

Update of the Business Plan 2022 Resilience and Value

Milan

July 3, 2020

UBI Banca: a story of sustainable growth and solidity in the interest of all stakeholders

April 2007: merger between two solid banks, BPU Banca and Banca Lombarda.

The first Bank to forecast the economic crisis in Italy:

1 bln € capital increase announced in March 2011, before all other competitors.
Announcement followed in April by ISP.

Strong consolidation capabilities with highly performing and scalable IT system (10 migrations carried out in 15 months, strong execution capabilities).

Single Bank project: merger of all 7 Network Banks into UBI Banca approved in October 2016 and completed in February 2017.

Systemic role: Acquisition of Banca Etruria, Banca Marche and Carichieta in April 2017; all Banks (4 different IT systems) merged into UBI Banca within February 2018.

First Cooperative Bank to become a Joint Stock Company in October 2015

Throughout the years, **Sustainable Dividend Policy** allowing continuous **internal capital generation** and constant **shareholder remuneration**.

Only Bank in Italy to have always paid a cash dividend since inception, and this without recourse to sale of strategic assets.

UBI Banca: a credible 2022 Business Plan

2017- 2020 Business Plan: all targets in the hands of management exceeded.

Different macroeconomic scenario impacting revenues, as for all Banks.

Business Plan 2022 **very well received** by the market

UBI share **+5.5%** in a few hours on 17/02 on top of **+11.2%*** after presentation of 2019 FY Results.

Full performance of the Bank to be unleashed from 2020: excellent January and February 2020 performance leading to increased net profit for the 1st quarter notwithstanding March lockdown.

Covid 19 «stress test» confirming the Bank's IT Capabilities and the Flexibility of systems and Staff

Impact of Covid19 estimated relatively contained thanks to **Capital Strength built over the years,** full **Availability of Group Assets** (product factories and other value reserves) and **Solid Management of all Risk Factors.**

UBI 2019: a solid starting point



**Growing core revenues¹
with healthy mix**



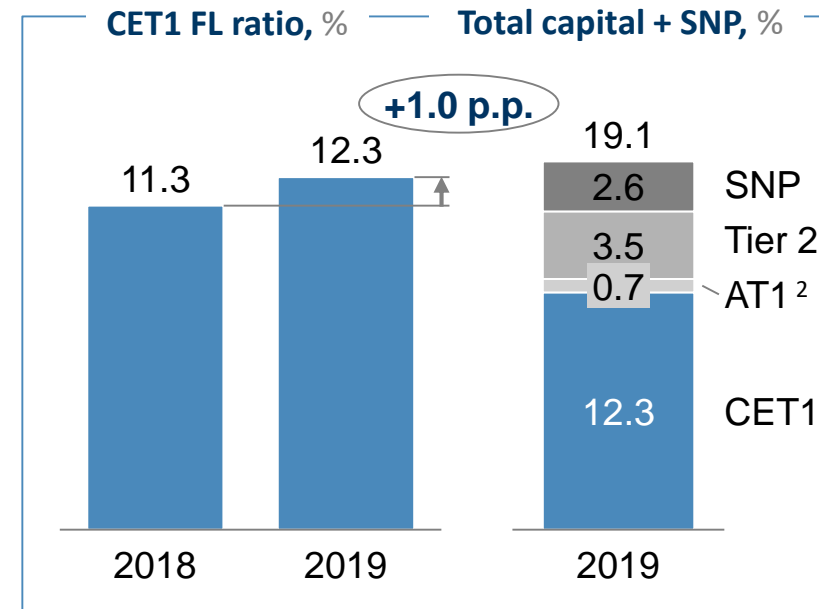
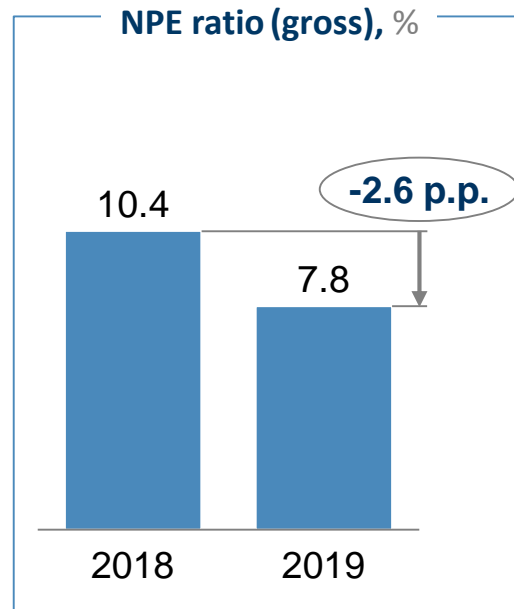
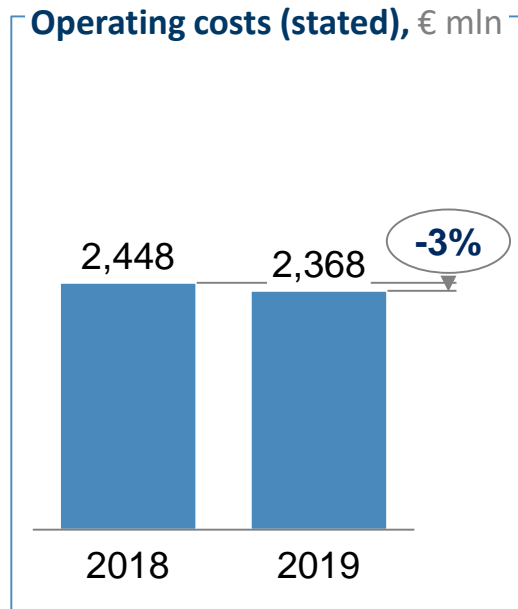
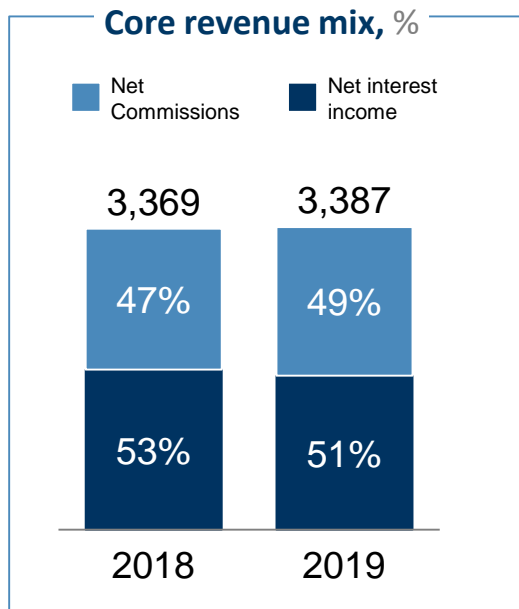
**Decreasing
cost baseline**



**Improving
credit quality**

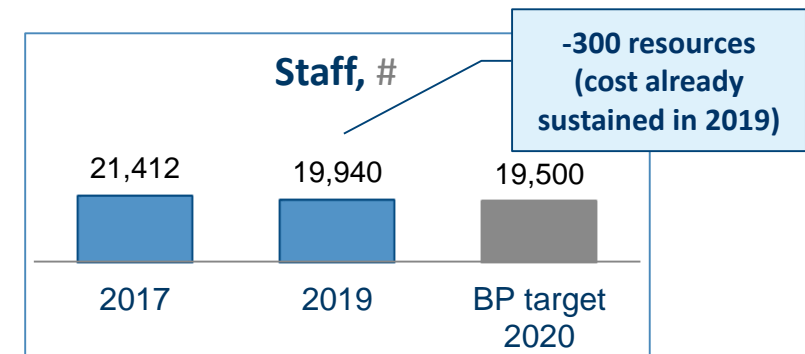
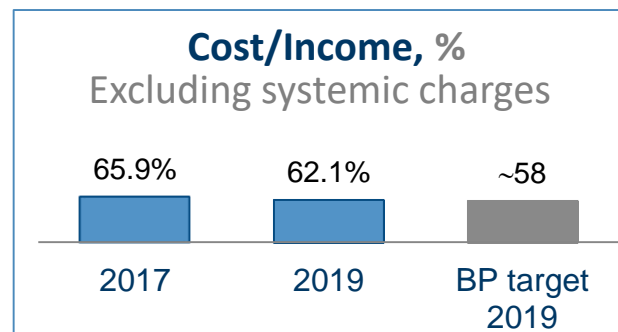
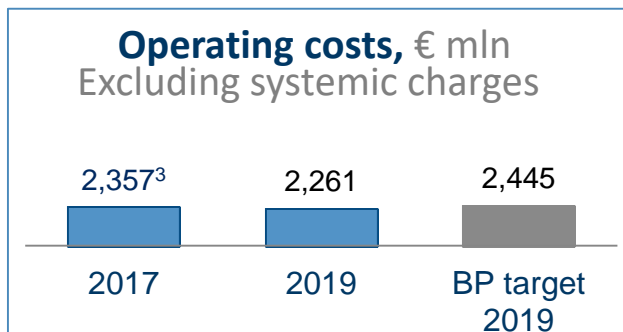
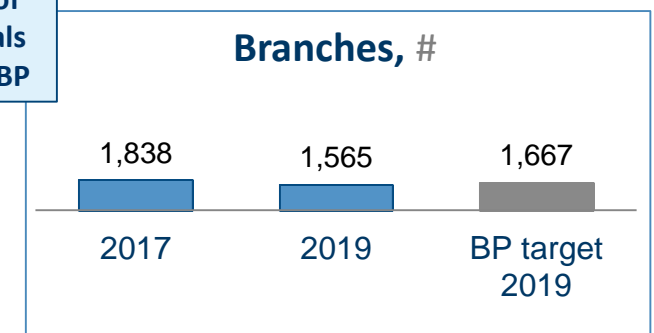
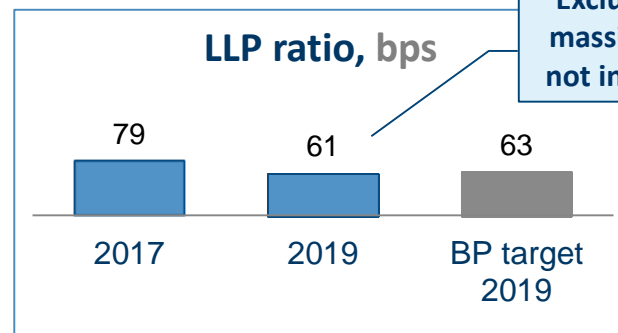
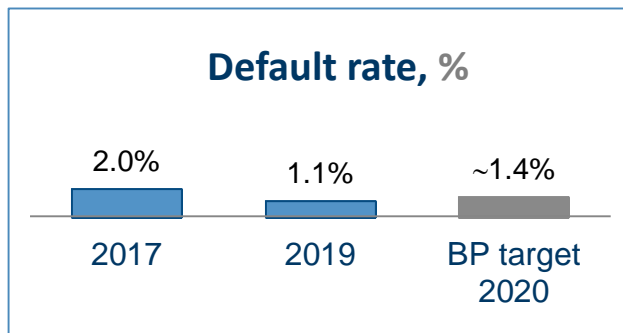
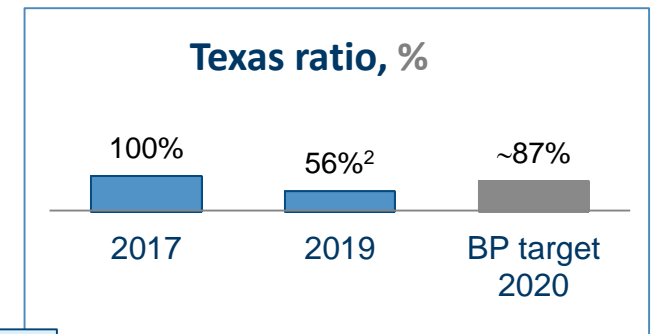
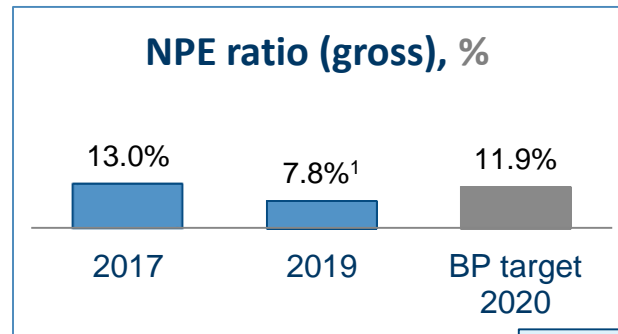
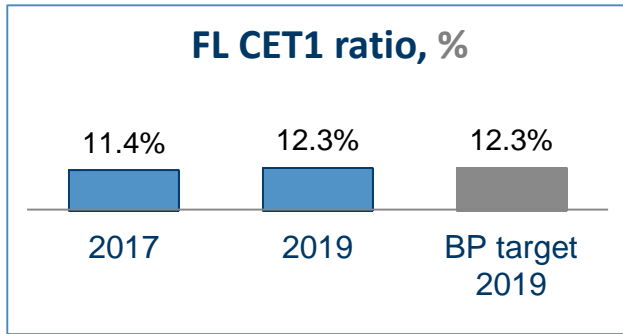


**Growing capital ratio and strong
protection for senior bondholders**



1. Core revenues include net interest income and net commissions
2. AT1 issued in 2020 and included in the calculation of the total ratio

The 2017-2020 Business Plan: over-delivery of all targets in the hands of the management



1. 12.8% Business Plan Target in 2019
 2. 98% Business Plan Target in 2019
 3. Operating costs include full year for UBI Banca and 9 months for the 3 acquired banks



Agenda

- » **Covid19: reaction of the Group and new behaviours**
- » Premises of the Business Plan update
- » Update of the Business Plan
- » Closing remarks

Covid 19: quick reaction of the Group, thanks to Flexibility of staff and systems, allowing all activities to be fully guaranteed during the crisis with high operating performance (1/2)

Quick reaction to Covid19 challenges Personnel, Customers and IT

Internal organisation

- **20,000 remote workstations (vs approx. 19,600 employees)** enabled with VPN and VDI access
- **Over 5,000 new portable PCs** purchased and distributed to the workforce **in addition to those already available**
- **85% of Central Units in smart work (and approx. 50% of all staff)**
- **Strengthened central IT infrastructures to allow remote work and increased cyber-risk monitoring**
- **Branches equipped with Covid19 precautions** (protective equipment, increased cleaning services, limited access and only on appointment, etc..)
- At the very **peak** of the crisis and notwithstanding the concentration in Bergamo and Brescia, **80% of branches were kept open. All branches are currently open**
- **Insurance policy integration** to cover Covid19 emergency
- **On-line training**: from 16/3 to 17/6, 216,000 training courses corresponding to 38,300 hours of training, involving 16,000 staff
- **«Back to work»** project (~ 2 months) aiming at a better work / life balance, maximum use of digitalisation, leveraging on Covid19 experience, and cost saving.

Covid 19: quick reaction of the Group, thanks to Flexibility of staff and systems, allowing all activities to be fully guaranteed during the crisis with high operating performance (2/2)

Quick reaction to
Covid19
challenges
Personnel,
Customers and IT

Customer service

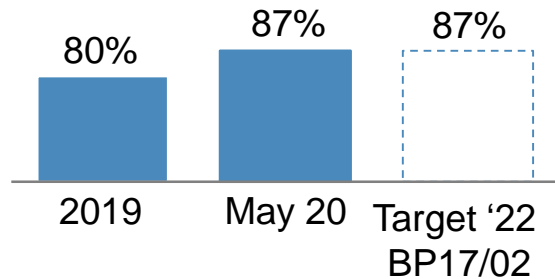
- **Progetto Vicinanza: calls to customers** to understand their needs under Covid19
- **Client Support through Contact Center structure, fully working in remote**
- **4,700 Relationship Managers** enabled to carry out full remote selling
- **Acceleration of further digitalisation of commercial activity, with** priority to
 - credit/debit card/current account related services,
 - financing products, including personal loans and pre-authorized digital lending
 - insurance products
 - advisory and securities related services
- Launch and implementation of «**Rilancio Italia**», a 10 bln€ project to provide financing to the economy (anticipating by approx. 2 weeks Government action)

Covid 19: customer response/behaviour accelerate the way towards digital model services, confirming all projects in the Business Plan published on February 17th

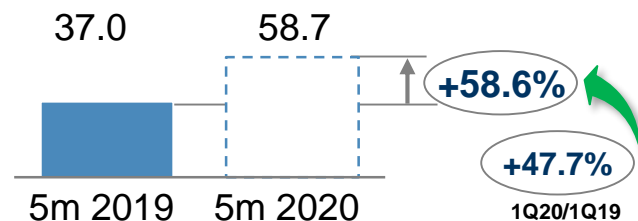
Use of digital by Retail and Business customers



Transactions migrated on digital channels (% of total transactions)



Mobile channel app accesses (# of accesses, in mln)



Increased remote sales through digital processes



Home mortgages

- As at 31st May, home mortgages granted remotely reached 15% of total.
- Requests for new home mortgages received through the Online Channel: 5 months 2020 +43% vs 5 months 2019




Car insurance policy renewals

- On-line or through the Contact Center
- Remote renewals: May 2020: 38% of total renewals



UBI customers already have access to best-in class digital capabilities

Main Functionalities*

		UBI Banca	Intesa Sanpaolo	BPER			
Payment functionality (no basic) and utilities 	▪ Bill payments (Blank template / MAV / RAV)	  	 	  			
	▪ Cash orders	  	 				
	▪ Bill payments to Public Administration (Pago PA)	  	 	 			
Tax payments 	▪ Local and national taxes (F24)	  	 	 			
	▪ Vehicle road tax	  	 				
Digital payments 	▪ Bancomat Pay						
	▪ Apple/Samsung Pay						
	▪ Google Pay						
Investments and insurance 	▪ Securities/funds: portfolio status and history	  	 	  			
	▪ Securities/funds: tax position						
	▪ Insurance: status	  					
Financial assets 	▪ Trading of equities and bonds	  	 	 			
	▪ Funds operations (UCITS, capital accumulation plans)	  					
Advanced account management 	▪ Inflows vs outflows, movements clustering, budget	  	 	 			
	▪ Movements customization		 				
Loans and general settings 	▪ Personal loans (status and amortization plan)	  	 	  			
	▪ Mortgages (status and amortization plan)	  	 	  			
	▪ Change password, address, e-mail	  	 				
	▪ Security Settings	  	 				
Average App Rating (as at 03/07/2020) Rating from 1 to 5: Android Google Play Store ¹ and IOS Apple Store ²		4.5	4.5	4.0	4.6	3.5	2.1

Average App ranking (from 1 - lowest - to 5 – highest -)
 1 Num. of reviews: UBI 61,116, Intesa Sanpaolo 122,294, BPER 11,864
 2 Num. of reviews: UBI 13,474, Intesa Sanpaolo 238,152, BPER 1,151

*SOURCE: Osservatorio Digital Banking Reply - 31 March 2020

The Covid experience has led to a further acceleration of Digital, Data and Analytics to support the transformation of the business model

The COVID emergency

Programs Accelerated

Digital & Data as key elements in managing the Covid19 emergency, thus accelerating our roadmap to **Enhanced Digital capabilities, Advanced Analytics, and Innovation teams**

Commercial

Mobile app active digital clients **+32%**
May20/May19

Hybrid & Ricariconto Self Installment Plan **+50%**
5M20/5M19

Car Insurance Self Renewal **5x**
5M20/5M19

Non-commercial

- New app to help employees in managing social distancing measures
- New predictive remote controls implemented during the emergency

- Launched **UBIConto**, first account & debit card that can be subscribed via Mobile App
- Launched **PrestiFatto**, fully digital salary backed loans
- Launch in Q3 of new digital and data-driven lending process dedicated to SMEs
- Launch in Q3 of **UBI Banca account aggregator**, to extract value from third party's transactions in terms of lending and wealth management opportunities
- **Data driven customer purchase propensity** and **pricing model** (*ongoing releases*)
- **Data Driven omnichannel customer journeys** and marketing automation (*ongoing releases*)
- **Robot4Advisory** (early 2021)

- New data Driven Planning & Control
- Automation of compliance and audit controls
- Know-Your-Customer & AML
- Advanced risk early-warning systems

Organize-to-innovate: A New Way of Working

Exploit positive lessons learned in managing the Covid emergency, in terms of work productivity, agility, time to market and business resilience

Flexible workplace



- **New workplace concept & Real Estate rightsizing** based on unassigned physical desks, remote access IT tools and collaboration solutions
- **Increased adoption of Smart Working**, with Welfare support

Bank at a new speed



- **Additional boost in agile adoption**, with focus on continuous delivery based on minimum viable products

Business Resilience



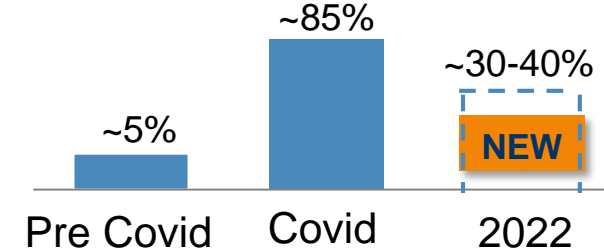
- **Adoption of a new Cyber & Resilience Culture**
- **All processes to be digitalized for remote work**
- **Boost in Cloud architectures adoption**, to manage increased volumes during crisis events
- **Continuous crisis simulations**

Results achieved during the COVID emergency

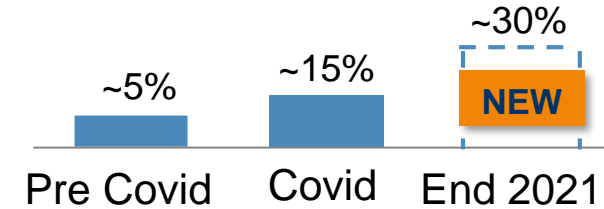
- **20.000 remote workplaces** enabled in a short time
- **85% of employees of central units working remotely** during the peak of the crisis
- **nearly 50% of all loan requests under 25K€ during the first week coming from UBI Banca.** Fastest bank in managing these loan requests
- **85% of processes of central units managed remotely** (including Contact Center and Market Trades)
- **No significant cyber or fraud events** intercepted during the emergency

Business Plan Targets

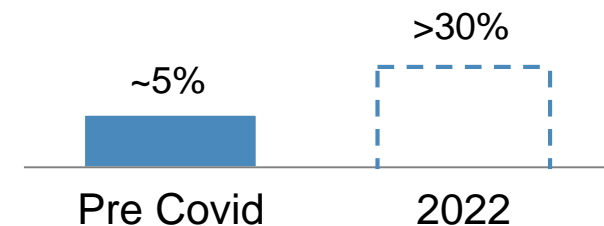
Smart work adoption; % (*)



Agile adoption; %



Cloud adoption; %





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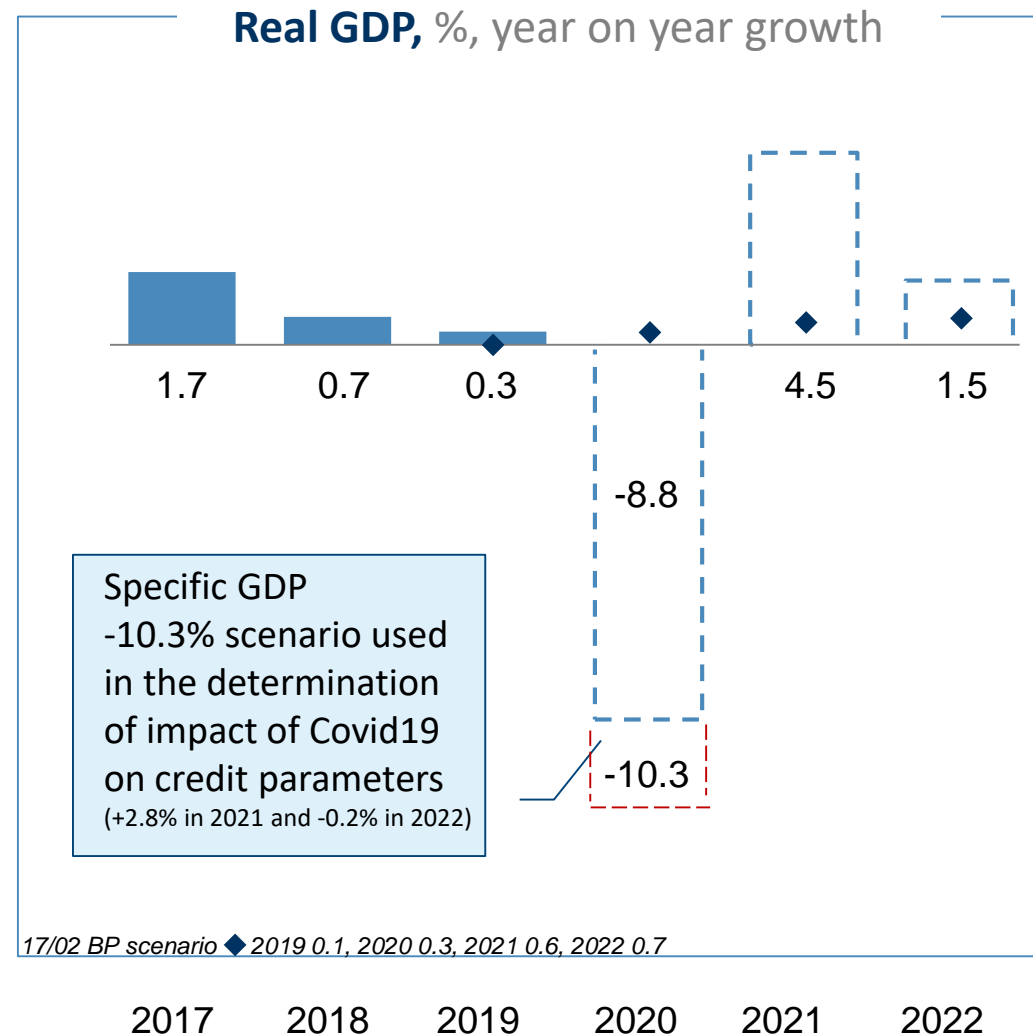
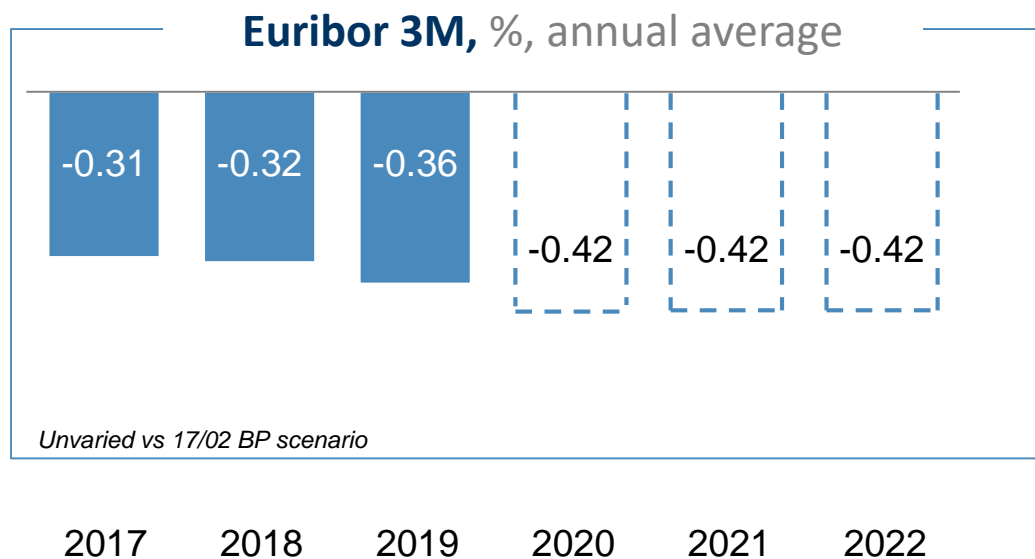
The Update of the Business Plan: a new perimeter, different capital allocation and the exploitation of some value reserves allow mitigation of Covid 19 impacts and higher dividend¹ over the BP horizon

Drivers of the Update

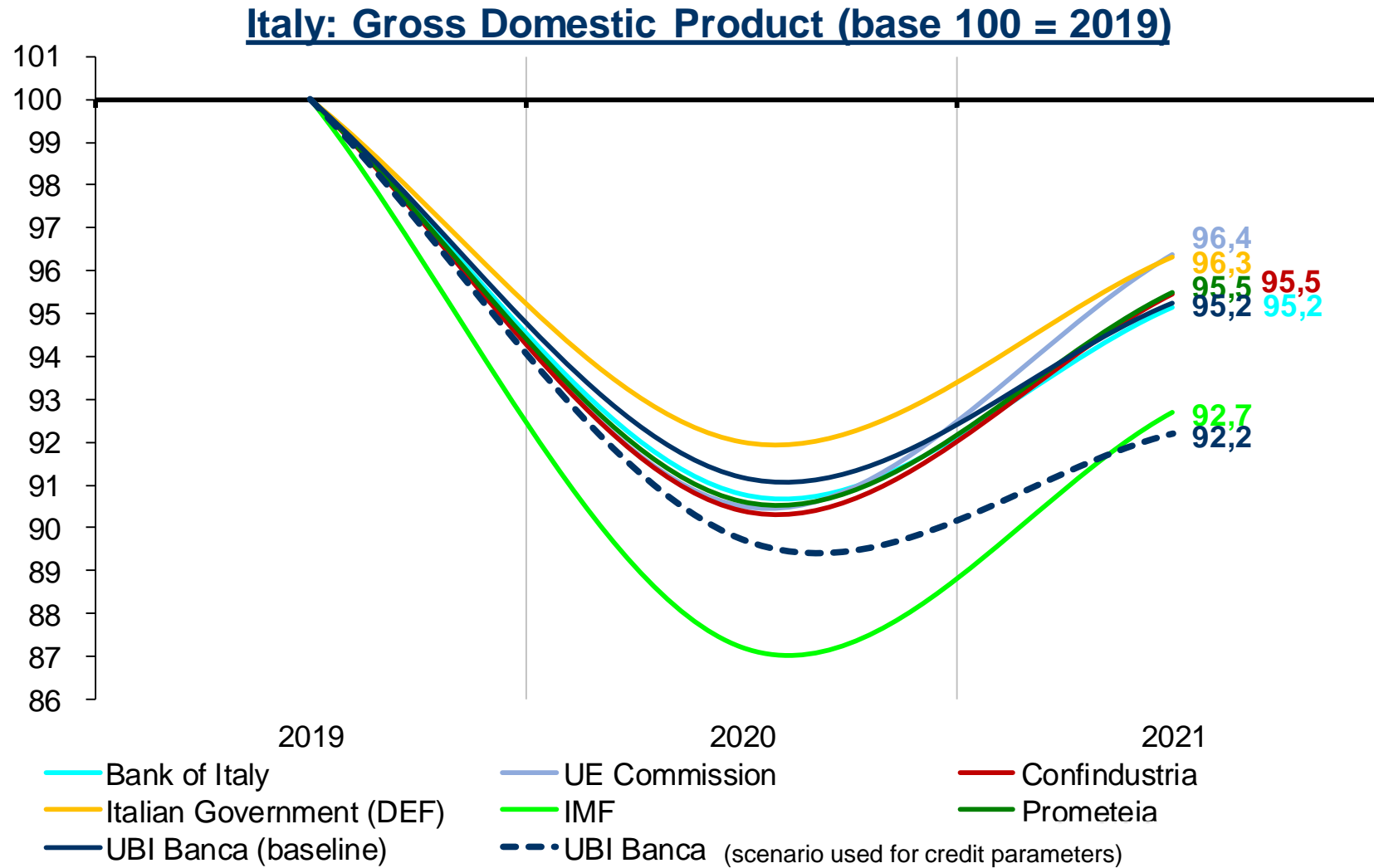
Update of the 17/02 BP based on the **Resilience of the Bank** and on the **high level of Flexibility** allowed by operating systems, staff quality, capital and balance sheet indices

- Confirmation of all strategic actions and drivers set out in the 17/02 Business Plan
- Estimate of Covid 19 impact on all BP years, based on crisis reality check and on a new macroeconomic scenario
- **Impact of actions delayed** because of the Intesa Public Exchange Offer (redundancies/hirings, bancassurance agreements, renegotiation of securities services agreement, etc...)
- **Enlargement of Group perimeter through the internalisation of life insurance business (acquisition of 100% of Aviva Vita)** enabling revenue growth (return on invested capital higher than 10%). **Merger with BAP**
- **Re-allocation of capital to implement measures set out in government decrees** to guarantee the resilience of businesses and households over the medium term (over 6 billion of state-guaranteed loans to be granted in 2020, with impact on spreads, RWAs, default rates, etc...). **Impact of different timing of regulatory measures introduction** (Basel IV, CRD V, SME supporting factor, etc..).
- **Use of some of the Group's unrealised Value Reserves for approx. 350 mln€ net in 2021 (optimisation of equity investments and merchant acquiring business)**
- Renegotiation of securities services agreement
- **Significant Dividend increase over the BP horizon** (the BP also assumes distribution of 2019 dividend)

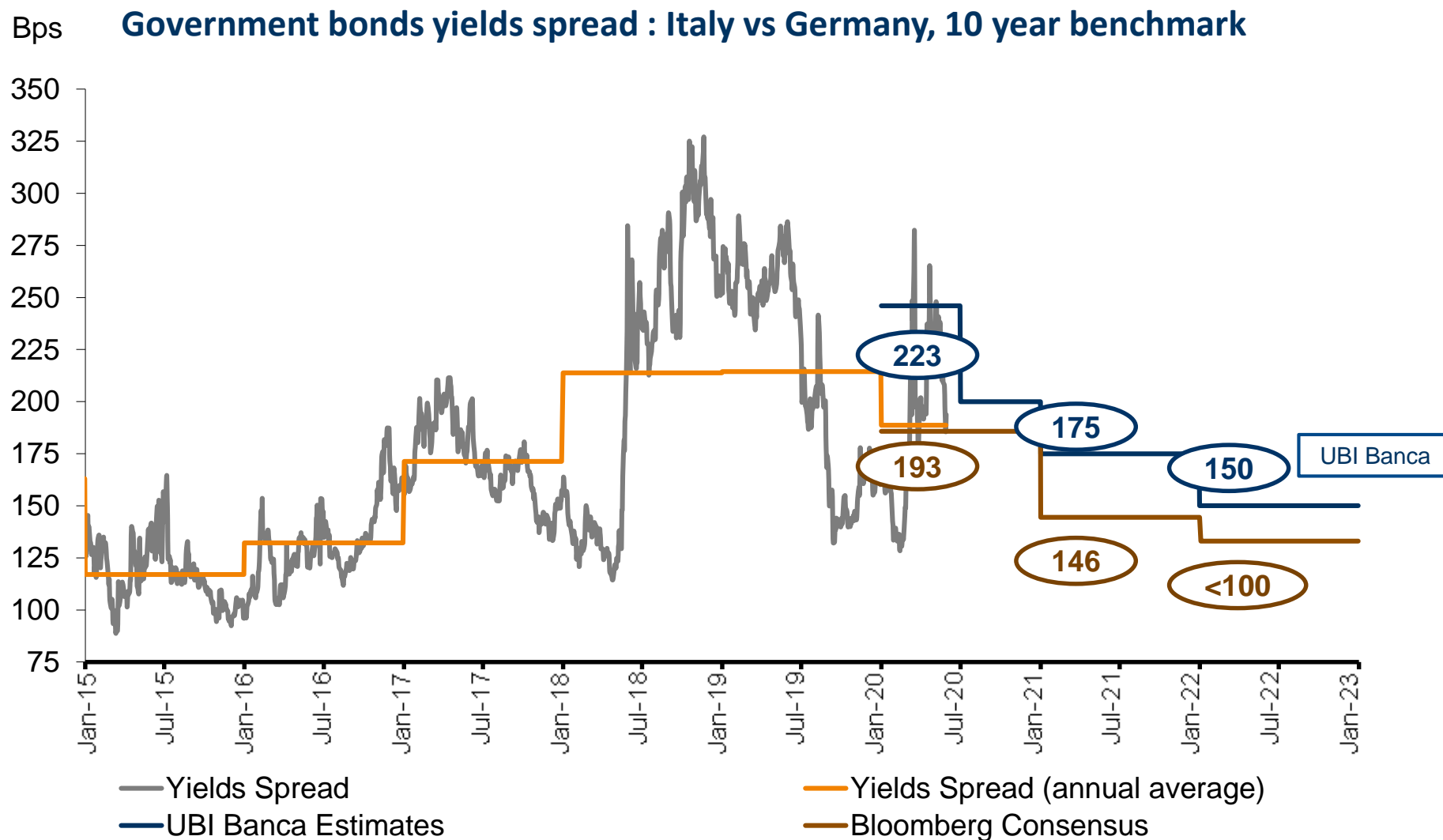
UBI 2022: a conservative macro-economic scenario, with a deep dive in 2020 and limited recovery in following years



Italy GDP estimates 2020 and 2021



UBI 2022: BTP-Bund spread assumptions higher than consensus





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Value creation confirmed even including Covid19 impacts

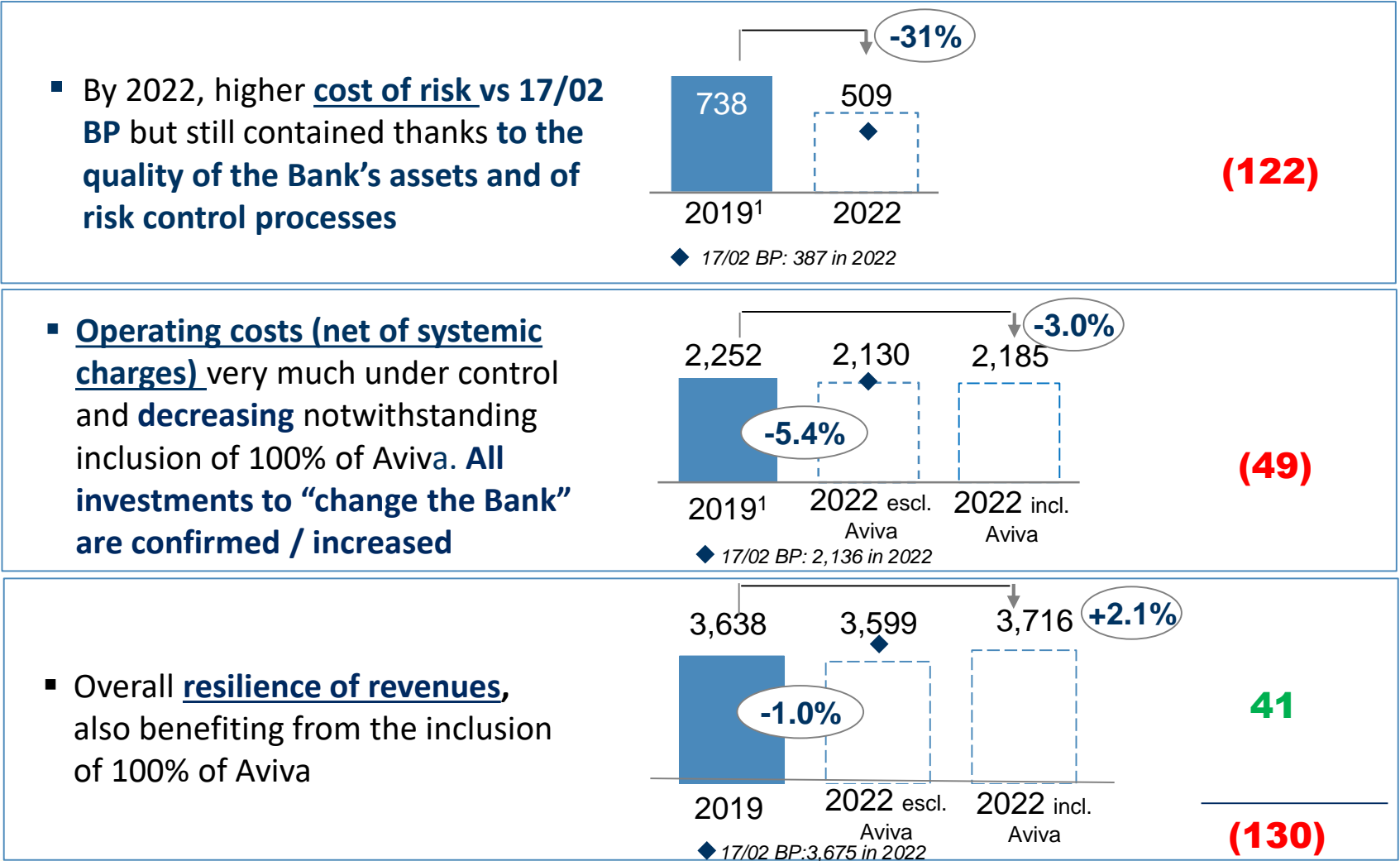
€ millions

Δ 2022 targets Vs 17/02 BP, € mln

Main results after the Covid19 impact assessment

Growth in net profit to €562 million (vs 665 in 17/02 BP) including the impact of Covid19 and the internalisation of Aviva

Return on Tangible Equity to 7.1% (vs 8.3% in 17/02 BP) representing high growth potential for the share



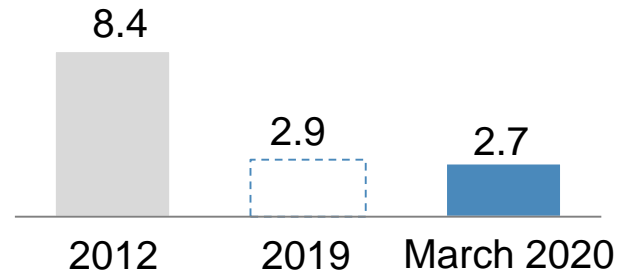
Credit quality: a high quality loan portfolio as a starting point

The starting point

A performing portfolio mainly focused on low risk rating classes



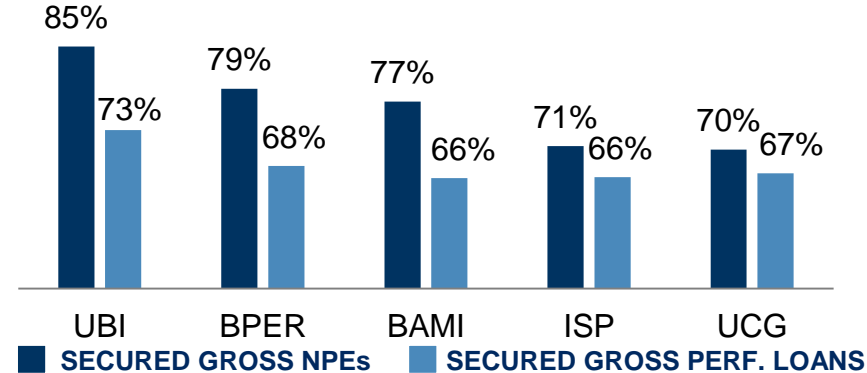
High-risk performing loans, % of total performing loans, mgmt accounts



High level of guarantees

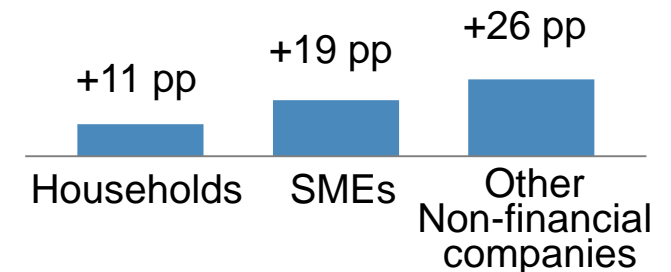


Secured gross non-performing and performing loans, % of total



Data as at 31 December 2019, Table A.3.2 notes to the financial reports

Transparency exercise June 2020, on data as at 31 Dec 2019 - % Collateralised gross NPEs in UBI vs Italian Average

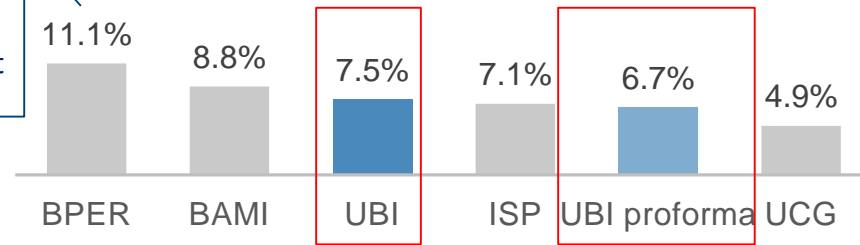


Credit quality: levels of NPEs, coverage

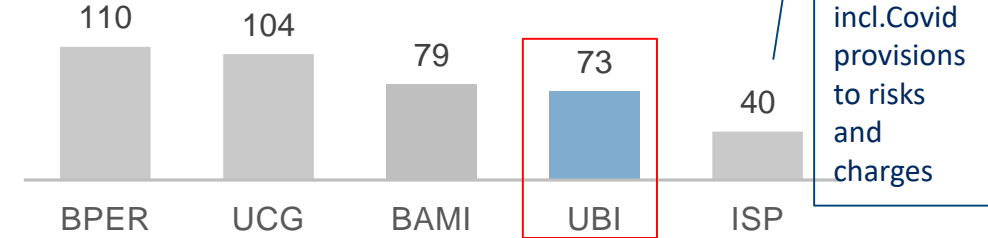
Current gross NPE ratio and LLP ratio

9.3% pro-forma recent sale

Considering the SMEs bad loan disposal announced in 2019, UBI Banca has the second lowest gross NPE incidence,* % of gross total loans



UBI Banca LLP ratio in 1Q20 already includes significant additional provisions on UTPs in sectors impacted by Covid19,* in bps

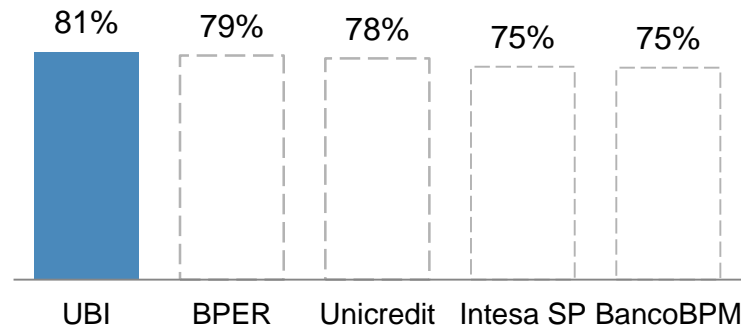


69 incl. Covid provisions to risks and charges

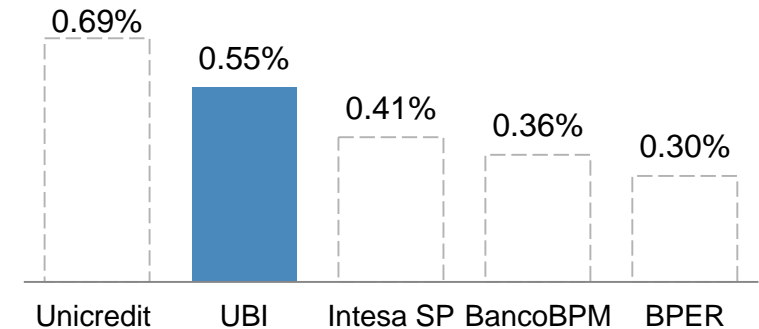
Source: Annual Reports, reclassified income statements

Coverage of NPEs and performing loans

(Real estate + Cash coverage) / Total Gross NPEs**



Coverage of Performing Loans*



*As at 31 March 2020, presentations and Company documents

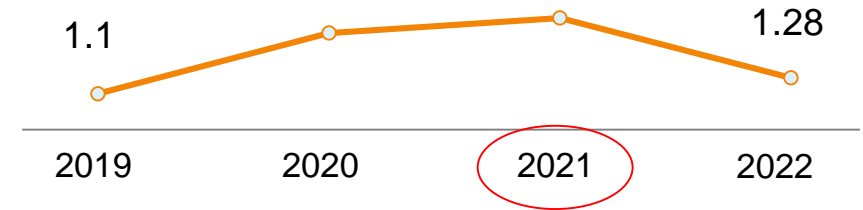
**As at 31 December 2019, Table A.3.2 of the consolidated account

From 2020 to 2022, more than €700 mln (85 bps) of additional cumulated cost of risk

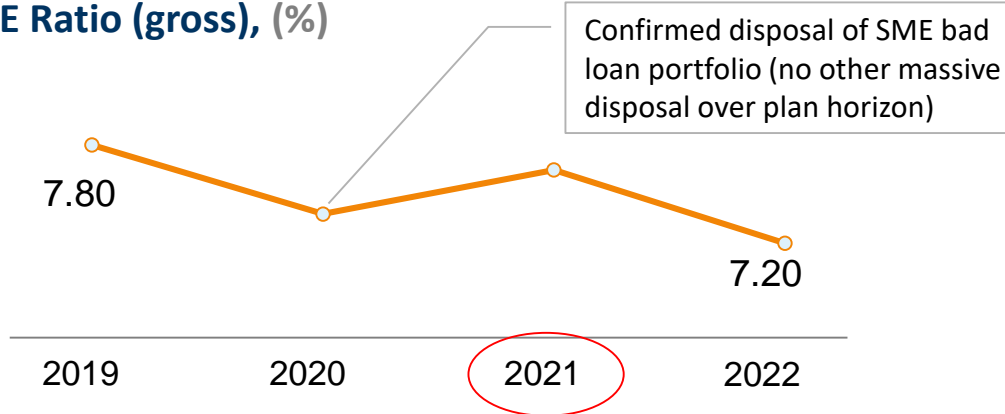
Macrosenario

Use of conservative macroeconomic scenario (GDP -10.3% in 2020, +2.8% in 2021 and -0.2% in 2022)

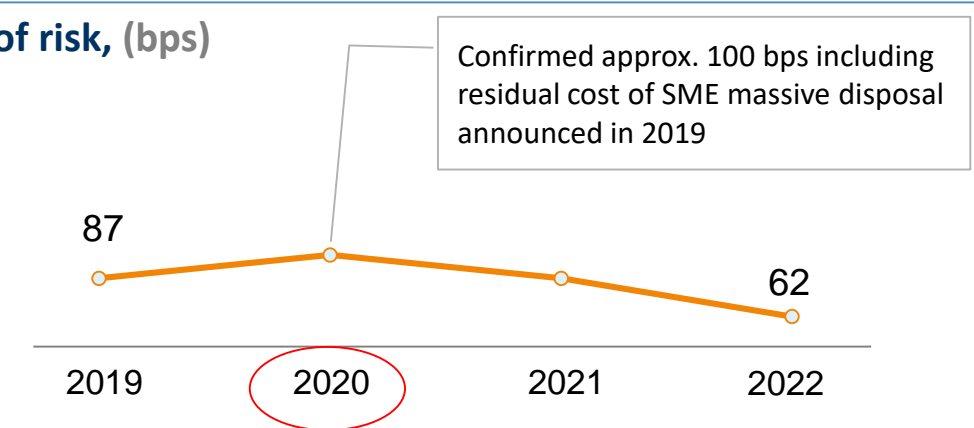
Default rate, (%)



NPE Ratio (gross), (%)



Cost of risk, (bps)



Quick response to new decrees and credit quality control as a means to reduce losses

Organisational measures

Enhancement of organisation to deal with new Decrees

- **Focused organisation to implement new Decrees measures**
- **Centralized unit for the management of Government Decree Moratoria**
- **Intervention on Credit processes** to allow early management and granting of State guaranteed loans

Dedicated FTE (2020)

60

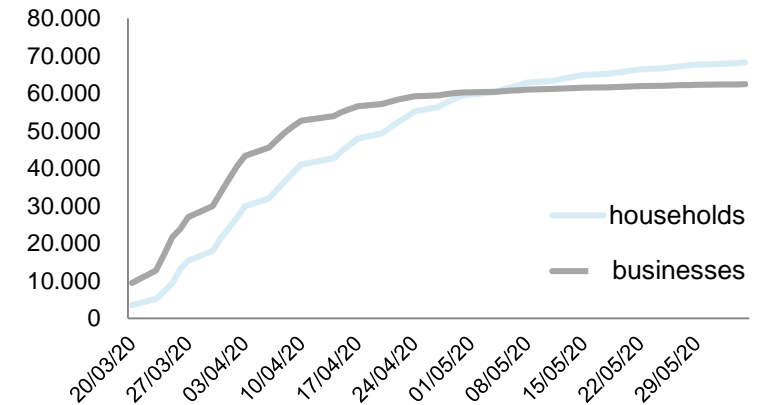
Centralised control of NPE management confirmed



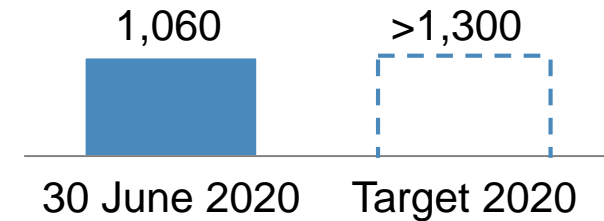
- **Focus on end-to-end NPE management, leveraging on an excellent in-house credit recovery platform**
- **2008** Centralization of **bad loan** recovery **160**
- **2017** Centralization of **UTP** management **270**
- **2020** Centralization of **"high risk" and past-due** clients **50**

540

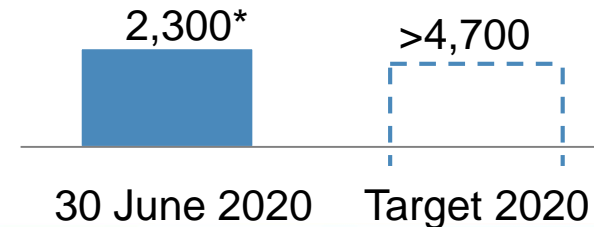
Moratoria,



Financing up to €25,000, € mln



Other Financing (law 662 and SACE), € mln

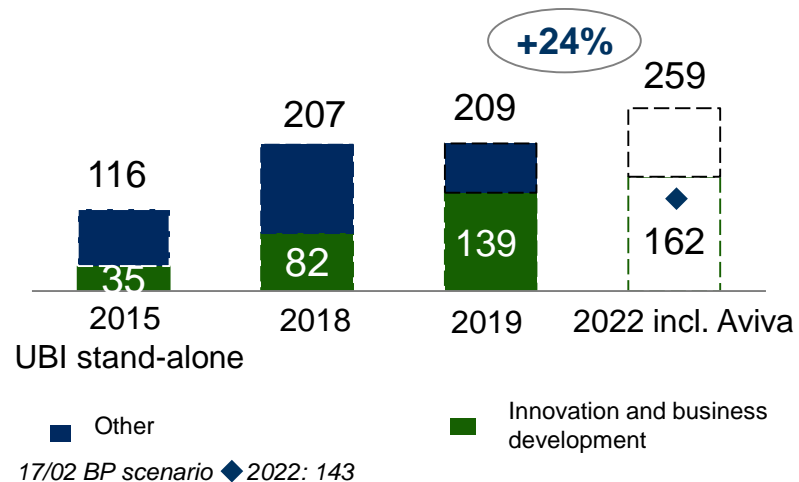


* Includes financing granted and in the pipeline (approved and to be granted)

Confirmed IT investments in “Change the Bank”

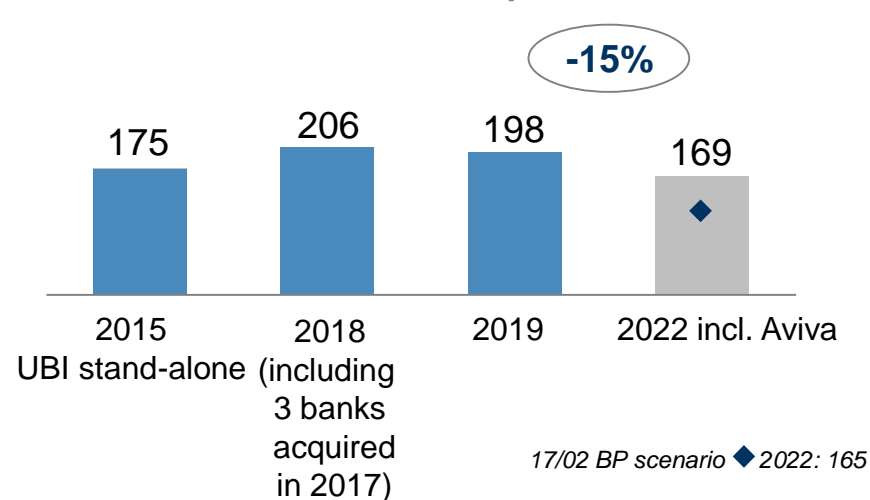
“Change the Bank” IT spending

€ mln, Other adm exp, D&A and Staff costs



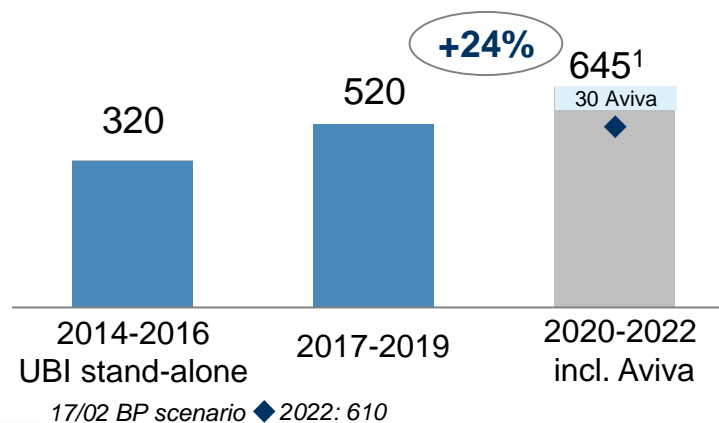
“Run the Bank” IT spending

€ mln, Other adm exp and Staff costs



Cumulated IT investments

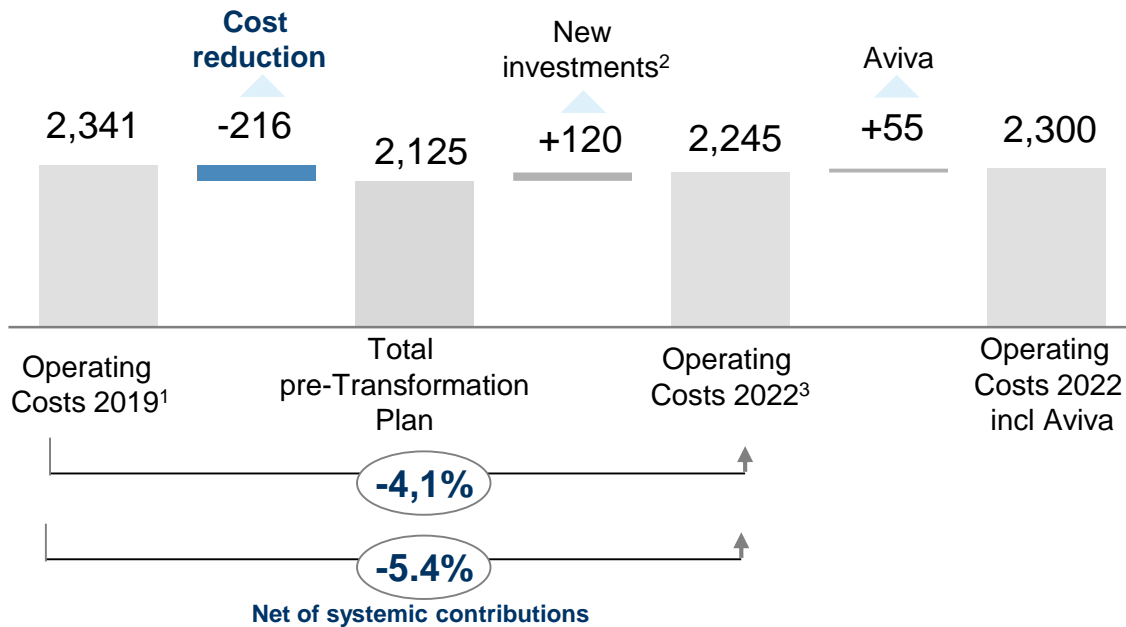
€ mln, Other adm exp and investments



1. Of which ~€175 mln Other administrative expenses, ~€440 mln investments and €30 mln relating to BAP-Aviva integration and development. 2020 data include technological investments necessary to run activities in covid 19 framework.

Solid cost control confirmed, even including internalisation of Aviva

Cost evolution (excluding non recurring items), € mln



Main drivers

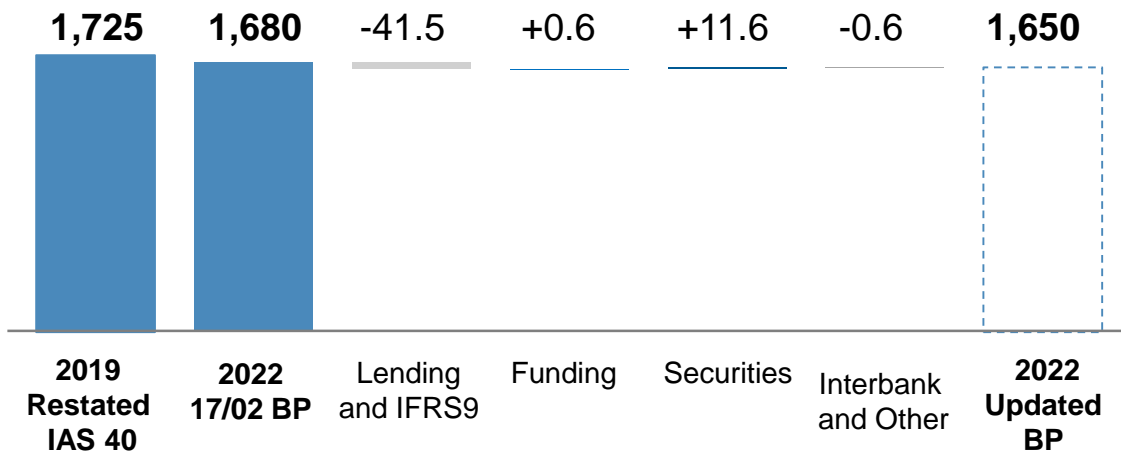
- Confirmed **approx. 2,000 exits** (net of approx. 1,000 hirings) :
 - including 300 already accounted for in 2019, all exiting in 2020
 - most exits are expected in 2021, consistently with trade union negotiations to be launched.

Expense for the exits, expected to be mostly sustained in 2021, will be more than offset by use of some value reserves.
Synergies at full regime in 2022 (over 100 mln€ net).
- **Benefits from new way of working** (e.g. expected 30-40% of FTE in smart work every year, rationalisation of working space, etc..)
- In 2020, Covid 19 expenses (approx. €44 mln) will be **offset** by further savings.

1. 2019 Restated IAS 40. Net of non-recurring
 2. Year 2022 P&L impact, Other Administrative expenses and D&A
 3. There are no non-recurring items in 2022

Focus on Net Interest Income

Net interest margin, Updated BP vs 17/02 BP, € mln

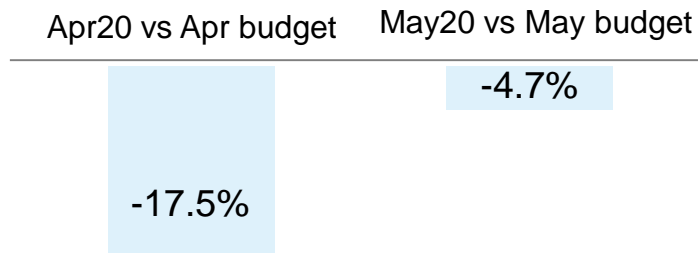


Main trends

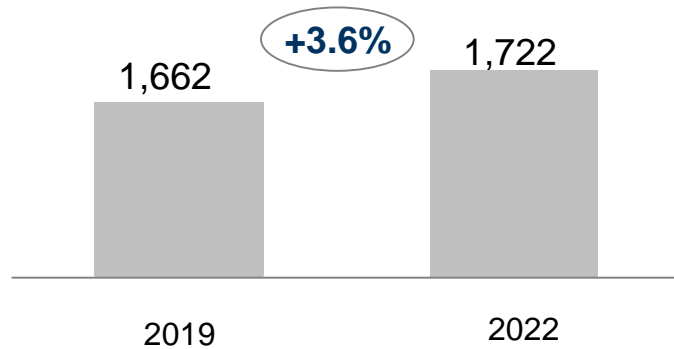
- Trends in first months of 2Q2020:**
 May and April 2020 evidences show resilience of NII, with both months in line with the respective budget included in the 17/02 Business Plan
- Net interest margin 2022 target** (-30 mln€ vs 17/02 BP 2022 target) **influenced by effects of Covid19:**
 - Lower volumes of S/T lending (expected lower economic activity) and lower spreads on M/L term State guaranteed lending (although with a high RoRaC)
 - Slightly higher profitability of bond portfolio

Focus on Net Commission income

Net commission income in April and May 20 vs budget, € mln



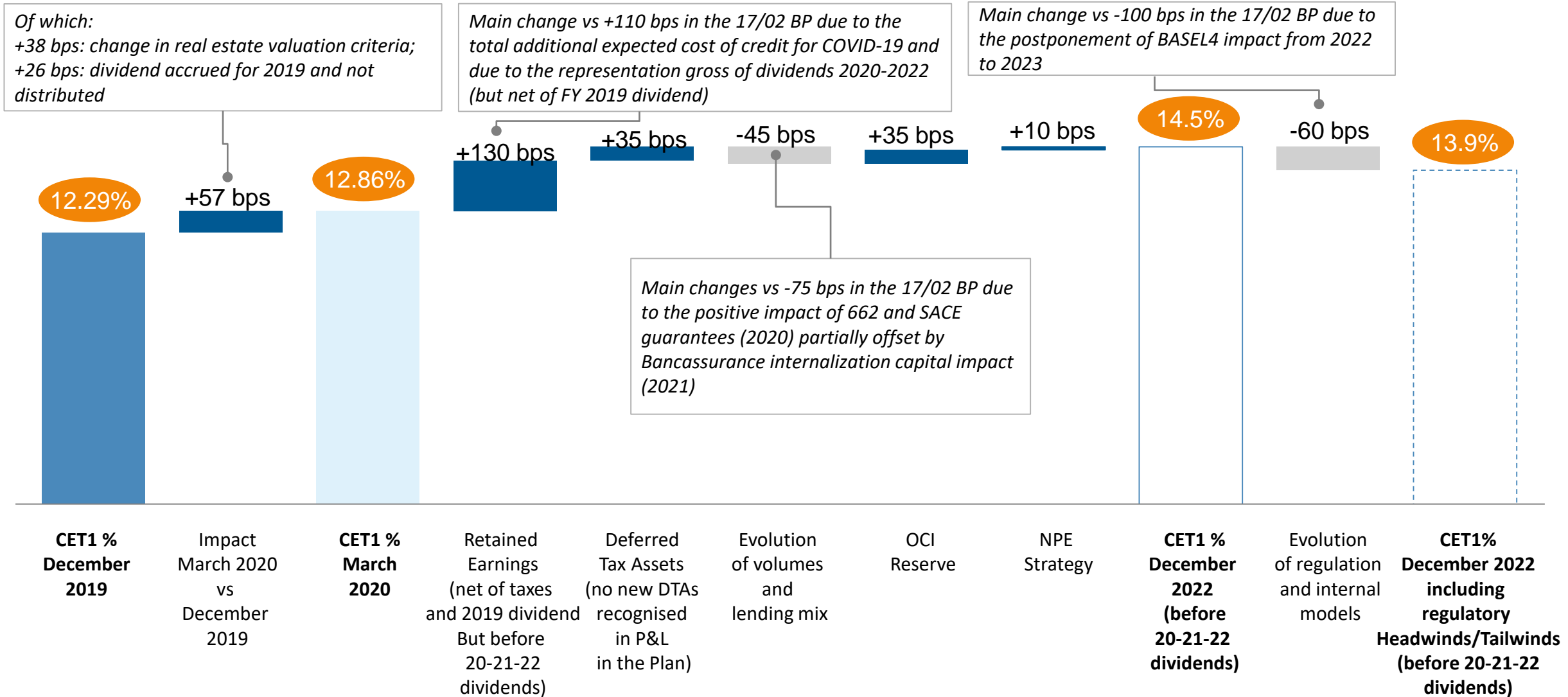
Net commission income 2022 target, € mln



Main trends

- **Trends in 2Q2020:**
Net commission income was mainly affected in April 2020, due to market performance, lower sales and transactions in lockdown period.
Confirmed strong rebound in May 2020, which was close to budget included in the 17/02 Business Plan
First June 2020 evidences appear to confirm the positive trend
- **Net Commission 2022 target** lower vs 17/02 BP 2022 target due to sale of merchant acquiring activities in 2021 (approx. -€25 mln)

CET1 ratio before 2020-2022 dividends (but net of FY 2019 dividend) to 13.9% in 2022





Agenda

- » Covid19: reaction of the Group and new behaviours
- » Premises of the Business Plan update
- » Update of the Business Plan
- » **Closing remarks**

UBI 2022: clear roadmap following thorough Covid19 impact analysis

A Notwithstanding Covid19 all main strategic drivers are confirmed, including a strategic choice for the Bancassurance business



B Impact of Covid19 is estimated as:

- +85 bps of Cost of Credit over the 3-year BP Horizon
- -1% of RoTE in year 2022

No major impact on Costs and Revenues



C Higher dividend thanks to Capital Management and use of some Value Reserves

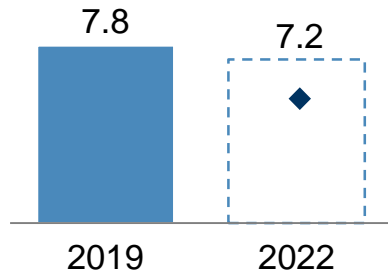


UBI 2022 targets: confirmation of a solid and attractive value creation plan, with enhanced dividend compared to 17/02 BP expectations

Improved credit quality notwithstanding Covid impact



NPE ratio (gross), %

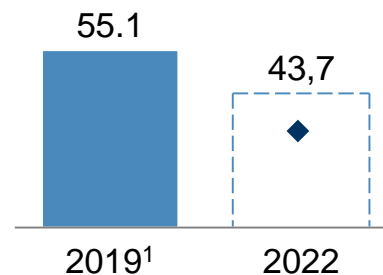


◆ Business Plan 17/02/2020: 2022 5.2

Increased resilience



Texas ratio, %

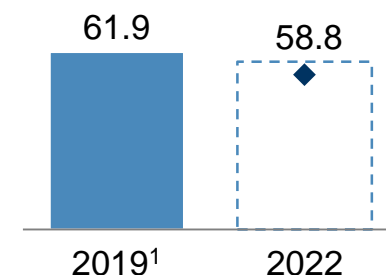


◆ Business Plan 17/02/2020: 2022 32.6

Optimized operating structure



Cost/income², %

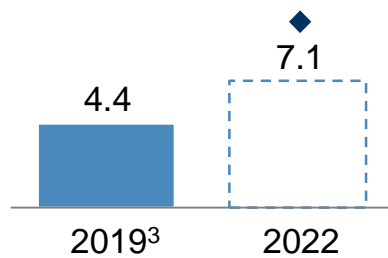


◆ Business Plan 17/02/2020: 2022 58.1

Improved profitability



Normalised ROTE, %

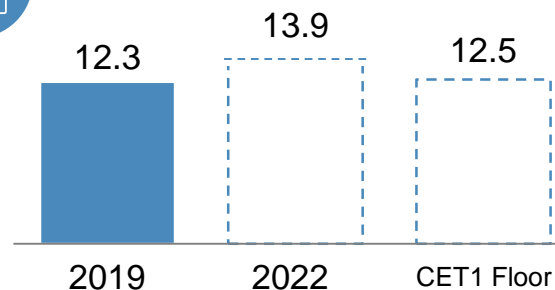


◆ Business Plan 17/02/2020: 2022 8.3

Stronger capital



CET1 FL ratio, %



Before
2020-2021-2022 dividends
but net of 2019 dividend

Growing cash dividend over plan horizon



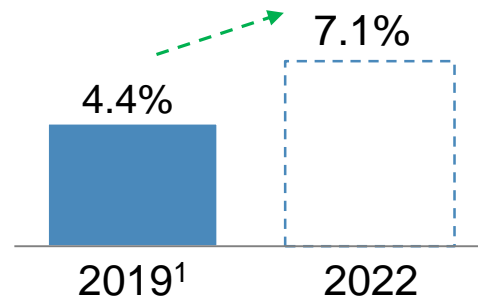
Up to full excess capital compared to 12.5% CET1 ratio floor

1. Restated IAS 40.
2. Excluding systemic contributions (Deposit Guarantee Scheme and Resolution Fund)
3. Restated IAS 40. LLPs related to wholesale disposals are not normalised

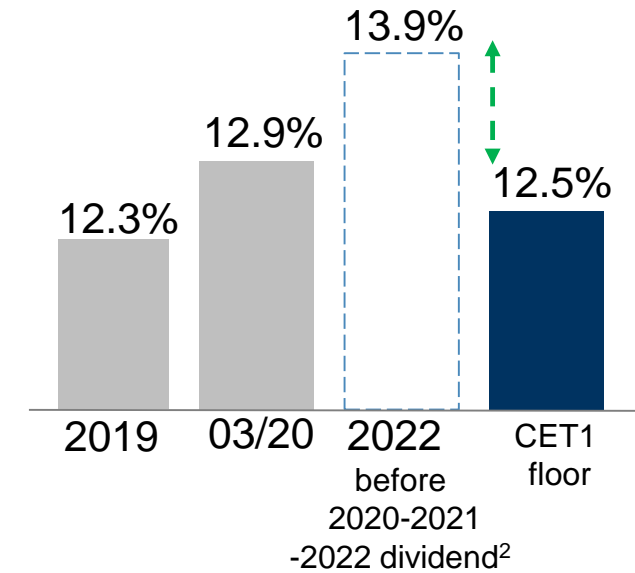
High return for investors over three main pillars

2022

Return on tangible equity



CET1 ratio much higher than target



1. **+60% increase in RoTE represents High Growth potential for the share**



2. **Approx. € 840 mln of excess capital to be distributed (over 73 cents per share cumulated in the three year period)**

3. **All strategic assets remain as additional value reserves (product companies, NPE recovery platform, etc..)**

1. Restated IAS 40. 2019 RoTE is net of non-recurring items, 2022 RoTE does not include any non recurring items.
2. But net of 2019 dividend








Agenda



Annexes

Significant value creation to shareholders over the next three years

			2019 Restated IAS 40	2022	2022 Revised	3-years CAGR, %	3-years CAGR, Revised %
Balanced revenue mix 	Operating income	€ mln	3,638	3,675	3,716	+0.3%	+0.7%
	<i>o/w net commissions</i>	%	45.7	47.6	46.3		
	<i>o/w net interest income</i>	%	47.4	45.7	44.4		
	Total financial assets (TFA¹)	€ bln	196	209	205	+2.2%	+1.3%
	<i>o/w direct banking funding</i>	€ bln	95	93	91		
	<i>o/w Institutional funding</i>	€ bln	18	20	19		
	<i>o/w AUM + bancassurance</i>	€ bln	73	88	85		
Continued cost reduction 	Operating costs	€ mln	-2,341 ⁶	-2,235	-2,300	-1.5%	-0.6%
	<i>o/w staff costs</i>	€ mln	-1,428	-1,361	-1,374		
	<i>o/w other administrative expenses³</i>	€ mln	-603	-517	-576		
	Operating costs (net of systemic contributions)	€ mln	-2,252	-2,136	-2,185	-1.7%	-1.0%
	Cost/income (net of systemic contributions)	%	61.9	58.1	58.8		
Lower cost of credit 	Cost of risk	bps	87	46	62		
	LLPs	€ mln	738	387	509	-19.3%	-11.7%
	NPE ratio (gross)⁴	%	7.8	5.2	7.2		
	NPE coverage incl. write offs	%	50.9	51.5	51.2		
Significant value creation for shareholders 	Stated net income (normalised in brackets)	€ mln	233 (331)	665 (665)	562 (562)		
	ROTE normalised	%	4.4	8.3	7.1		
Stronger capital and structural position 	CET1 ratio	%	12.3	12.5	13.9 ⁷		
	Texas ratio	%	55.1	32.6	43,7		
	RWA (fully loaded)	€ bln	58.1	61.5	58.9		
	Tangible equity⁵	€ bln	7.5	8.0	7.9		

1. Includes direct and indirect funding, excludes repos with CCG

4. Net NPE ratio: 5% in 2019 and 3.1% in 2022, 4.25% in 2022 Revised

7. Net of 2019 dividend but gross of 2020-2021-2022 dividends

2. Excludes repos with CCG

3. Excluding systemic contributions

5. Net equity excluding profit and AT1— intangible assets

6. net of non-recurring items

Details on regulatory headwinds/tailwinds following recent regulatory updates

Impacts on the CET1 Ratio

	Cumulated 2020-2022	2020	2021	2022
Total Regulatory Headwinds/Tailwinds impact	-0.6	0.3	-0.2	-0.7
Regulation and internal model evolution	0.0	0.3 ¹	-0.2	-0.1
EBA guidelines	-0.6	-	-	-0.6 ²
Basel IV ³	-	-	-	-
CET1 MDA Buffer before dividends, bps		On average > 530 bps		
CET1 BP target ⁴ MDA Buffer, bps		423 bps		
CET1 Ratio MDA trigger, % ⁵		8.27%		
CET1 Ratio, % year-end ⁶		~ 13.9%		

Preliminary Pillar 2 impact

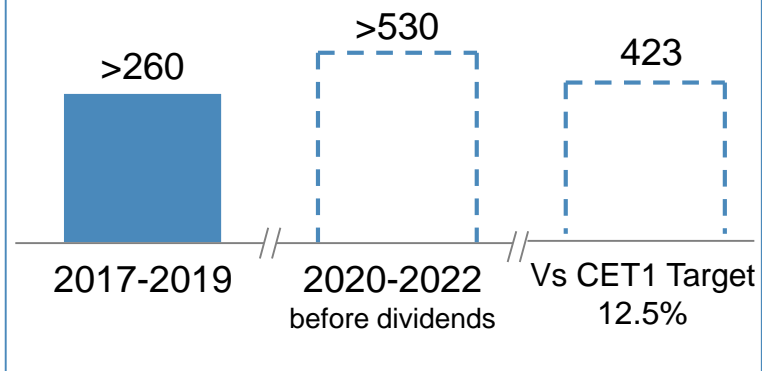
SREP + Addendum + Calendar provisioning	-0.3
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Notes:

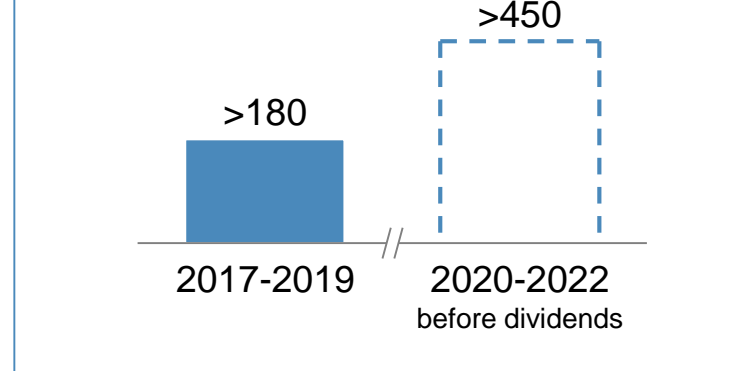
1. Advance application to 2020 of CRR2 (extended supporting factor for SMEs, new weighting for salary backed loans and new treatment of software – overall 40 bps)
2. Postponed to 2022
3. Postponed to 2023
4. CET1 ratio target 12.5%
5. Advance application of CRDV (art 104a) following receipt of ECB decision.
6. Net of 2019 dividend but before 2020-21-22 dividends

Structural balance and flexibility

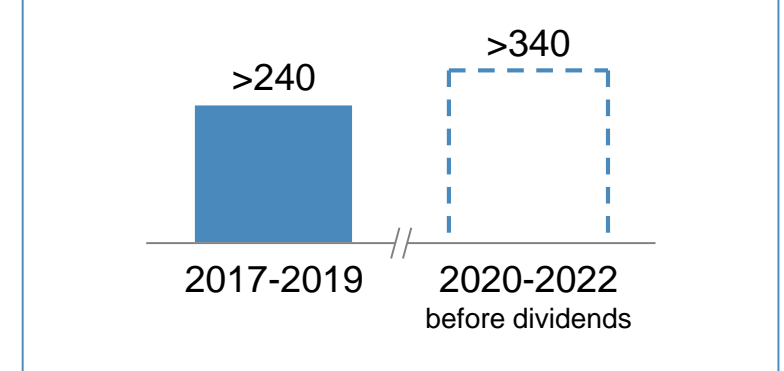
CET1 Ratio – Average buffer on MDA¹ trigger, bps



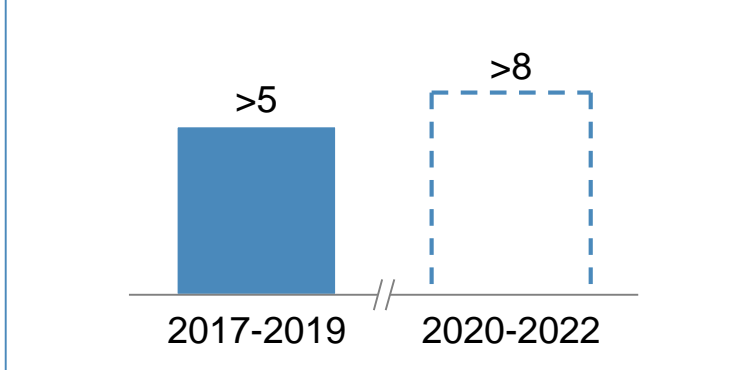
Total Capital Ratio – Average buffer on MDA¹ trigger, bps



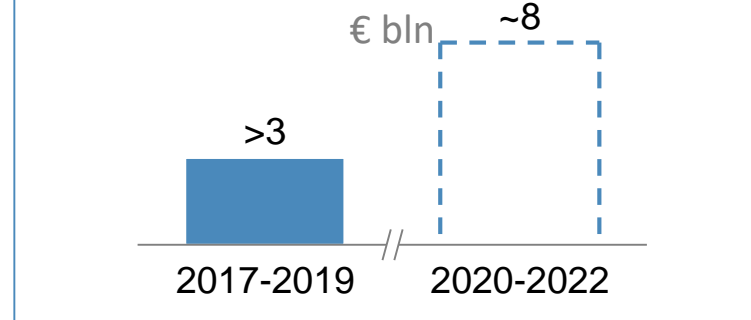
Leverage Ratio – Average buffer on expected minimum requirement, bps



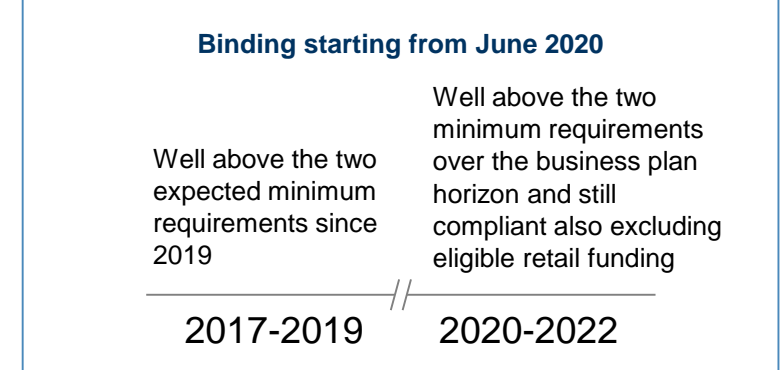
LCR² – Liquidity Buffer – Average buffer on minimum requirement, € bln



NSFR³ - Available stable funding – Average buffer on minimum requirement net of TLTRO⁴ contribution, € bln



MREL⁵ and minimum subordination requirement



1 Maximum Distributable Amount long-term refinancing operations

2 Liquidity Coverage Ratio

5 Minimum Requirement for own funds and Eligible Liabilities

3 Net Stable Funding Ratio

4 Targeted

A very thorough process to estimate impact of Covid19 on credit quality

Assessment of credit trends

Macro-economic forecasts and estimate of default rates

- Use of **specific macroeconomic scenario (GDP -10.3% in 2020, +2.8% in 2021 and -0.2% in 2022)**
- Estimate of expected default rates through **stress models** to define correlation with shock on macroeconomic scenario

Economic sector dynamics and Stress analysis by counterpart

- Use of CERVED financial forecasts (**over 500 micro-sectors**)
- Estimate of financial impacts:
 - **single name analysis** for Large Corporates (**approx. 400 Economic Groups**)
 - **financial sustainability models** for the rest of the portfolio, based on financial forecasts
- Correction of sectorial forecasts on the basis of **expected dynamics of cash flows for smaller companies**
- Estimation of **debt/income evolution** to assess financial sustainability for **private individuals**

UTP migrations

- **Single name** stress analysis on samples and propagation to those sectors most impacted by Covid

Mitigations allowed by measures included in Decrees

- **Correction of the 2020 risk parameters based on the provisions of the recently issued decrees** (state-guaranteed loans)

Internalisation of Aviva Vita and merger with BAP in July 2021

Main assumptions

- in 2021 exercise of the call option to purchase 100% of Aviva Vita (today UBI owns 20% of the joint venture)
- return on invested capital higher than 10%
- capital absorbed for the internalisation of Aviva: approx. 50 bps in 2021
- increase in contribution to **Group net profit** by 40 mln€ in 2022 (vs contribution of 12.1 mln€ in 2019)

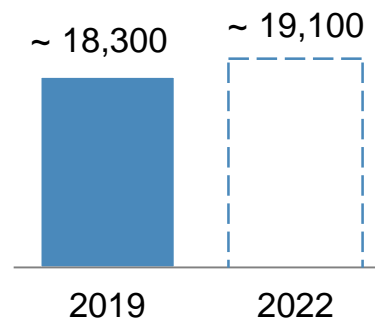


Drivers of the internalisation

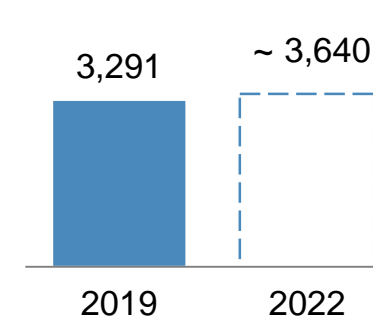
- merger between BAP and Aviva Vita
- new production mix** with a progressive increase of the incidence of unit linked e index linked products (from 32% to 45%)
- structure of products** in line with the actual situation in terms of up-front, management fees, etc...
- in 2022 **administrative expenses equal to 0.25%** of reserves excluding integration costs
- target Solvency ratio >180%**

AVIVA + BAP, € millions

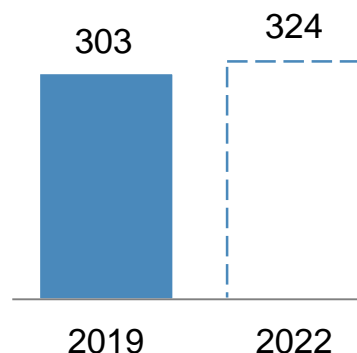
Technical reserves



Premiums

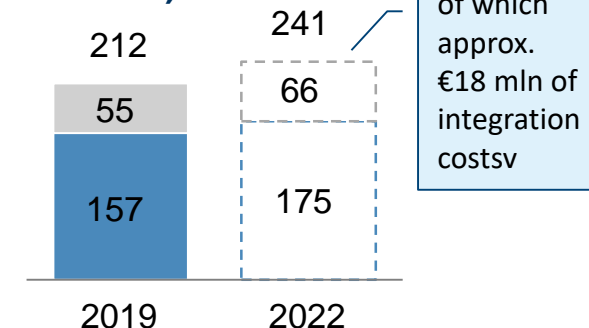


Revenues (pro-forma)



o/w contribution to Group's operating revenues ~ €150mln

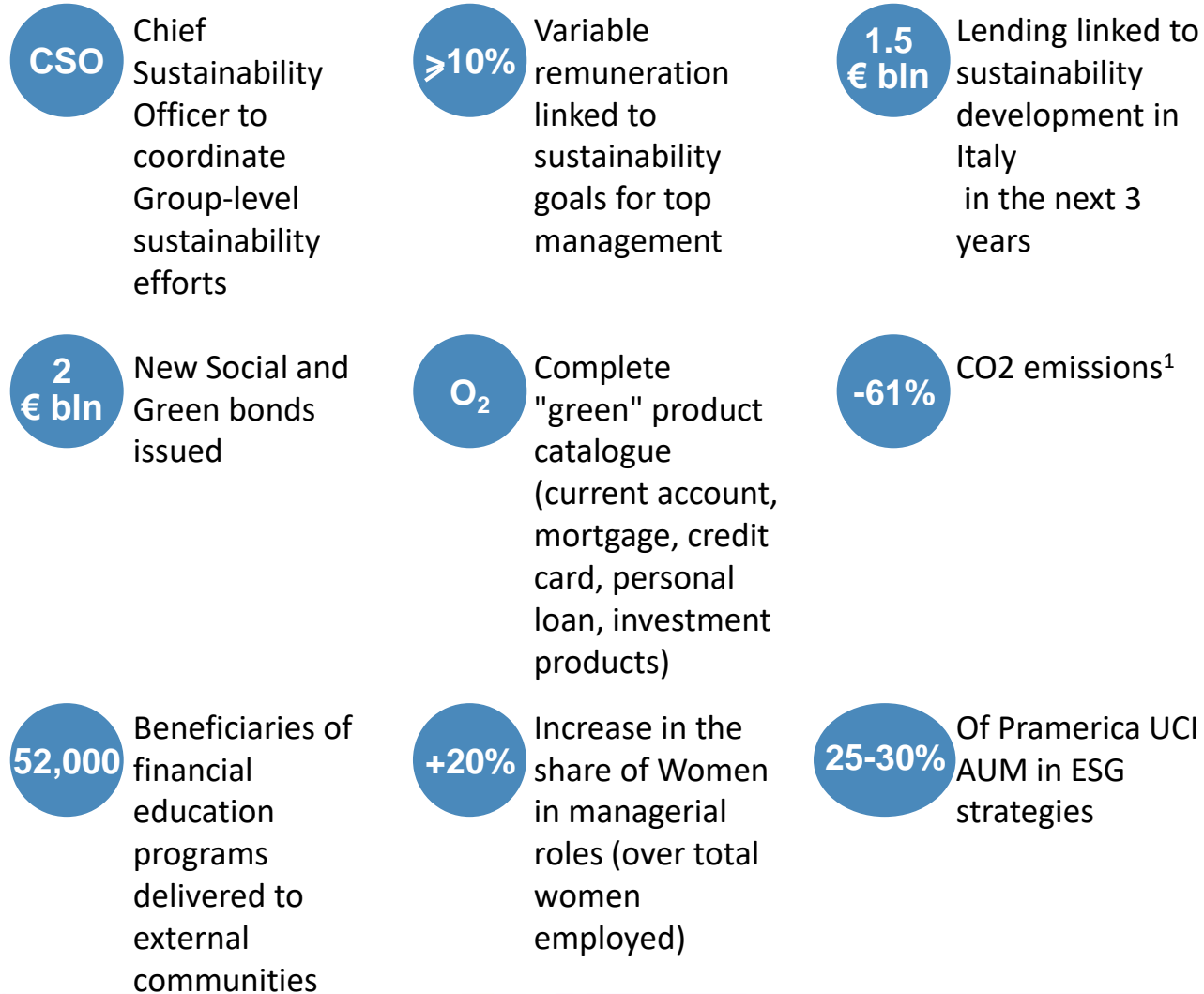
Operating expenses (pro-forma)








o/w UBI Group, Pramerica
o/w Operating Expenses

Sustainability: targets confirmed and activities already started in the first months of 2020

2022 Targets: confirmed



Achievements as of today

-  Setup of Group wide Sustainability Program to coordinate and promote themes across organization, as a first step toward the Chief Sustainability Officer
-  Formalization in the manifesto "Rilanciamo L'Italia per bene" of UBI strategic view on the role of the Bank in the post COVID 19 phase (www.ubibanca.com/manifesto)
-  Signatory of United Nations to the Principles for Responsible Banking
-  Reinforcement of UBI active participation to national and international initiatives related to sustainability (e.g. EBA voluntary exercise on climate risk)
-  Development of internal commercial tools focusing on ESG strategies (e.g. ESG funds rating tool)

1. Target 2022 Scope 1 + Scope 2 Market based, unit of measure CO2, with Baseline as at 31/12/2007, date of inception of UBI Banca

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