



# The UBI Banca Group Consolidated Results as at 31<sup>st</sup> March 2020

*8 May 2020*

**UBI**  **Banca**



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### References

*The "notes on the reclassified financial statements" contained in the periodic financial reports of the Group may be consulted for a fuller comprehension of the rules followed in preparing the reclassified financial statements.*

*Figures in this presentation slides may not add up exactly to correspond to the total amount indicated, due to rounding differences.*

## A solid start to 2020 allowing strong intervention in the Covid19 emergency

### Strong CAPITAL

- ❖ FL CET1 ratio to 12.86%
- ❖ MDA buffer vs CET1 9.25% SREP to 361 bps (459 in the hypothesis of full application of art104a of CRD5)
- ❖ Both CET1 ratio and MDA buffer are higher than Business Plan projections (CET1 >12.5 and MDA buffer > 330 bps) even net of 2019 dividend (accounting for 26 bps)
- ❖ Total capital ratio to 17.05% also following successful issuance of AT1 in Jan 2020

### Strong LIQUIDITY

- ❖ MREL requirements largely exceeded
- ❖ FL Leverage ratio to 5.87%
- ❖ LCR and NSFR > 100  
Thanks to strong issuance plan carried out in 2019, no worries if markets were to close in 2020
- ❖ Liquid assets to €36.8 billion, of which €23.8 unencumbered

### High quality LOAN BOOK

- ❖ High quality performing loan book (only 2.7% is high risk) generating low default rate (1% annualised in 1Q2020)
- ❖ Low level of NPEs following work out and sales carried out in 2019, still constantly decreasing: in 1Q2020 gross NPE ratio to 7.5% of total loans (6.7% taking account of SME bad loan sale currently being prepared)
- ❖ High recovery rate to 12.5% (cash in + back to performing) of total NPEs.
- ❖ Bad loan recovery rate (cash in) to 7.1%

# Liquidity to the economy in the Covid19 emergency and Initiatives to support customers well above the Group's Market share

## Covid-related additional measures

- ❖ €10 billion available to the Territories to support families, businesses and third sector launched on 1<sup>st</sup> April 2020



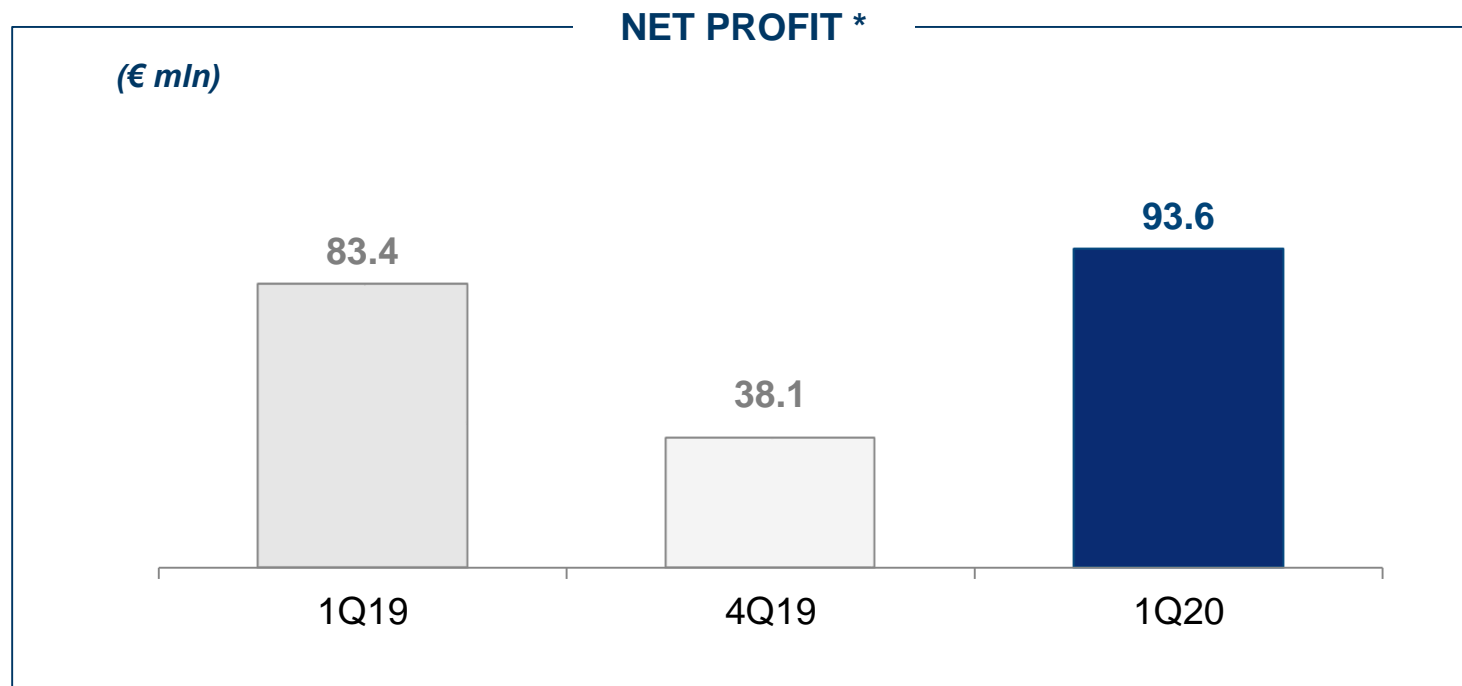
**RILANCIOITALIA**  
A sostegno di famiglie, imprese e terzo settore.

- ❖ Immediate application and fast procedures to allow customers access to opportunities offered by Government Decrees, even in remote
  - Financing up to €25,000 with 100% state guarantee: as at the 7th of May, loans which have obtained the guarantee and are ready for disbursement amount to 40% of the total at system level\*
  - Medium/large lending tickets with MCC guarantee (over €25K): over 2 bln/€ of applications (average guarantee 80%)
  - 130.000 “moratorie” out of a total of over 1.600.000\*\* at system level (8% share)

\* 37,250 applications out of a total at system level of 93,301

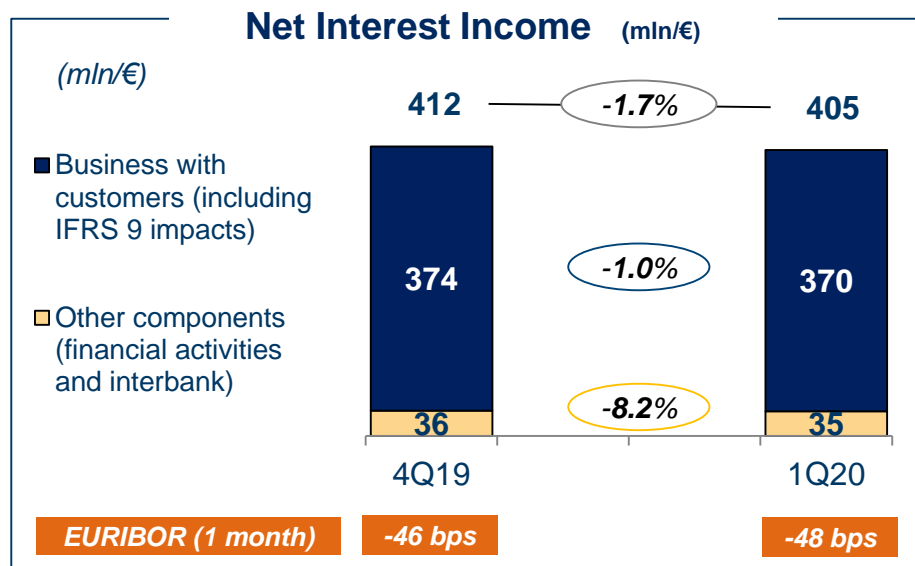
\*\* latest available system data

## A good set of results in 1Q20, with a significant increase in net profit in a complex environment



5 \*Restated for 2019 to reflect change of measurement criteria for real estate: Net profit for 1Q19 previously published €82.2 million; Net profit for 4Q2019 previously published €60.1 million.

# Resilience of Net Interest Income expected to continue in 2020



## 1Q20 vs 4Q19:

- Stable NII from business with customers vs 4Q19 considering calendar effect (-4 mln/€)

mIn/€	1Q19	4Q19	1Q20
<b>Business with customers (including IFRS9)</b>	<b>409</b>	<b>374</b>	<b>370</b>
o/w business with customers	383	364	359
o/w IFRS9	26	10	11
Financial activities	44	51	37
Interbank business	-8	-13	-2
<b>Net Interest Income</b>	<b>446</b>	<b>412</b>	<b>405</b>
EURIBOR (1 month)	- 37 bps	- 46 bps	- 48 bps

## 1Q20 vs 1Q19

- Impact on funding component of the decrease of -11 bps in 1M Euribor and of the intense issuing of institutional funding in 2019 which enabled the required MREL levels to be reached in advance and UBI to be resilient in case of potential market closures in 2020
- lower IFRS9 contribution, mainly following the massive bad loan reduction and disposals completed in 2019, (gross NPE volumes down by -29.4% in 12 months) enabling the Bank to face the Covid emergency with higher quality assets

# Overall Customer Spread improving in 1Q20 to 177 bps

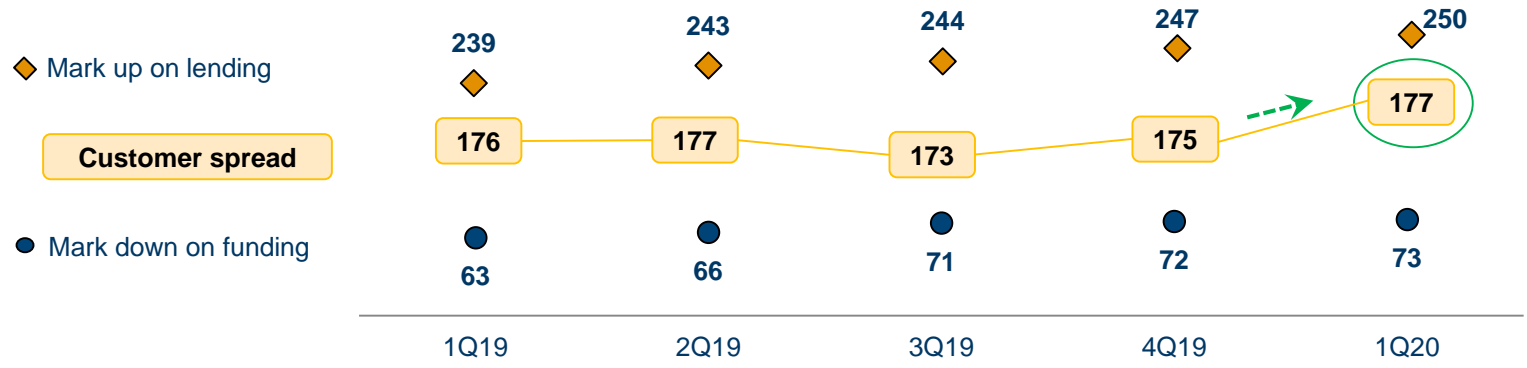
## New M/L term originations at 3.9 bln/€ in 1Q20

**STOCK**

**GROUP CUSTOMER SPREAD\***  
 (M/L and SHORT TERM, BANKING GROUP + PRODUCT COMPANIES)  
 In bps against 1M Euribor, including hedging derivatives and excluding TLTRO2

**TREND**

**FOCUS ON MEDIUM/LONG TERM VOLUMES & COMMERCIAL SPREADS**  
**BANKING PERIMETER**



**Spread 10Y BTP-BUND (period average)**

Period	1Q19	2Q19	3Q19	4Q19	1Q20
Spread 10Y BTP-BUND (period average)	257	262	183	148	166

	1Q19	4Q19	1Q20
<b>NEW ORIGINATIONS</b>			
Flows	+2.8bln/€	+2.7bln/€	+3.9bln/€
Commercial Spread	243bps	239bps*	195bps*
<b>REIMBURSEMENTS</b>			
Flows	-3.3bln/€	-3.7bln/€	-3.2bln/€
Commercial Spreads	195bps	206bps	193bps

- Higher incidence of TLTRO lending products in 1Q20
- Net of TLTRO lending (approx. 1.4bln/€ in 1Q20), spread up 5bps vs 4Q19 (to 256bps)

\* Excluding TLTRO lending, commercial spread at 251bps in 4Q19 and 256bps in 1Q20

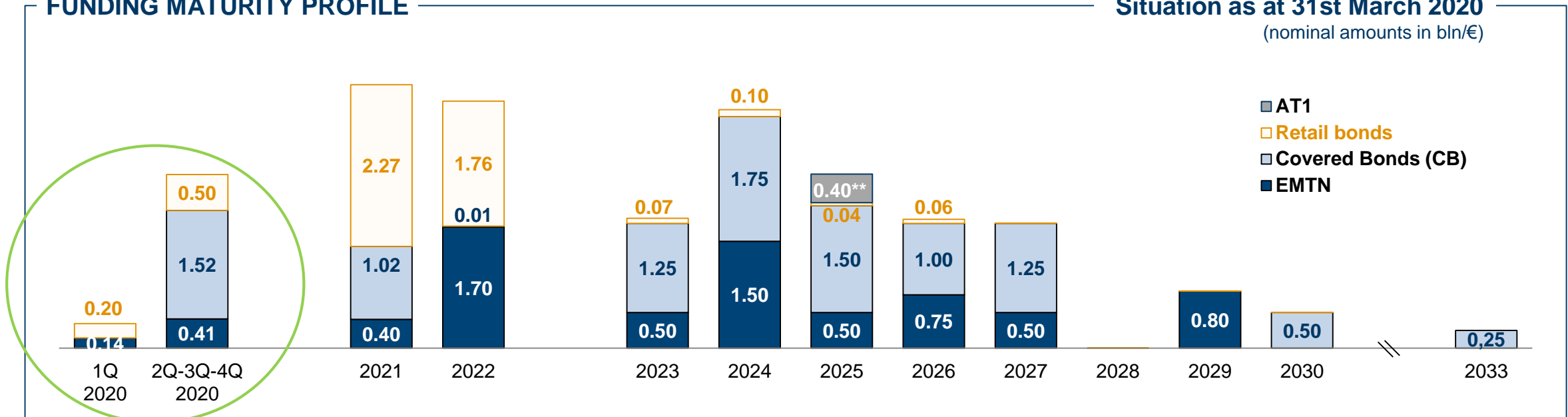
# 2019 intense issuing activity (5bln/€ institutional and 2.2bln/€ retail\*) guarantees a comfortable liquidity position

In order to optimise the Group's capital structure, inaugural 400 mln/€ AT1 issuance placed in January 2020

## FUNDING MATURITY PROFILE

Situation as at 31st March 2020

(nominal amounts in bln/€)



## 2020 INSTITUTIONAL ISSUANCES

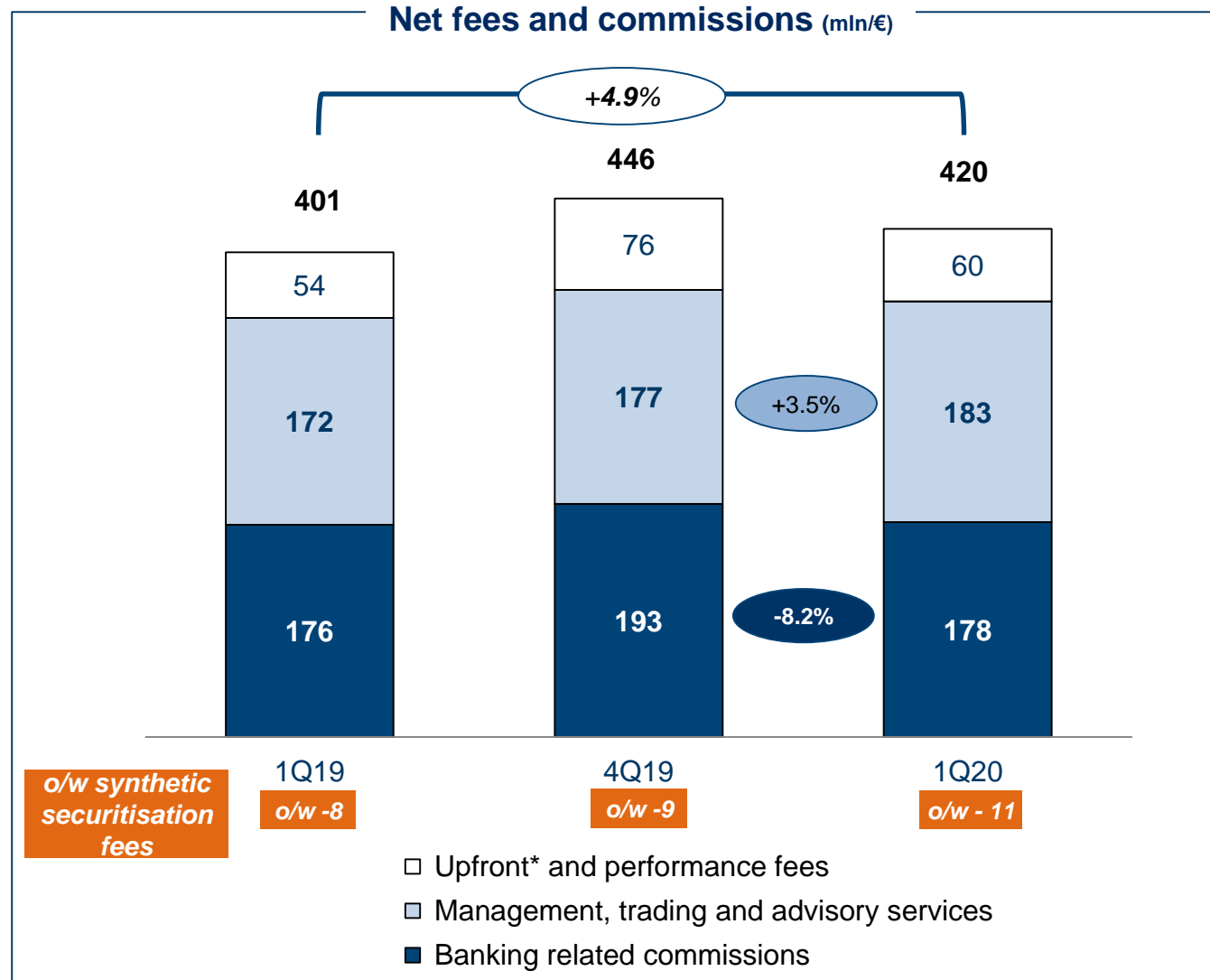
Settl. Date	Size	Type	Avg Coupon
Jan 2020	0.40 bln/€	Non-Cumulative Temporary Write-Down Deeply Subordinated Fixed Rate Resettable Notes**	5.875%
Jan 2020	0.10 bln/€	Private placements	undisclosed

\* Against total expiries of 5.8 bln/€

8 \*\* AT1 perpetual securities callable by the issuer, from 20/01/2025 until 20/06/2025 and subsequently on each coupon payment date

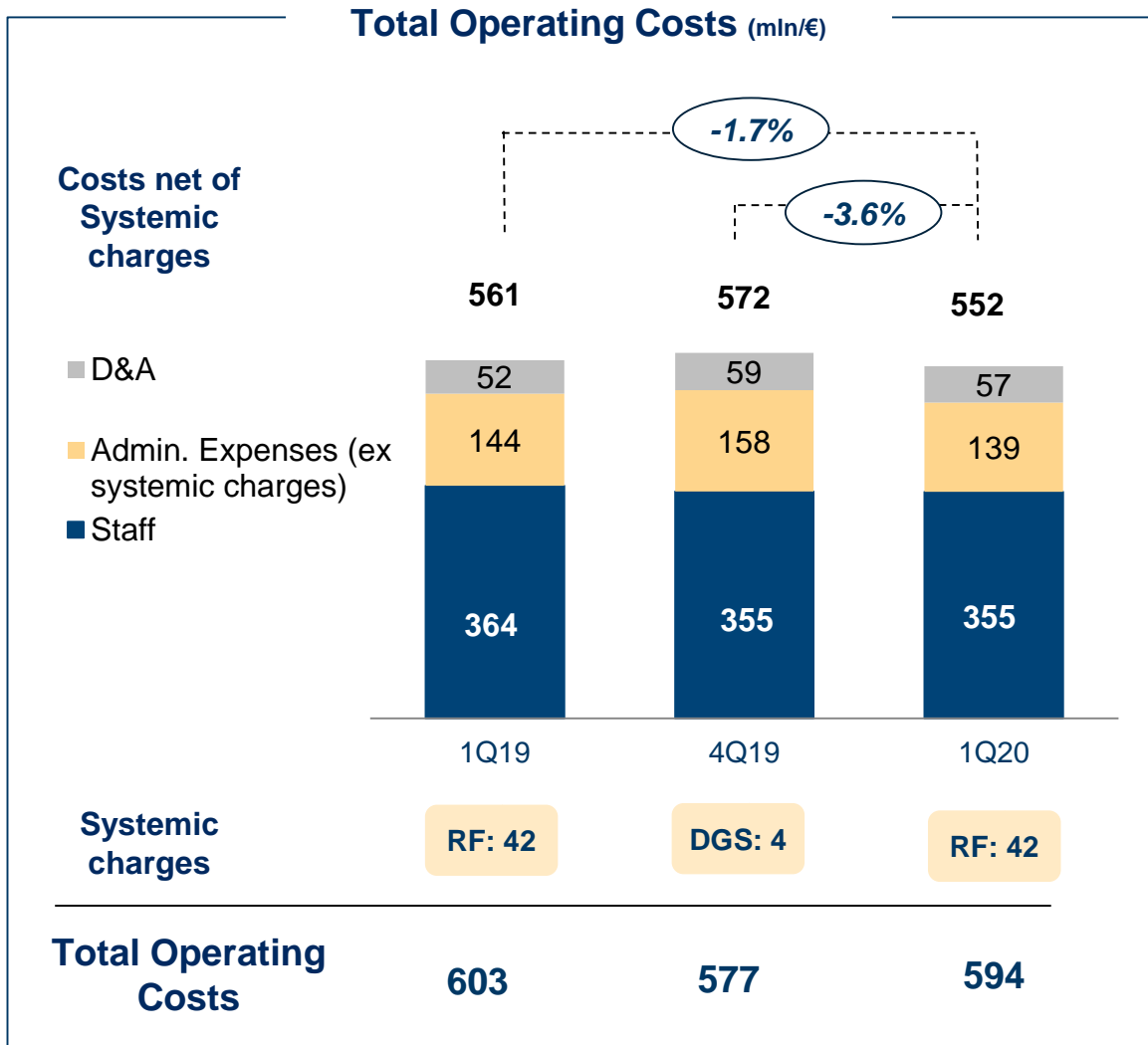


# Net fees and commission income shows strong growth vs 1Q19: +4.9%



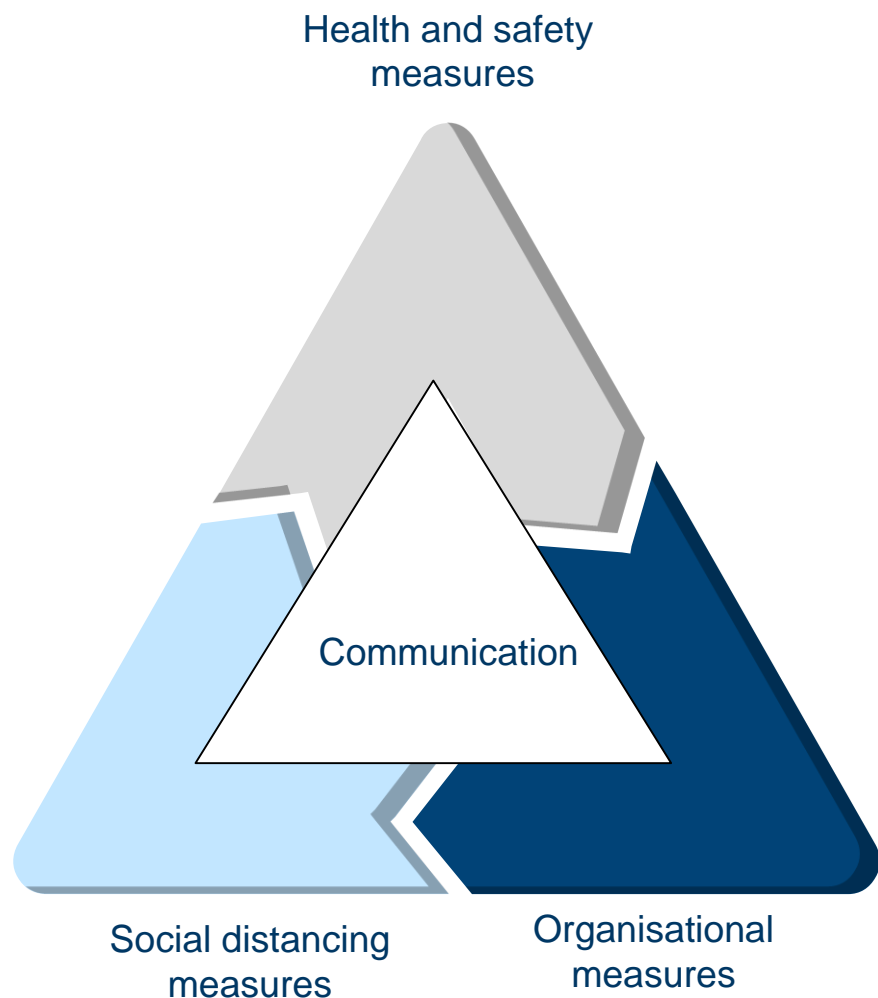
- Net fees & commission income from management, trading and advisory services excluding upfront and performance fees at the highest level ever, despite Covid19 strong impact in March
- AUM placed in 1Q20 stable vs 1Q19 (about 3 bln/€, vs 2.3 bln/€ in 4Q19)
- Traditional Banking related commission: +1.2% vs 1Q19. 4Q19 includes items typically booked at year end (especially related to payments, e.g. year end rappels)

# Net of systemic charges, operating costs are down 1.7% vs 1Q19 and 3.6% vs 4Q19 thanks to strict control



- **Staff costs (-2.6% vs 1Q 19)** benefit from headcount reduction (-757 resources vs March 2019) notwithstanding application of new National Labour Contract
- **Administrative expenses** down both vs 4Q19 (-11.9%) and vs 1Q19 (-3.2%)

## A new way of working drives a different cost allocation



### ❖ More smart working

During the crisis all employees of the Group were enabled to smart work and 20,000 remote work stations were organized  
5,600 employees on average were connected in remote conference calls/videos every day

Lower commuting costs

Lower costs in terms of paper/toner, energy, etc

### ❖ Social distancing and organizational measures:

During the crisis, all small business corporate, premium and private relationship managers were enabled to remote selling (4,700 resources) and access to the branches was allowed upon appointment

Change in the role of branches, which has been anyway decreasing over time but at a slow pace - Strengthening of contact centers

Higher costs to ensure clean and safe environment to customers and employees

Re-organisation of real estate

Remote learning

### ❖ Communication

How to communicate after Covid19 both within and outside the Bank?

More digital marketing

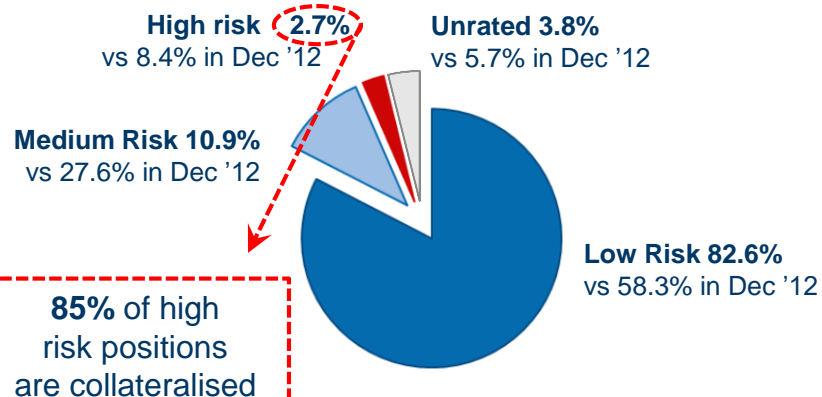
The role of mail and mailing costs

Videoconferences with customers eg advisory services.....

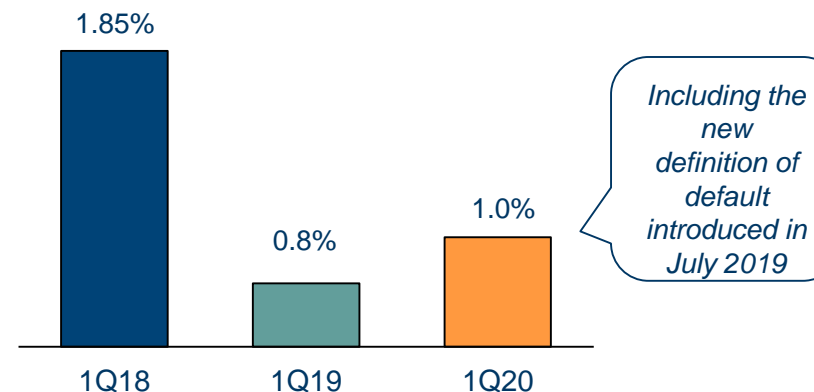
# Asset quality: performing high risk positions down again to 2.7% of the portfolio. Low new inflows to NPEs from performing loans (-82% vs 2009 peak). Annualised default rate at 1%

## GROSS PERFORMING PORTFOLIO UNDER AIRB

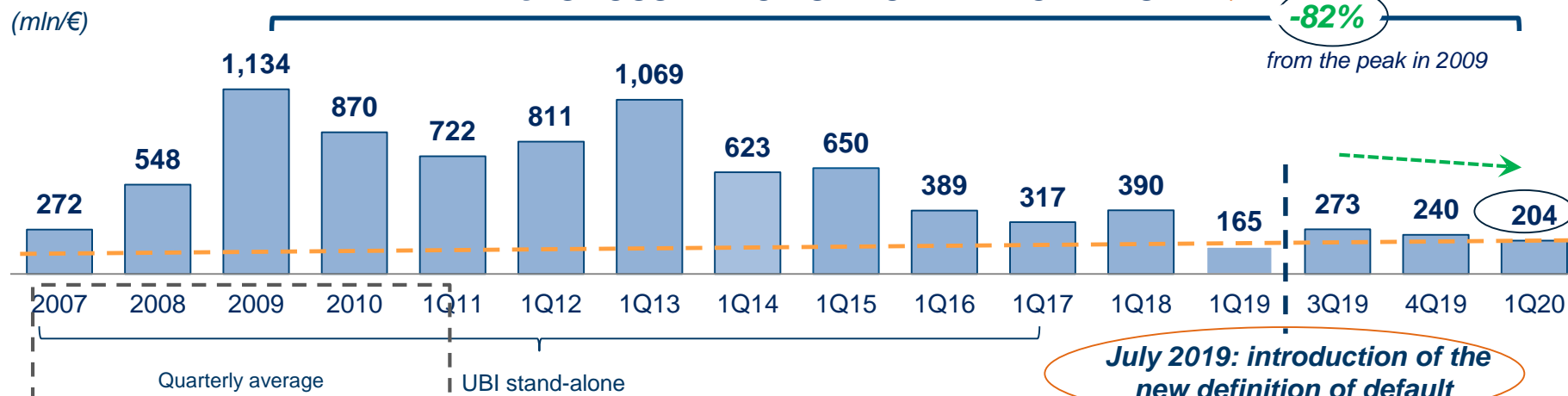
Loans at amortised cost and at fair value through P&L as at 31.03.2020



## DEFAULT RATE\*



## NPEs: GROSS INFLOWS FROM PERFORMING

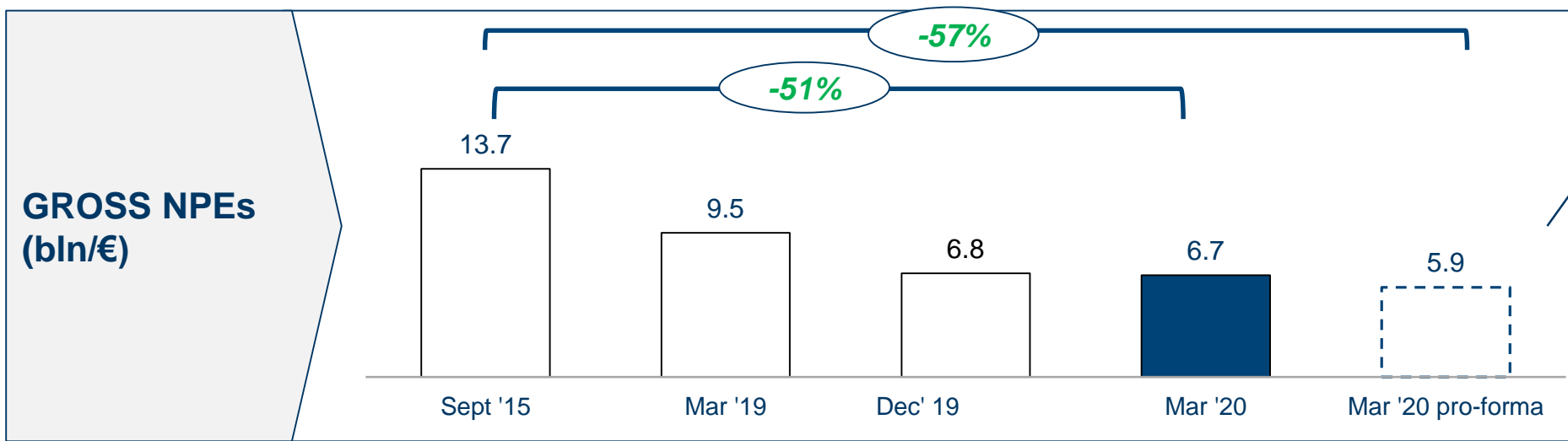
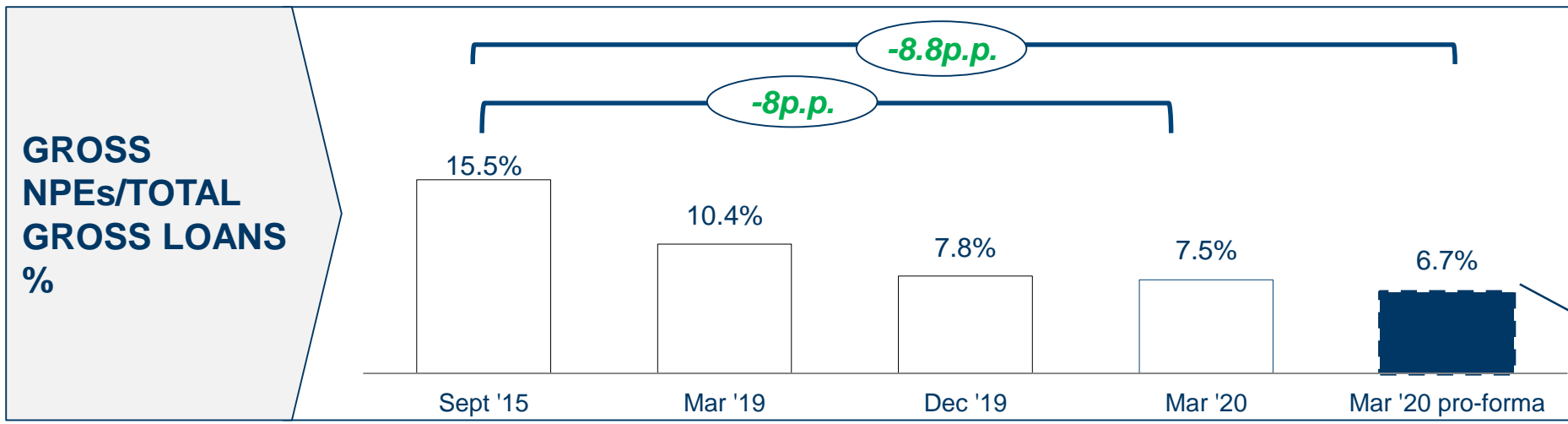


2007 and 2008 gross inflows figures are stated according to table A.1.7. Since 2009 gross inflows figures are stated according to Table "Loans to customers: change in non-performing exposure"

\* Default rate = gross inflows to NPEs / Gross performing loans at the beginning of the period

\*\* Gross Inflows from performing – Outflows to performing.

# Gross NPE more than halved since peak in Sept 2015



Considering new disposal of about 800mln/€ SMEs bad loans to be completed in 2020

## Confirmed strength of internal work-out units resulting in higher recovery rates

<b>CASH-IN AND BACK TO PERFORMING</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>1Q19</b>	<b>1Q20</b>
(A) RECOVERY RATE NPE (cash-in)*	8.1%	8.3%	8.9%	7.8%	8.7%	9.1%
(B) BACK TO PERFORMING**	2.7%	2.4%	3.0%	3.9%	3.3%	3.4%
<b>(A+B) RECOVERY RATE NPE (cash-in) +BACK TO PERFORMING</b>	<b>10.7%</b>	<b>10.7%</b>	<b>11.8%</b>	<b>11.7%</b>	<b>11.9%</b>	<b>12.5%</b>

<b>FOCUS BAD LOANS</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>1Q19</b>	<b>1Q20</b>
RECOVERY RATE BAD LOANS	4.5%	4.6%	5.2%	6.5%	6.1%	7.1%

Total cash-in and back to performing at 12.5% in 1Q20

Recovery rate on bad loans improving further to 7.1%

\* Recovery rate = payments received / (initial NPE gross exposure + total increases), annualised

\*\* Back to performing = NPE back to performing loans / (initial NPE gross exposure + total increase), annualised

# Cost of Risk in 1Q20 at 73bps including higher provisioning on UTP loans in sectors more impacted by the Covid19 emergency

Coverage consistent with a highly secured portfolio

## COST OF RISK

1Q 20

- 73 bps including significant additional provisions on UTPs in sectors impacted by the Covid19 (bringing coverage on those sectors' UTPs to approx. 35%)

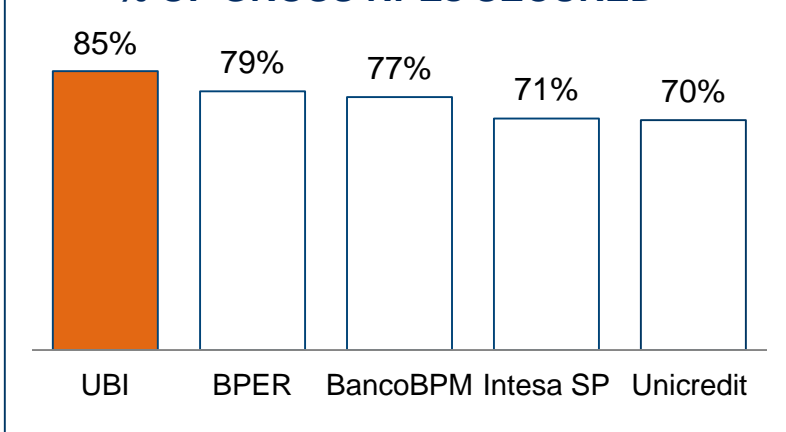
FY19

- 87 bps of which 20 bps related to massive disposals

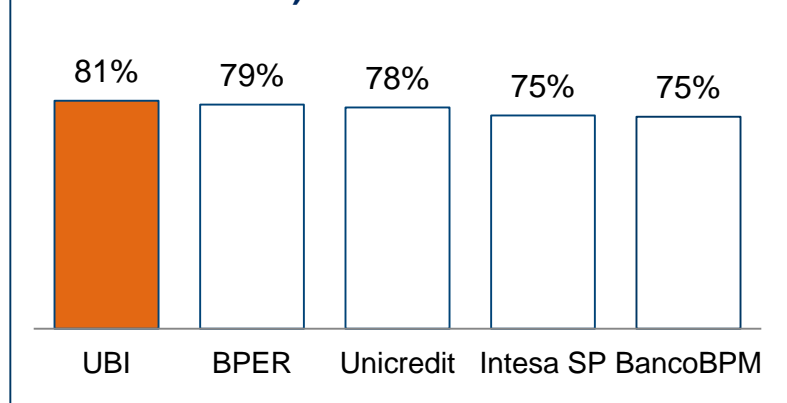
1Q 19

- 59 bps (does not include the new definition of default introduced in July 2019)

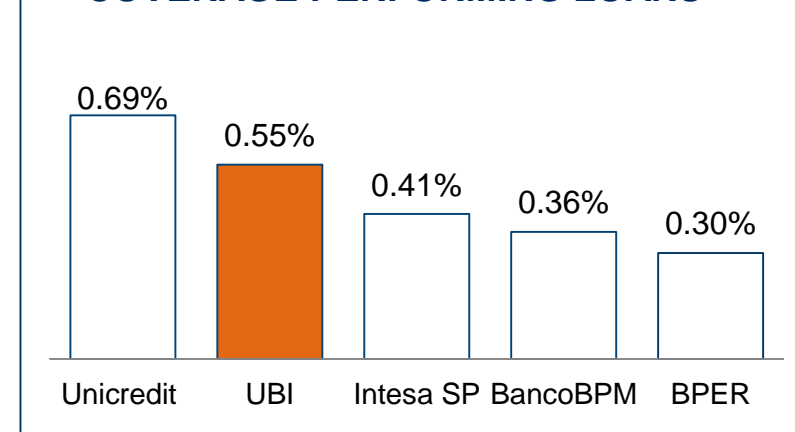
### % OF GROSS NPEs SECURED\*



### (REAL ESTATE COLLATERAL + CASH COVERAGE) / TOTAL GROSS NPEs\*



### COVERAGE PERFORMING LOANS\*\*

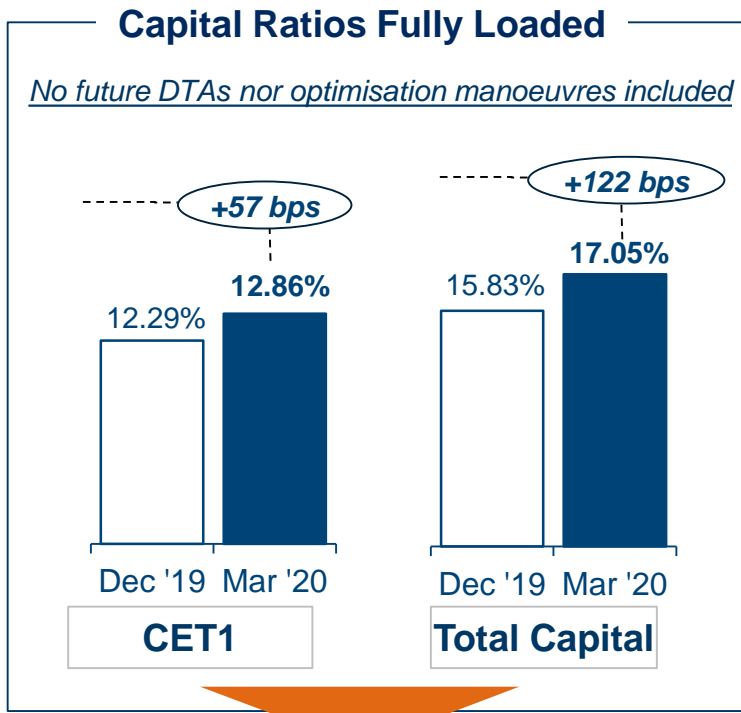


\*Data as at 31 December 2019, Table A.3.2 financial reports and Company presentations

\*\* Data as at 31 March 2020

# CET1 ratio at 12.9%

No future DTAs or optimisation actions included

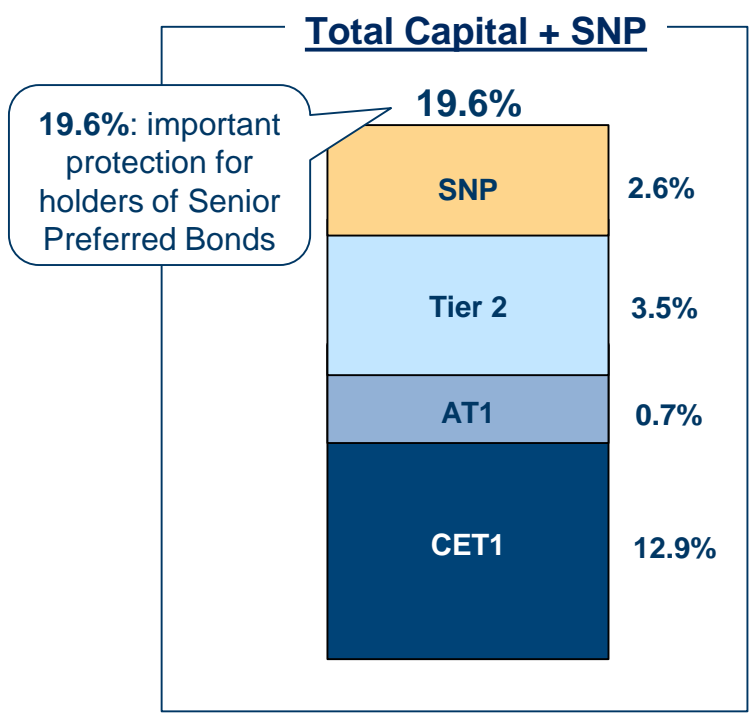


### Already above Business Plan expectations

- MDA buffer (CET1): 361 bps (vs Srep 9.25%)
- MDA buffer (CET1): 459 bps (in the hypothesis of full application of art. 104a CRD5)

Both including or excluding 2019 dividend

- MDA buffer (CET1) > 330 bps\*
- CET1 ratio > 12.5%



- In 1Q20 impacts on CET1 ratio from:
  - ✓ Dividend accrued for 2019 and not resolved by the General Shareholders' meeting following ECB recommendation (+26bps)
  - ✓ Change in real estate valuation criteria (+38 bps, higher than Business Plan expectations)
  - ✓ OCI reserve (-25 bps) and impact of TRIM inspections
  - ✓ Net 1Q20 profit positive contribution with dividend accrual according to Business Plan projections
- ✓ Further positive effect on Total Capital ratio from 400 mln AT1 issued in Jan '20

\* Average estimate in the span of Business Plan (2020-2022)

SREP 2019: CET1 requirement 9.25%; Total Capital Requirement: 10.25% (12.75% including the Capital Conservation Buffer). 2020 SREP unchanged vs 2019  
See Annex 10 for further detail



## Business Outlook

- The Covid19 emergency is a crisis that is different from others both because of how it originated and how it might develop, which makes any type of forecast complex. However, even in this crisis, **the key factor is the quality of credit**. In the face of this unprecedented crisis, swifter and more incisive measures were taken by domestic and international authorities to mitigate its impact.
- These measures, recently implemented, should allow the Bank to preserve its level of net interest income. Weaker performance by the fee and commission component relating to transactions following the slowdown in the economy is expected, while the fee and commission component relating to assets under management will be affected by the crisis in the first part of the year, but will depend on the performance of markets in the second.
- Maximum efforts will continue to be made to contain operating expenses, although in a different manner, driven by smartworking.
- As concerns loan losses, these will be higher than forecast for the first year under the Business Plan, although mitigated by the use of support initiatives included in the mentioned recent measures. The Bank has already made greater provisions for unlikely-to-pay loans in those sectors more exposed to the crisis with an impact on 1Q 2020 of about 50 million (with an overall cost of credit of 73 bps), and it will focus its attention during the year on these loans, given the high quality of performing loans (the level of high-risk performing loans fell further in 1Q 2020 to 2.7%, the default rate is expected to remain low and coverage for performing loans is among the highest for major Italian banks). The internal workout strategy for non-performing loans is therefore confirmed.
- From a balance sheet viewpoint, the UBI Group's capital position, its solid liquidity and its asset quality enables it to face this crisis with a reasonable level of confidence, as already occurred in previous crisis, and to generate profits on a continuing basis to the benefit of all stakeholders (including dividends when authorised by the ECB).



# Reclassified consolidated Income Statement (restated to reflect the change in real estate measurement criteria)

(mln/€)	1Q19 (restated)	4Q19 (restated)	1Q20	1Q20 vs 1Q19	1Q20 vs 4Q19	FY19 (restated)
Net interest income	445.6	412.0	405.2	(9.1%)	(1.7%)	1,725.1
- of which: TLTRO2	12.4	11.1	10.1	(18.4%)	(8.9%)	48.7
- of which: credit components (IFRS9 and PPA)	31.2	21.4	20.1	(35.6%)	(6.2%)	110.6
- of which: IFRS9 contractual modifications without derecognition	(5.2)	(11.9)	(8.8)	70.7%	(25.8%)	(25.3)
Net fee and commission income	400.9	446.3	420.5	4.9%	(5.8%)	1,661.8
Net income (loss) from trading, hedging and disposal/repurchase activities and from assets/liabilities at fair value through profit or loss	37.4	58.2	53.6	43.2%	(7.9%)	104.3
Profits of equity-accounted investees	6.3	9.1	7.8	23.6%	(14.6%)	40.3
Dividends and similar income	5.2	0.1	4.8	(7.6%)	n.s.	7.7
Net income from insurance operations	3.5	4.0	2.5	(28.6%)	(37.9%)	15.3
Other net operating income/expense	21.7	18.8	19.3	(11.0%)	2.5%	83.5
<b>Operating income</b>	<b>920.6</b>	<b>948.5</b>	<b>913.6</b>	<b>(0.8%)</b>	<b>(3.7%)</b>	<b>3,637.9</b>
Staff costs	(364.4)	(355.5)	(355.0)	(2.6%)	(0.1%)	(1,427.7)
Other administrative expenses	(186.0)	(162.7)	(181.4)	(2.5%)	11.5%	(711.1)
of which: SRF and DGS contributions	(42.0)	(4.4)	(42.0)	(0.0%)	n.s.	(107.6)
Depreciation, amortisation and net impairment losses on property, plant and equipment and intangible assets	(52.5)	(58.5)	(57.2)	8.9%	(2.3%)	(221.3)
<b>Operating expenses</b>	<b>(603.0)</b>	<b>(576.7)</b>	<b>(593.6)</b>	<b>(1.6%)</b>	<b>2.9%</b>	<b>(2,360.0)</b>
<b>Operating expenses excluding SRF and DGS contributions</b>	<b>(561.0)</b>	<b>(572.2)</b>	<b>(551.6)</b>	<b>(1.7%)</b>	<b>(3.6%)</b>	<b>(2,252.5)</b>
<b>Net operating income</b>	<b>317.7</b>	<b>371.9</b>	<b>320.0</b>	<b>0.7%</b>	<b>(13.9%)</b>	<b>1,277.9</b>
Net impairment losses for credit risk relating to:	(130.0)	(210.5)	(157.1)	20.9%	(25.4%)	(744.1)
- financial assets measured at amortised cost: loans to banks	(0.0)	(0.3)	(0.2)	n.s.	(47.4%)	0.1
- financial assets measured at amortised cost: loans and advances to customers	(128.6)	(208.2)	(155.6)	21.0%	(25.2%)	(738.4)
- financial assets measured at amortised cost: securities	(0.5)	(1.4)	0.6	n.s.	n.s.	(2.5)
- financial assets as at fair value through other comprehensive income	(0.9)	(0.6)	(1.9)	114.9%	211.1%	(3.3)
Net provisions for risks and charges - commitments and guarantees granted	(0.6)	(1.9)	(0.9)	67.6%	(51.3%)	(0.0)
Net provisions for risks and charges - other net provisions	(3.5)	(1.2)	0.9	n.s.	n.s.	(24.8)
Profits (losses) from the disposal of equity investments	0.3	1.8	0.1	(75.5%)	(96.3%)	6.1
Net income (loss) from fair value change in property, plant and equipment and intangible assets	-	(39.4)	(8.7)	n.s.	n.s.	(39.4)
<b>Pre-tax profit from continuing operations</b>	<b>183.9</b>	<b>120.6</b>	<b>154.2</b>	<b>(16.1%)</b>	<b>27.9%</b>	<b>475.7</b>
Taxes on income for the period from continuing operations	(51.4)	(22.5)	(52.4)	1.9%	133.1%	(118.8)
Profits/losses for the period attributable to non-controlling interests	(6.4)	(13.0)	(8.3)	29.4%	(36.0%)	(33.9)
<b>Profit for the period attributable to the Parent before Business Plan and other impacts</b>	<b>126.1</b>	<b>85.2</b>	<b>93.6</b>	<b>(25.8%)</b>	<b>9.8%</b>	<b>323.0</b>
Redundancy expenses net of taxes and non-controlling interests	(42.6)	(46.8)	0.0			(89.4)
Business Plan Project expenses net of taxes and non-controlling interests	(0.1)					(0.1)
Impairment losses on property, plant and equipment		(0.3)				(0.3)
<b>Profit for the period</b>	<b>83.4</b>	<b>38.1</b>	<b>93.6</b>	<b>12.1%</b>	<b>145.8%</b>	<b>233.1</b>
<b>Profit for the period net of non-recurring items</b>	<b>126.1</b>	<b>83.9</b>	<b>99.3</b>	<b>(21.2%)</b>	<b>18.4%</b>	<b>331.3</b>

## Contribution of non-recurring items to Net Profit

1Q20	Stated Net Profit	2017-2020 Business Plan Staff leaving incentives	Disposal of securities/equity investments	First time application of measurement of properties at fair value	Total impact of non-recurring items	Normalised Net Profit
1Q20	93.6	(0.0)	(0.0)	5.8	5.8	99.3

P&L  
reference line

(A)

*Redundancy expenses net of taxes and non-controlling interests*

*Net income from trading, hedging and disposal/repurchase activities and from assets/liabilities as at fair value through profit or loss*

*Net income (loss) from fair value change in property, plant and equipment and intangible assets*

(B)

(A+B)

The reference date for the first time application of the new evaluation criterion is 31/03/2020. In short, the FTA impacts of the new evaluation criterion can be summarized as follows:

	IAS	Change in FV vs FTA
FTA	Properties for operational use (pursuant to IAS 16)	Positive impact to equity
		Negative impact to income statement
	Investment properties (pursuant to IAS 40)	Net impact to equity

Note: items net of taxes and non-controlling interests

## Change in the measurement criteria for real estate assets

The real estate assets of the UBI Banca Group include:

- properties for operational use (pursuant to IAS 16)
- investment properties (pursuant to IAS 40)

and also properties treated as “inventories” (pursuant to IAS 2).

The Group’s accounting policies required both categories to be measured at cost (net of accumulated depreciation and any impairment). The UBI Group has decided to revalue the carrying amount of its real estate assets as of 31st March 2020.

This consists of making changes:

- from measurement at cost to measurement at a “revalued amount” for properties held for operational use pursuant to IAS 16 (with impacts “on going” in the equity and income statement);
- from measurement at cost to measurement at fair value for investment properties pursuant to IAS 40 (with impacts “on going” in the income statement).

In accordance with IAS 8 “Accounting policies, changes in accounting estimates, and errors”, this change in the method of measurement constitutes a voluntary change in accounting policies for the following reasons:

- to improve the quality of the information on which users of the financial statements bases their decisions;
- to evaluate the real estate assets in order to reflect their market value based on the characteristics of the properties and on the market context, regardless of the timing and reasons for the acquisition of each individual property;
- to improve the comparability of operating performance from year to year.

## Change in the measurement criteria for real estate assets: impact on income statement

As of 31st March 2020 the UBI Group changed the criterion it uses to measure real estate assets, adopting the fair value criterion in place of that of cost. As a consequence of the above, the restated comparative periods differ from those published as at their respective reporting dates. In compliance with IAS 8, the comparative figures for previous periods have been restated following retrospective application of the change in the measurement criterion for real estate assets, subject to IAS 40 rules.

On the contrary, the change in the measurement criteria for operational real estate assets, pursuant to IAS 16, has been applied prospectively from 31st March 2020, in compliance with IAS 8.

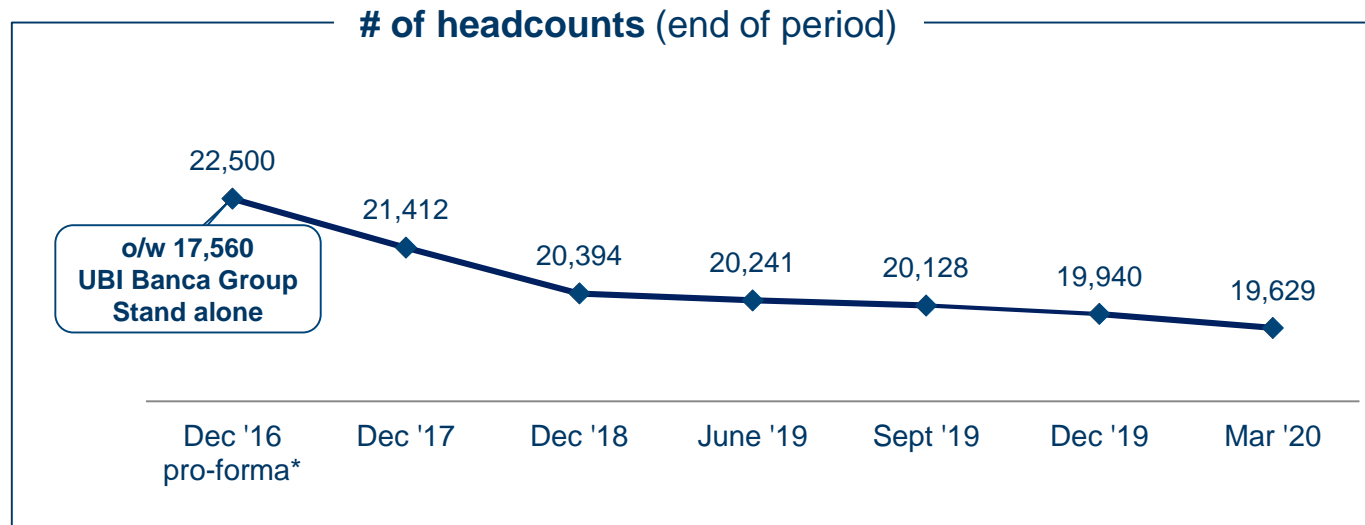
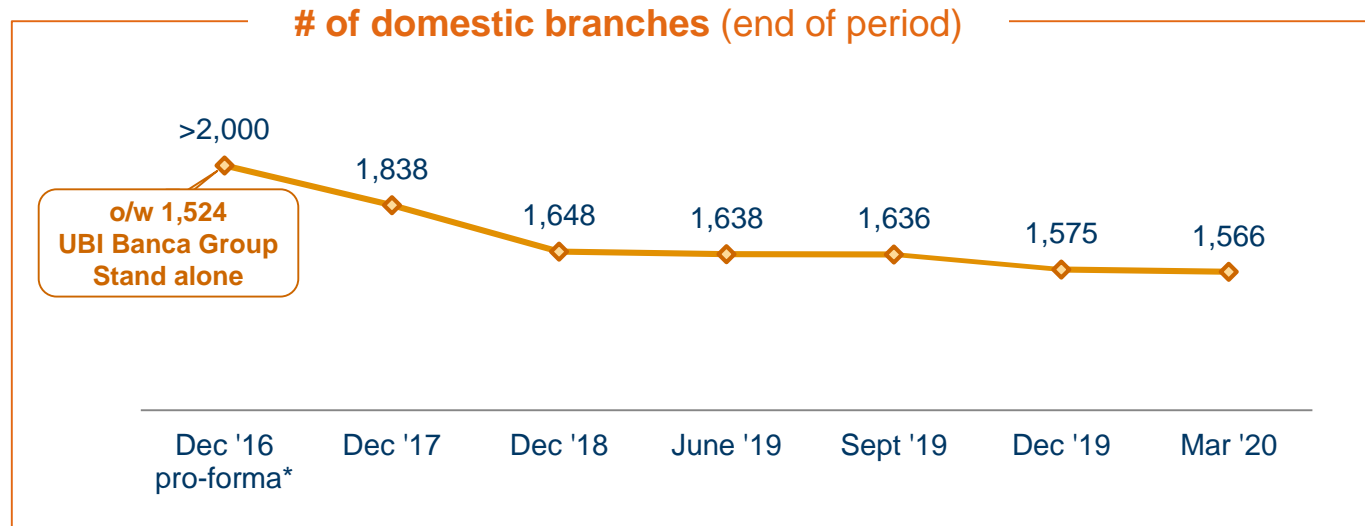
Following the change in the measurement criteria for real estate assets, we report the following as of these financial statements:

- the item “Property, plant and equipment” in the balance sheet includes measurement of “Operational properties” pursuant to IAS 16 and “Investment property” pursuant to IAS 40, at the “revalued amount” and at “fair value” respectively;
- the item “Depreciation and net impairment losses on property, plant and equipment and intangible assets” in the income statement includes, with regard real estate assets, only the depreciation of “Operational properties” since “Investment properties” measured at fair value are not depreciated;
- the item “Net income (loss) from fair value change in property, plant and equipment and intangible assets” includes the result for changes in the fair value of properties in the period, in compliance with the new measurement criteria adopted.

It follows that the figures reported are comparable with previous periods except for the item “Property, plant and equipment” in the balance sheet and the item “Net income (loss) from fair value change in property, plant and equipment and intangible assets” in the income statement.

		2019			
		4th Quarter restatement impacts	3rd Quarter restatement impacts	2nd Quarter restatement impacts	1st Quarter restatement impacts
Figures in thousands of euro					
<b>Operating income</b>		-	-	-	-
190. a)	Staff costs				
190. b)	Other administrative expenses				
<i>of which: SRF and DGS contributions</i>					
210.+220.	Depreciation, amortisation and net impairment losses on property, plant and equipment and intangible assets	2,590	2,212	1,851	1,809
<b>Operating expenses</b>		<b>2,590</b>	<b>2,212</b>	<b>1,851</b>	<b>1,809</b>
<b>Net operating income</b>		<b>2,590</b>	<b>2,212</b>	<b>1,851</b>	<b>1,809</b>
130.	Net impairment losses for credit risk relating to:				
130. a)	- financial assets measured at amortised cost: loans and advances to banks				
130. a)	- financial assets measured at amortised cost: loans and advances to customers				
130. a)	- financial assets measured at amortised cost: securities				
130. b)	- financial assets measured at fair value through other comprehensive income				
200. a)	Net provisions for risks and charges - commitments and guarantees granted				
200. b)	Net provisions for risks and charges - other net provisions				
260.	Net income (loss) from fair value change in property, plant and equipment and intangible assets	(39,386)	-	-	-
250.+280.	Profits (losses) from the disposal of equity investments				
290.	<b>Profit (loss) before tax from continuing operations</b>	<b>(36,796)</b>	<b>2,212</b>	<b>1,851</b>	<b>1,809</b>
300.	Taxes on income for the period from continuing operations	11,289	(715)	(595)	(582)
340.	(Profit) loss for the period attributable to minority interests				
<b>Profit (loss) for the period attributable to the shareholders of the Parent before the Business Plan and other impacts</b>		<b>(25,507)</b>	<b>1,497</b>	<b>1,256</b>	<b>1,227</b>
190. a)	Redundancy expenses net of taxes and minority interests				
190. b)	Business Plan project expenses net of taxes and minority interests				
210.	Depreciation and net impairment losses on property, plant and equipment net of taxes and minority interests	3,432			
350.	<b>Profit (loss) for the period attributable to the shareholders of the Parent</b>	<b>(22,075)</b>	<b>1,497</b>	<b>1,256</b>	<b>1,227</b>

## Branches and headcounts evolution

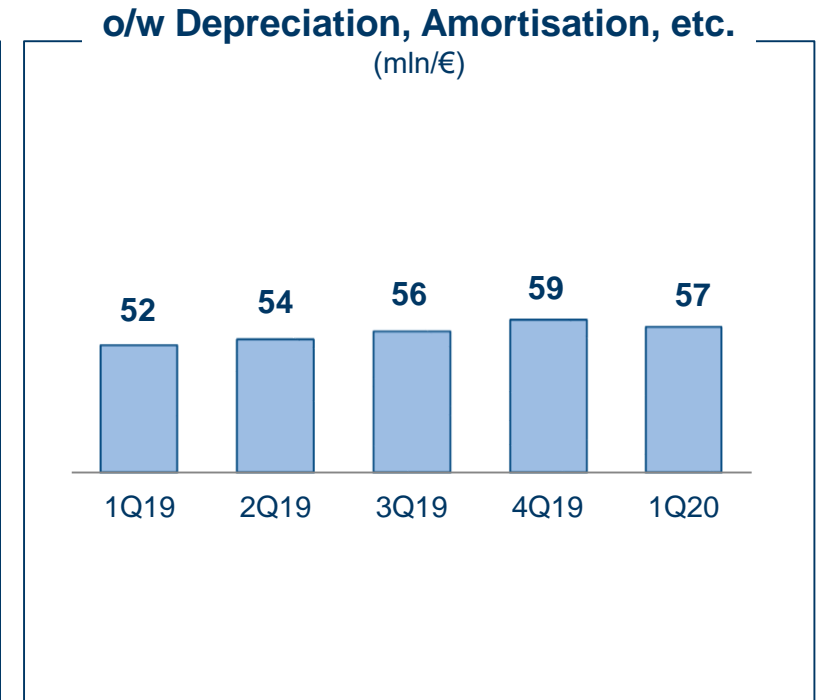
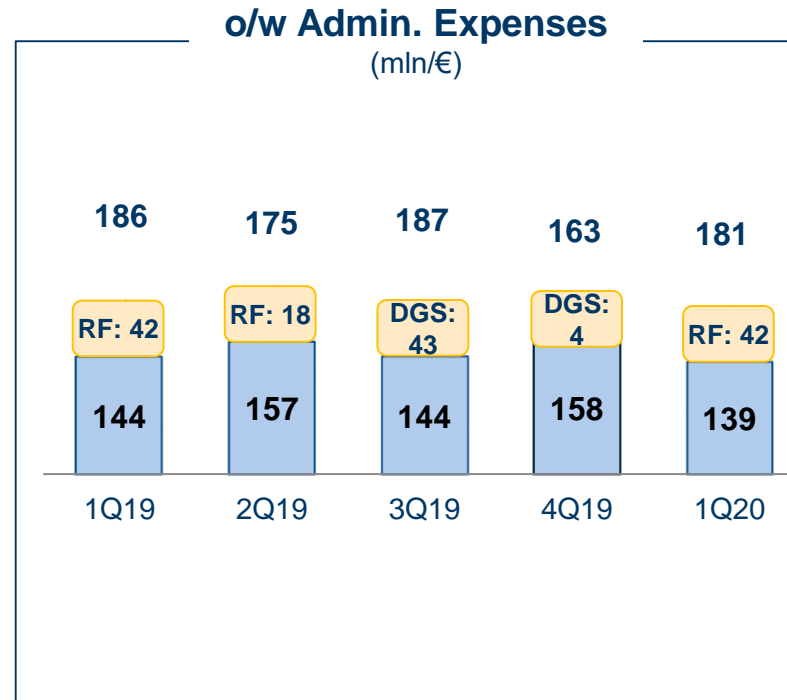
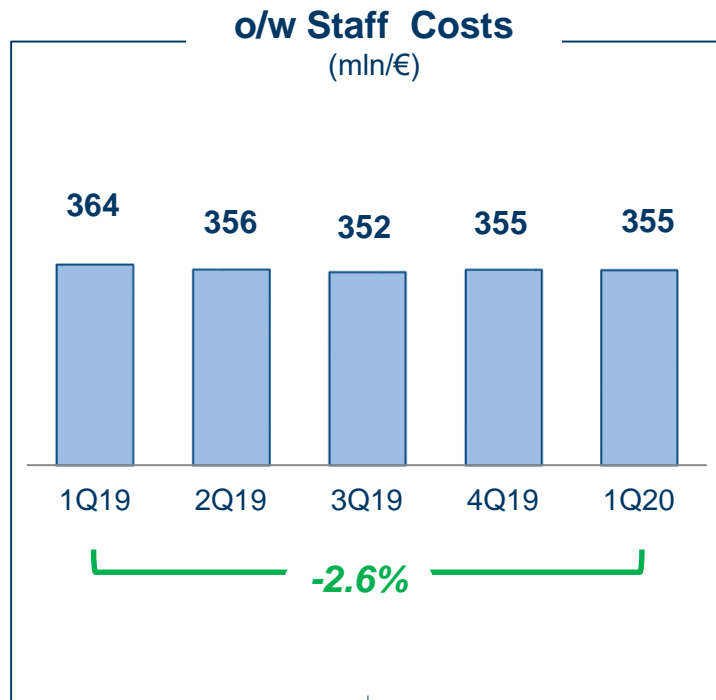


On 14<sup>th</sup> January trade union agreement signed for the exit, on a voluntary basis, of over 300 resources as from Feb 2020

Approx. 133 resources still to exit from end March 2020

\* Dec '16 pro-forma and FY2016 pro-forma include UBI Banca Group Stand Alone + data of 3 Banks acquired in May 2017

## Detail of Operating costs



**Number of staff decreases by 311 employees vs Dec '19 and by 757 vs March '19**



## Reclassified Consolidated Balance Sheet – Assets (restated to reflect the change in real estate measurement criteria)

Figures in thousands of euro		31.03.2020 A	31.12.2019 restated B	Changes A-B	% changes A/B	31.03.2019 restated C	Changes A-C	% changes A/C
<b>ASSETS</b>								
10.	Cash and cash equivalents	543,344	694,750	(151,406)	(21.8%)	606,459	(63,115)	(10.4%)
20.	Financial assets measured at fair value through profit or loss	2,445,729	1,758,730	686,999	39.1%	1,504,110	941,619	62.6%
	1) Loans and advances to banks	16,875	16,213	662	4.1%	14,715	2,160	14.7%
	2) Loans and advances to customers	275,614	260,667	14,947	5.7%	270,459	5,155	1.9%
	3) Securities and derivatives	2,153,240	1,481,850	671,390	45.3%	1,218,936	934,304	76.6%
30.	Financial assets measured at fair value through other comprehensive income	11,476,015	12,221,616	(745,601)	(6.1%)	11,237,472	238,543	2.1%
	1) Loans and advances to banks	-	-	-	-	-	-	-
	2) Loans and advances to customers	-	-	-	-	15	(15)	(100.0%)
	3) Securities	11,476,015	12,221,616	(745,601)	(6.1%)	11,237,457	238,558	2.1%
40.	Financial assets measured at amortised cost	101,689,225	101,736,289	(47,064)	-	103,161,917	(1,472,692)	(1.4%)
	1) Loans and advances to banks	9,467,195	11,723,923	(2,256,728)	(19.2%)	11,327,078	(1,859,883)	(16.4%)
	2) Loans and advances to customers	85,778,114	84,564,033	1,214,081	1.4%	87,095,528	(1,317,414)	(1.5%)
	3) Securities	6,443,916	5,448,333	995,583	18.3%	4,739,311	1,704,605	36.0%
50.	Hedging derivatives	34,039	35,117	(1,078)	(3.1%)	20,298	13,741	67.7%
60.	Fair value change in hedged financial assets (+/-)	651,581	547,019	104,562	19.1%	320,370	331,211	103.4%
70.	Equity investments	293,676	287,353	6,323	2.2%	263,307	30,369	11.5%
80.	Technical reserves of reinsurers	104	-	104	-	-	104	-
90.	Property, plant and equipment	2,590,524	2,370,247	220,277	9.3%	2,492,994	97,530	3.9%
100.	Intangible assets	1,731,379	1,739,903	(8,524)	(0.5%)	1,721,712	9,667	0.6%
	of which: goodwill	1,465,260	1,465,260	-	-	1,465,260	-	-
110.	Tax assets	3,748,151	3,755,895	(7,744)	(0.2%)	4,123,686	(375,535)	(9.1%)
120.	Non-current assets and disposal groups held for sale	291,766	268,100	23,666	8.8%	10,320	281,446	n.s.
130.	Other assets	997,059	1,200,966	(203,907)	(17.0%)	1,357,159	(360,100)	(26.5%)
	<b>Total assets</b>	<b>126,492,592</b>	<b>126,615,985</b>	<b>(123,393)</b>	<b>(0.1%)</b>	<b>126,819,804</b>	<b>(327,212)</b>	<b>(0.3%)</b>

# Reclassified Consolidated Balance Sheet - Liabilities and Equity (restated to reflect the change in real estate measurement criteria)

Figures in thousands of euro		31.03.2020 A	31.12.2019 restated B	Changes A-B	% changes A/B	31.03.2019 restated C	Changes A-C	% changes A/C
<b>LIABILITIES AND EQUITY</b>								
10.	Financial liabilities measured at amortised cost	108,386,682	109,795,016	(1,408,334)	(1.3%)	111,409,557	(3,022,875)	(2.7%)
	<i>a) Due to banks</i>	14,497,500	14,367,985	129,515	0.9%	17,776,512	(3,279,012)	(18.4%)
	<i>b) Due to customers</i>	71,435,696	72,577,255	(1,141,559)	(1.6%)	69,830,403	1,605,293	2.3%
	<i>c) Debt securities issued</i>	22,453,486	22,849,776	(396,290)	(1.7%)	23,802,642	(1,349,156)	(5.7%)
20.	Financial liabilities held for trading	617,709	555,296	62,413	11.2%	461,254	156,455	33.9%
30.	Financial liabilities designated at fair value	285,439	197,610	87,829	44.4%	124,296	161,143	129.6%
40.	Hedging derivatives	575,925	386,778	189,147	48.9%	107,022	468,903	n.s.
50.	Fair value change in hedged financial liabilities (+/-)	156,033	145,191	10,842	7.5%	124,767	31,266	25.1%
60.	Tax liabilities	300,268	210,882	89,386	42.4%	196,528	103,740	52.8%
70.	Liabilities associated with assets held for sale	-	2,331	(2,331)	(100.0%)	-	-	-
80.	Other liabilities	3,145,785	2,735,807	409,978	15.0%	2,271,216	874,569	38.5%
90.	Provision for post-employment benefits	264,793	289,641	(24,848)	(8.6%)	307,910	(43,117)	(14.0%)
100.	Provisions for risks and charges:	448,535	489,485	(40,950)	(8.4%)	495,298	(46,763)	(9.4%)
	<i>a) commitments and guarantees granted</i>	54,255	54,005	250	0.5%	54,026	229	0.4%
	<i>b) pension and similar obligations</i>	85,035	86,756	(1,721)	(2.0%)	87,111	(2,076)	(2.4%)
	<i>c) other provisions for risks and charges</i>	309,245	348,724	(39,479)	(11.3%)	354,161	(44,916)	(12.7%)
110.	Technical reserves	2,149,201	2,210,294	(61,093)	(2.8%)	1,962,495	186,706	9.5%
120.+150.+160. +170.+180	Share capital, share premiums, reserves, valuation reserves and treasury shares	10,002,121	9,306,321	695,800	7.5%	9,243,950	758,171	8.2%
190.	Minority interests (+/-)	66,529	58,230	8,299	14.3%	32,076	34,453	107.4%
200.	Profit (loss) for the period/year (+/-)	93,572	233,103	(139,531)	(59.9%)	83,435	10,137	12.1%
<b>Total liabilities and equity</b>		<b>126,492,592</b>	<b>126,615,985</b>	<b>(123,393)</b>	<b>(0.1%)</b>	<b>126,819,804</b>	<b>(327,212)</b>	<b>(0.3%)</b>

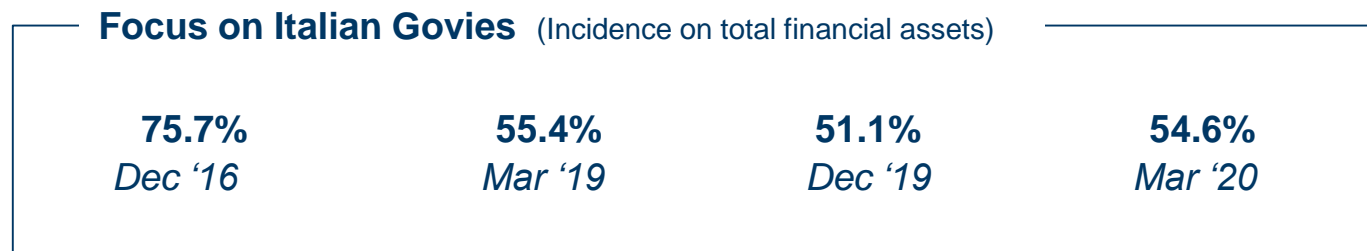
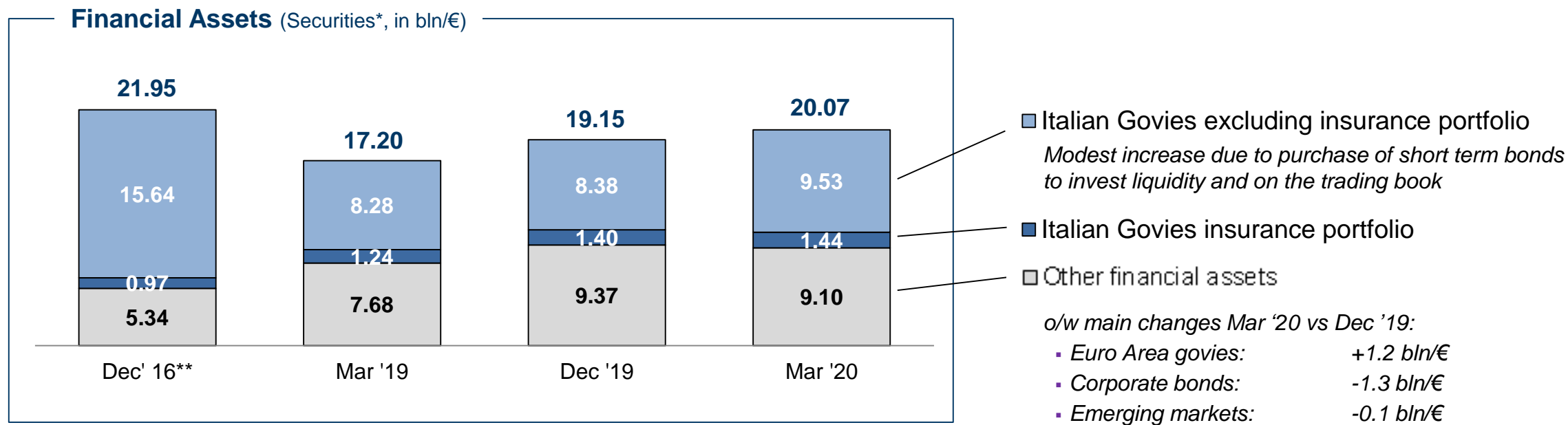
## Direct funding at over 94 bln/€: a slight decrease in corporate current account and deposits

### Indirect funding at 92.2 bln/€, -0.5% vs Dec '19 when excluding market performance

bln/€	31 Mar '19	31 Dec '19	31 Mar '20
<b>...from ORDINARY CUSTOMERS</b>	<b>75.75</b>	<b>76.88</b>	<b>75.54</b>
<i>of which</i>			
Current accounts and deposits	65.66	69.04	67.95
Term deposits, financing & other payables	2.32	2.38	2.48
Leasing payables	0.40	0.39	0.38
Bonds issued	7.09	4.93	4.64
Certificates of deposit	0.27	0.13	0.08
<b>...from INSTITUTIONAL CUSTOMERS</b>	<b>17.89</b>	<b>18.64</b>	<b>18.51</b>
<i>of which</i>			
Covered Bonds	13.02	10.57	10.54
EMTN	3.42	7.21	7.19
Repos with CCG and other	1.45	0.85	0.78
<b>TOTAL DIRECT FUNDING</b>	<b>93.63</b>	<b>95.51</b>	<b>94.05</b>
AuM	43.50	45.83	41.22
Bancassurance	25.52	27.26	27.08
AuC	29.75	28.36	23.95
<b>TOTAL INDIRECT FUNDING</b>	<b>98.77</b>	<b>101.45</b>	<b>92.24</b>

- Current accounts and deposits in Mar '20: decrease (-1.6% vs Dec '19), mainly due to strategy to reduce corporate deposits, lowering balance with ECB
- Indirect funding: all items impacted by market performance effect
  - AUM (net of insurance) down by 10.1% but +0.3% net of performance effect
  - AUC down by 15.6% (-3.9% net of performance effect, following the exit of one large position)
  - Insurance products substantially unvaried (+1.5% net of performance effect)

# Evolution of the Group's Financial Assets



- o/w main changes Mar '20 vs Mar '19:
- Euro Area govies: +1.3 bln/€
  - Corporate bonds: -0.5 bln/€
  - Equity securities/ UCITS: +0.1 bln/€

# Financial assets proprietary portfolio breakdown: Italian Govies maturities and main exposures

Amounts in mln/€	31 DECEMBER 2019			TOTAL
	FVTPL (fair value through profit or loss)	FVOCI (fair value through other comprehensive income)	AC (financial assets at amortised cost)	
Financial Assets (Securities and derivatives*)	1,482	12,222	5,448	<b>19,152</b>
<i>o/w Italian Govies</i>	9	5,520	4,258	<b>9,787</b>
Financial Liabilities held for trading				<b>469</b>

Amounts in mln/€	31 MARCH 2020			TOTAL	% Change of TOTAL amounts
	FVTPL (fair value through profit or loss)	FVOCI (fair value through other comprehensive income)	AC (financial assets at amortised cost)		
Financial Assets (Securities and derivatives*)	2,153	11,476	6,444	<b>20,073</b>	<b>4.8%</b>
<i>o/w Italian Govies</i>	682	4,804	5,482	<b>10,969</b>	<b>12.1%</b>
Financial Liabilities held for trading				<b>541</b>	

## Maturity of the Italian Govies Portfolio

Amounts in mln/€	FVTPL	FVOCI	AC	TOTAL 31.03.20	TOTAL 31.12.19
2020	328	1	-	<b>329</b>	<b>16</b>
2021-2022	350	131	459	<b>940</b>	<b>835</b>
2023-2025	4	2,562	703	<b>3,269</b>	<b>3,305</b>
2026-2030	-	1,561	2,268	<b>3,829</b>	<b>3,133</b>
From 2031 and over	-	550	2,051	<b>2,601</b>	<b>2,497</b>
<b>Total portfolio</b>	<b>682</b>	<b>4,804</b>	<b>5,482</b>	<b>10,969</b>	<b>9,787</b>
% of portfolio on total Italian Govies	6.2%	43.8%	50.0%	100%	

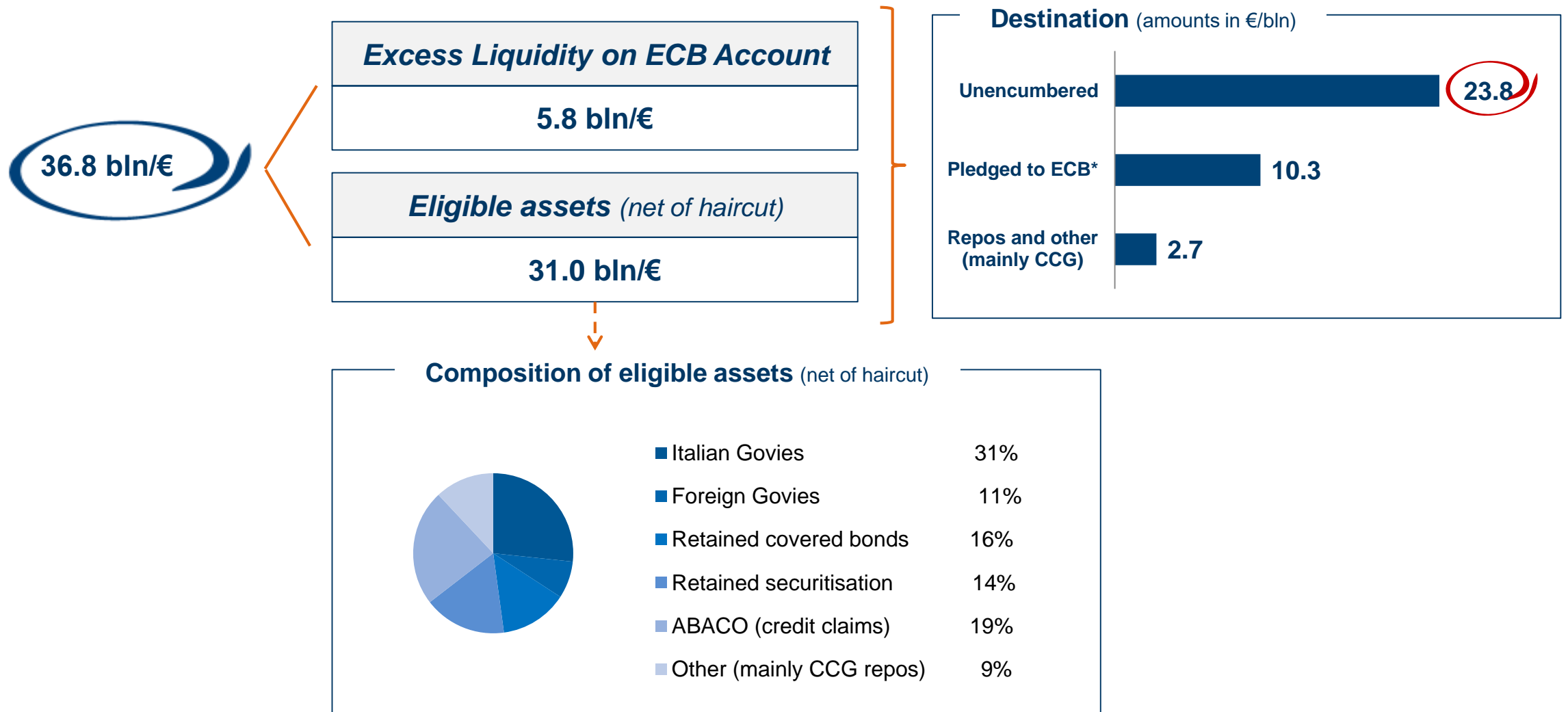
## Main exposures as at 31 March 2020

Portfolio:	Consolidated			<i>o/w Insurance</i>
Amounts in bln/€	<i>o/w Govies</i>	<i>o/w Corporates and banks</i>	<i>o/w Loans</i>	<i>Govies</i>
Italy	10,969	1,134	631	1,441
Spain	2,044	77		275
USA	1,765	105		1
France	952	116		31
<b>Main 4 countries</b>	<b>15,730</b>	<b>1,432</b>	<b>631</b>	<b>1,748</b>
<b>% on total amount</b>	<b>93.9%</b>	<b>73.3%</b>	<b>96.8%</b>	<b>96.5%</b>

\* The analysis excludes equity securities (0.4 bln/€) and UCITs (0.6 bln/€)

## Liquidity resources at 36.8 bln/€ (31/03/2020)

(i.e. over 50% of current accounts and deposits)



\* Following the 1.5bn/€ reimbursement in September 2019, UBI Banca proceeded in December 2019 with the early repayment of a further 1 bln/€ TLTRO2, which now amount to nominal 7.5 bln/€ currently outstanding with expiry date 24 June 2020. As a result, the residual TLTRO2 total exposure amounts now to 10 bln/€, including also nominal 2.5 bln/€ expiring on 24 March 2021.

## NPEs coverage up 56bps vs December 2019

### High collective provisions on Stage 1 and 2 loans

#### LOANS TO CUSTOMERS AT AMORTISED COST (31 MARCH '20)

bln/€	Gross exposure		Impairment losses	Carrying amount		Coverage	Coverage with write-offs
<b>NPEs</b>	<b>(7.5%)</b>	<b>6.67</b>	<b>2.64</b>	<b>(4.7%)</b>	<b>4.03</b>	<b>39.56%</b>	<b>52.03%</b>
- Bad loans	(3.8%)	3.41	1.76	(1.9%)	1.66	51.51%	67.66%
- UTPs	(3.5%)	3.15	0.87	(2.7%)	2.28	27.65%	
- Past-due loans	(0.1%)	0.10	0.01	(0.1%)	0.10	8.58%	
<b>Performing loans</b>	<b>(92.5%)</b>	<b>82.20</b>	<b>0.45</b>	<b>(95.3%)</b>	<b>81.74</b>	<b>0.55%</b>	
<b>TOTAL</b>		<b>88.87</b>	<b>3.09</b>		<b>85.78</b>	<b>3.48%</b>	

#### LOANS TO CUSTOMERS AT AMORTISED COST (31 DECEMBER '19)

mln/€	Gross exposure		Impairment losses	Carrying amount		Coverage	Coverage with write-offs
<b>NPEs</b>	<b>(7.8%)</b>	<b>6.84</b>	<b>2.67</b>	<b>(4.9%)</b>	<b>4.17</b>	<b>39.00%</b>	<b>50.92%</b>
- Bad loans	(4.1%)	3.55	1.85	(2.0%)	1.71	51.98%	67.12%
- UTPs	(3.6%)	3.17	0.81	(2.8%)	2.36	25.52%	
- Past-due loans	(0.1%)	0.11	0.00	(0.1%)	0.10	8.33%	
<b>Performing loans</b>	<b>(92.2%)</b>	<b>80.85</b>	<b>0.46</b>	<b>(95.1%)</b>	<b>80.39</b>	<b>0.57%</b>	
<b>TOTAL</b>		<b>87.69</b>	<b>3.13</b>		<b>84.56</b>	<b>3.57%</b>	

- Reduction in gross NPEs stock: -2.4% vs Dec '19 and -29.4% vs Mar '19
- Reduction in net NPEs stock: -3.3% vs Dec '19 and -30% vs Mar '19

## Capital Ratios as at 31 March '20.

**Common Equity Tier 1 phased in ratio at 12.90%, Total Capital phased in ratio at 17.08%**

<i>mIn/€</i>	Dec '19	Mar '20
<b>Common Equity Tier 1 (after filters)</b>	<b>7,254.6</b>	<b>7,572.6</b>
Common Equity Tier 1 regulatory adjustments	-89.4	-75.0
<i>of which negative elements for deduction excess of expected losses over impairment losses</i>	-84.5	-13.4
<b>Common Equity Tier 1 Capital (CET1)</b>	<b>7,165.2</b>	<b>7,497.6</b>
<b>Additional Tier 1 before deductions</b>	-	<b>397.9</b>
Additional Tier 1 regulatory adjustments	-	-
<i>of which negative elements for deduction excess of expected losses over impairment losses</i>	-	-
<b>Additional Tier 1</b>	-	<b>397.9</b>
<b>Tier 1 Capital (CET 1 +Additional Tier 1)</b>	<b>7,165.2</b>	<b>7,895.5</b>
Tier 2 Capital before transitional provisions	2,114.6	2,094.5
<i>Tier 2 instruments grandfathering</i>	-	-
<b>Tier 2 Capital after transitional provisions</b>	<b>2,114.6</b>	<b>2,094.5</b>
Tier 2 capital regulatory adjustments	-58.4	-58.0
<i>of which: negative elements for deduction excess of expected losses over impairment losses</i>	-	-
<b>Tier 2 Capital</b>	<b>2,056.2</b>	<b>2,036.5</b>
<b>TOTAL OWN FUNDS</b>	<b>9,221.4</b>	<b>9,932.1</b>

<i>mIn/€</i>	Dec '19	Mar '20
<b>Risk weighted assets</b>	<b>58,086.3</b>	<b>58,143.1</b>
<b>Total prudential requirements</b>	<b>4,646.9</b>	<b>4,651.5</b>
<i>Credit risk</i>	4,240.2	4,238.2
<i>CVA (Credit Value Adjustment) risk</i>	3.8	4.1
<i>Market risk</i>	81.0	87.3
<i>Operational risk</i>	321.9	321.9

### CET 1 ratio

	Dec '19	Mar '20
<b>PHASED - IN</b>	<b>12.34%</b>	<b>12.90%</b>
<b>FULLY LOADED</b>	<b>12.29%</b>	<b>12.86%</b>

### TOTAL CAPITAL ratio

	Dec '19	Mar '20
<b>PHASED - IN</b>	<b>15.88%</b>	<b>17.08%</b>
<b>FULLY LOADED</b>	<b>15.83%</b>	<b>17.05%</b>

- **B3 Leverage ratios as at 31 Mar'20:**

- ✓ **phased in 5.89% (5.44% in Dec '19)**
- ✓ **fully loaded 5.87% (5.42% Dec '19)**

- **LCR and NSFR > 100%**

*(also excluding TLTRO2)*

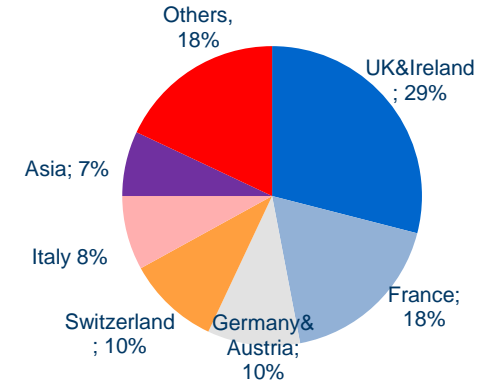


## Issuances in 2020

20<sup>th</sup> January 2020

- **AT 1 bond** issuance on the wholesale market for a total 400mln/€ amount
- Thanks to the huge total amount of the orders received from approximately 450 institutional investors (over €6 billion), the initial coupon guidance, announced at around 6.5%, was reviewed downwards by 0.625% and the final coupon was set at 5.875% for the first five and a half years.
- The coupon is payable half-yearly in arrears on 20th June and 20th December of each year starting from 20th June 2020 (first coupon is short). The re-offer price is 100.

Allocation by Investor Geography



Allocation by Investor Type

