by Unione di Banche Italiane S.p.a. (“UBI Banca”) for informational purposes only and for use at the presentation of the Industrial Plan of UBI Banca held on 17<sup>th</sup> February 2020. It is not permitted to publish, transmit or otherwise reproduce this document, in whole or in part, in any format, to any third party without the express written consent of UBI Banca and it is not permitted to alter, manipulate, obscure or take out of context any information set out in the document or provided to you in connection with the above mentioned presentation.*

*The information, opinions, estimates and forecasts contained herein have not been independently verified and are subject to change without notice. They have been obtained from, or are based upon, sources we believe to be reliable but UBI Banca makes no representation (either expressed or implied) or warranty on their completeness, timeliness or accuracy. Nothing contained in this document or expressed during the presentation constitutes financial, legal, tax or other advice, nor should any investment or any other decision be solely based on this document.*

*This document does not constitute a solicitation, offer, invitation or recommendation to purchase, subscribe or sell any investment instruments, to effect any transaction, or to conclude any legal act of any kind whatsoever.*

*This document contains statements that are forward-looking: such statements are based upon the current beliefs and expectations of UBI Banca and are subject to significant risks and uncertainties. These risks and uncertainties, many of which are outside the control of UBI Banca, could cause the results of UBI Banca to differ materially from those set forth in such forward looking statements.*

*Under no circumstances will UBI Banca or its affiliates, representatives, directors, officers and employees have any liability whatsoever (in negligence or otherwise) for any loss or damage howsoever arising from any use of this document or its contents or otherwise arising in connection with the document or the above mentioned presentation.*

*By receiving this document you agree to be bound by the foregoing limitations.*

*All forward-looking statements included in the document are based on information available to UBI Banca as at 17th February 2020.*

*UBI Banca undertakes no obligation to publicly update and / or revise forecasts and estimates following the availability of new information, future events or other matters, without prejudice to compliance with applicable laws. All the forecasts and subsequent estimates, written and oral, attributable to UBI Banca or to persons acting on its behalf are expressly qualified, in their entirety, by these cautionary statements.*