UBI Banca
UNIONE DI BANCHE ITALIANE

PRESS RELEASE

BUSINESS PLAN 2019/2020

- **A strong baseline starting point that enables the objectives of the Plan to be achieved**
  - the creation of a Single Bank has been approved with the merger by incorporation of 7 network banks into UBI Banca by the first half of 2017, with gross savings at regime of over €80 million added to by the tax benefits on the transfer of intragroup dividends;
  - the purchase of minority stakes held in the network banks has been agreed with the Foundations to be completed primarily by means of the exchange of the shares they hold with newly issued UBI Banca shares, with a benefit in terms of the CET1 fully loaded ratio of approximately 30 basis points. The maximum dilution from the purchase of all the minority stakes, including some marginal stakes, comes to 7.8% against a benefit in terms of profit that is more than proportional over the course of the Plan;
  - the pro-forma coverage for non-performing exposures (or "NPEs") as at 31st December 2015, inclusive of write-offs, immediately rises from 37.8% to 43.3% (that for bad loans from 52.6% to 58% approx.) as a result of the partial use of the shortfall (€850 million[1]) which moreover allows capital to be freed up for the CET1 ratio which increases by approximately 40 basis points. This action, which increases coverage without consuming capital, but by actually freeing it up, has been made possible by the traditional conservative approach pursued by the Group. Consistently with Business Plan targets, the action also makes it possible to reduce the Texas ratio[2] to around 100%, already expected for the end of 2016.

- **The objectives of the Plan are equally distributed over three components: expenses, revenues and credit**
  - growth in operating income from approximately €3.4 billion in 2015 to €3.6 billion in 2019 and €3.8 billion in 2020, in large part attributable to the different funding mix;
  - a further reduction in operating expenses down from €2.3 billion in 2015[3] to approximately €1.98 billion, stable in 2019-2020, notwithstanding investments during the course of the Business Plan of approximately €540 million, 72% of which to support growth in revenues;
    . strong generation turnover: approximately 2,750 staff leaving[4] and around 1,100 new recruits over the course of the Plan, with a strong training programme, increased flexible working, reinforcement of the variable component of remuneration, etc.
    . rationalisation of the distribution model enabled by the transition to a Single Bank and by greater multi-channel service provision with the closure of nearly 280 points of sale

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[1] On top of €59 million already recognized in 1Q2016. The shortfall was allocated both to bad loans and to unlikely to pay.
[2] Calculated as the ratio of net non-performing exposures to tangible equity (net of profit and inclusive of non-controlling interests).
[3] Including redundancy expenses, impairment losses on tangible assets and ordinary and extraordinary contributions to the Resolution Fund and to the Deposit Guarantee Scheme.
[4] of which approx. 1,300 through access to the solidarity fund

over the course of the Plan (130 in relation to the Single Bank Project) and the redesign of above 40% of the branch network with a strong drive towards cashless branches;

- the achievement of a cost/income ratio of 54% in 2019 and 52% in 2020; a progressive reduction in loan losses as a result of a further decrease in new inflows to non-performing exposure status and a decrease in stocks, expected starting from 2016;
  . the loan loss rate: down from 0.95% in 2015 to approximately 0.54% in 2019 and 0.50% in 2020;
  . an increase in coverage for non-performing loans, inclusive of write-offs, from 43.3% in March 2016 (pro-forma to include the reabsorption of the shortfall) to 49% in 2019-2020 (from 58% to over 60% for bad loans);

- **Moderate growth in asset items**
  - net loans to customers up from approx. €85 billion at the end of 2015 to approx. €89 billion in 2019 and €92 billion in 2020 (CAGR: 1.3% and 1.7%);
  - total funding from ordinary customers (direct and indirect) up from €152.1 billion at the end of 2015 to approx. €166 billion in 2019 and €172 billion in 2020, within which migration is expected out of direct bond funding and assets under custody into assets under management;
  - an increase in wholesale funding from approximately €13 billion at the end of 2015 to over €23 billion in 2019 and to approximately €26 billion in 2020, also with a view to the progressive repayment of TLTROs.

- **The Group's growth plan is supported by the consolidation of all solidity indicators**
  - the "fully loaded" CET1 ratio is expected to rise from 11.6% at the end of 2015 to over 12% in 2019 and to approximately 12.8% in 2020, primarily due to the generation of profits over the course of the Plan;
  - the Total Capital Ratio rises from 13.9% at the end of 2015 to 15.7% in the 2019 and to 16.3% in the 2020;
  - the fully loaded Leverage Ratio of 5.8% at the end of 2015, stands at over 6% in both 2019 and 2020;
  - the Net Stable Funding Ratio and Liquidity Coverage Ratio confirmed >100
  - MREL >15% in 2019 and 2020
  - the Texas ratio, at approximately 112% at the end of 2015, is expected to fall to 92% in 2019 and to 84% in 2020

- **A strong Dividend policy**
  - payout >40% of profit each year
  - dividend per share increasing constantly

- **Impact of the Plan on the income statement to 30th June 2016**
  Most[5] of the one-off non-recurring impacts of the new Organisational Baseline and of the 2019-2020 Business Plan will be recognised in the income statement for the end of June 2016 which will therefore close with a loss. A dividend is nevertheless planned also for 2016, at least in line with that for 2015, given that the CET1 ratio remains well above SREP requirement.

- **As a consequence of these actions, balanced and distributed over all components, profit for 2019 will be approximately €730 million with an ROTE of 9.4%, while profit for 2020 should stand at over €870 million with an ROTE of 10.6%**

[5] The expenses relating to the Single Bank operation, for a total of approx. €43M, will be booked as follows: €5M in 2Q2016 and the remaining amount in 2H2016

The importance of these results, which show growth of profitability and consolidation of capital strength, becomes even more important considering the economic scenario used for the plan period which forecasts negative market interest rates until 2019 and very moderate economic growth due in part also to the most recent developments

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Bergamo, 27th June 2016 – In a meeting held today the Supervisory Board of UBI Banca approved the Group's Business Plan proposed by the Management Board containing strategic guidelines and economic, financial and capital objectives for the period 2015-2019/2020.

The new Business Plan involves the adoption of a simpler and more efficient "Single Bank" baseline operating structure, a one-off re-absorption of the shortfall with a consequent increase in coverage for non performing exposures, a revision of the commercial range of products and services based on the new post-crisis fundamental needs of individual customers and a greater ability to recognise changes in industrial sectors and in the virtual supply chains in which firms operate.

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1. **Simplification of the Group's baseline organisational structure**

a) **The Single Bank operation:** in order to achieve the strategic objectives of a further simplification of the decision-making and management processes within the Group and significant savings on costs, the Supervisory Board of UBI Banca and the Boards of Directors of the Network Banks passed resolutions for the merger by incorporation of Banca Popolare di Bergamo, Banco di Brescia, Banca Popolare Commercio e Industria, Banca Regionale Europea, Banca Popolare di Ancona, Banca Carime and Banca di Valle Camonica into UBI Banca.

In order to make this merger possible, UBI Banca will proceed to the purchase of stakes held by minority shareholders in the Network Banks - to be completed primarily by means of the exchange of the shares they hold with newly issued UBI Banca shares - and in particular, within end 2016, of those minority stakes held by the Fondazione Cassa di Risparmio di Cuneo in Banca Regionale Europea and by the Fondazione Banca del Monte di Lombardia in Banca Popolare Commercio e Industria (see the press release attached on this subject).

The purchase of all the minority stakes, including the marginal stakes, will involve the issue of a maximum of €75.8 million shares with a maximum dilution of UBI Banca's share capital of 7.8% against a more than proportional recovery in profitability. The benefit in terms of CET1 fully loaded ratio is estimated at approximately 30 basis points.

The Single Bank will allow optimisation of the operating structure, enabling the freeing up of approximately 600 staff and the closure of approximately 130 points of sale. The gross benefits in terms of operating costs fully phased-in are estimated at approximately €80 million - added to by the tax benefits on the transfer of intragroup dividends - against one-off project expenses (redundancy fund and other project costs) of approximately €198 million.

The corporate use of brands will cease, with recognition of €40 million of net impairment losses (approx. €60 million gross). The brands will continue to be used in an opportunistic way on the Network.

The operation is subject to the necessary authorisations and is expected to be fully completed, inclusive of IT migrations, within the first half of 2017.

b) The increase in loan provisions

The Business Plan confirms the high quality of the loan portfolio as a distinguishing feature of the Group; this portfolio shows a low risk performing loan component, one of the lowest non-performing exposures component, high levels of collateralisation and low loan to value ratios and, as borne out by the AQR, adequate granting, management and classification processes.

One of the strategic factors in the Group's 2019/2020 Business Plan is the objective to reduce the ratio of net non-performing exposures to tangible equity (the "Texas ratio"), bringing it down to below 100%, in line with European best practices which consider a value lower than that threshold to be an indicator of solidity. In consideration of recent regulatory provisions, still at the assessment stage, designed to speed up the recovery of non-performing exposures, in order to achieve that result the Group has decided to adopt an even more prudential approach in its management of problem loans, by increasing coverage with partial re-absorption of the provision shortfall (€850 million[1]), already deducted from the fully loaded CET1.

This initiative, which reduces the amount of net non-performing exposures, makes it possible to bring the Texas ratio down to close to 100% already in 2016 and makes further reductions possible during the course of Plan (84% expected in 2020).

As concerns coverage levels, the higher impairment losses recognised determined in this manner represent an increase, on figures as at 31st March 2016, in coverage for non-performing exposures, inclusive of write-offs, from 37.8% to 43.3% and for bad loans in particular from 52.6% to 58%.

Re-absorption of the shortfall involves a tax effect which will have a positive impact on the CET1, generating a benefit estimated at approximately 40 additional basis points[6].

Finally the strong reduction in new inflows of NPEs which has now been in progress for three years and which was confirmed again in the first quarter of 2016 (40% year-on-year) represents a strong enabling factor for the reduction in gross outstanding loans starting from the current year.

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2. The 2019/2020 Business Plan

Introduction

The business plan projections have been developed on the basis of a prudent economic scenario, which involves predominantly negative interest rates over the course of the plan and modest growth in GDP, affected by both a lower contribution from population trends and by recent political events. Account was also taken of the regulatory context, again more complex and developing, which requires increased rigour in terms of capital, liquidity and investments in staff and IT.
Finally, the economic crisis and strong progress in technology have changed individual and business customer need priorities structurally, and these are still not yet satisfied by the current range of products and services provided by banks.

The Business Plan reference scenario

	2015	2016	2017	2018	2019	2020
GDP (year on year change)	0.6%	0.9%	~1%	~1%	~1%	~1%
3 months EURIBOR (yearly average)	0.0%	-0.3%	-0.3%	-0.3%	-0.1%	0.3%

[6] Seen that all the extraordinary items relating to the new organisational baseline of the business plan and the Plan itself will be recognised in 2016 accounts, the year 2016 will end in a loss; it will therefore not be possible to include the tax benefit resulting from the use of the shortfall in the CET1 in 2016, but this will represent a positive component when profits are earned from 2017 onwards.

The 2019/2020 Business Plan

The Business Plan estimates growth in net profit to approximately €730 million in 2019 and to over €870 million in 2020. The value creation objective will bring ROTE, net of non-recurring items, up from 2.4% in 2015 (net of non recurring items) to 9.4% in 2019 and to 10.6% in 2020.

As part of the forecast growth in profits, the Business Plan includes a dividend distribution with a payout constantly greater than 40% of profit each year and a dividend per share that grows constantly during the whole of the business plan period.
The growth in profits forecast over the course of the Plan is enabled by all the main components of the income statement (revenues, expenses and credit) and is based on the following cornerstones:

(i) Development of the commercial approach by customer segment

Segment reporting has identified areas with potential for significant improvement in the "Persons and Households" sector in particular where the Group has a particularly large number of customers (2.7 million), in the "Business" segment where UBI has approximately 300,000 clients and in the "Affluent and Private Banking" areas (approx. 500,000 customers) where consolidation and development will bring substantial growth.

Under the plan, the Product Companies will play the role of excellence centres at the service of the customer segment development.

a) The "Persons and Families" segment: the crisis has brought out new needs which have intensified during the years of the recession, highlighting gaps in the available range of products and services in terms, amongst other things, of pension and health cover.

   The Group has therefore divided customers into additional segments with the purpose of serving demands that arise during the various stages of the life-cycle with a targeted, specialist and simplified product range (pension, family planning, digitalised loans, mortgages, personal loans, insurance wrappers, etc.), with a one-stop shop perspective in order to increase funding and indirect funding in particular, to reinforce the Group's positioning in terms of loans and to enhance customer loyalty.

   The Group will leverage on new technologies (big data and advanced analytics) in order to ensure accurate commercial propositions: for example, in the first 5 months of 2016, the application of these technologies has determined a more correct allocation of approx. 15,000 customers out of the "Persons and Families" segment and into the "Affluent" segment.

   Finally, simplification of customer relationships is planned by means of digital processes and increased contact time as a result of integrated multi-channel services (approximately €20 million have already been invested in digital innovation and further €60 million investments are planned over the course of the Plan), which already allow profitability per customer that is 78% higher than that for "non-multichannel" customers.

b) The "Affluent & Private Banking" segment groups together customers looking for higher returns, but at the same time seeking refuge in the more solid banks.

   The Group has a high potential for development and growth here enabled by a significant stock of funding in the form of bonds issued by the bank which, also in view of the recent bail-in regulations, may be progressively converted into investment and insurance products, leveraging on UBI Pramerica's excellence, on a greater range of investment products (inclusive of an evolved advisory service) and on innovative solutions (succession plans, welfare plans, insurance wrappers, etc.).

Opportunities will also be grasped, relating to the “flight to quality” phenomenon, which has already brought substantial inflows of deposits to the Group. The customer service structure will be reinforced with the planned recruitment of new private bankers (who will join the network of approximately 300 specialists already working in the Group) and also through the IW Bank Private Investments platform (which will benefit from approximately 200 new advisors over the course of the Plan in addition to the over 800 already in operation).

c) The “Businesses” segment.

The development of relationships with business clients, previously based on the mere negotiation of terms and conditions, requires the Bank to provide staff with a full knowledge of the sectors to which business clients belong and an assessment of individual businesses not only on the basis of the form of company, but also in terms of the virtual supply chain in which they operate (approximately 300 virtual supply chains have been identified in the system, with an average of 100 firms in each chain).

UBI Banca has a substantial Business client base (over 300,000), over 40% of which are low risk and have high potential for an increase in the share of wallet.

The Group aims at the following:

- a strengthening of the relationship with clients in local markets, which already generate positive value for the Bank (around 3,000 businesses have already been identified on which to launch a new commercial proposition)
- leveraging on long-standing relationships in local markets, the specialisation of the corporate division with a sector/virtual supply chain specialist approach.
  To achieve this,
  - priority sectors have already been identified on which to focus commercial efforts
  - industry specialist training has been commenced
  - investments have already been planned for dedicated tools to support the virtual supply chains (reverse factoring and IT)
- to provide the necessary support to businesses in their growth abroad and internationalisation
- making use of expertise already present in the Group, to become the reference bank on evolved services for medium to small-size businesses, seen that the Group already has good positioning on medium-size clients (the Group’s market share for M&A transactions for medium to large-size companies is 10% and the Group is the fourth largest player in Italy in terms of volumes and number of transactions on the corporate lending and structured finance market).

The Group intends to maintain a prudent risk profile over the course of the Plan, with a percentage of low risk performing loans over total performing loans higher than 75%.

(ii) The new distribution model

Implementation of the 2019/2020 Business Plan includes development of the Group’s distribution model in the direction of an integrated multi-channel organisation (80% of which completed by the end of 2018), which on the one hand will allow customers to access the bank continuously and operate without distinction on all the available channels, and on the other hand it will allow the bank to reach customers with targeted commercial proposals.

Simplification of the branch network is planned as a consequence, enabled initially by the transition to a Single Bank: approx. 280 points of sale will be closed over the course of the plan (of which 130 in relation to the Single Bank operation), with a decrease in the number of network bank branches from 1,529 at the end of 2015 to 1,250 at the end of 2019.

Over 40% of the branch network will also be refurbished with a strong drive towards cashless branches (350 of the 500 refurbished) and a consequent freeing up of commercial time; and a new branch concept will also be introduced.

(iii) Trends in volumes of business

The balance sheet

Figures in €B	**2015**	**2019**	**2020**	**CAGR 15-19**	**CAGR 15-20**
Net loans to customers	84.6	88.9	92.0	*1.3%*	*1.7%*
of which performing loans	*74.9*	*81.7*	*85.1*	*2.2%*	*2.6%*
of which non performing exposures	*9.7*	*7.2*	*6.9*	*-7.0%*	*-6.5%*
Direct funding from customers	72.5	65.3	64.1	*-2.6%*	*-2.5%*
Indirect funding from customers	79.5	100.4	107.9	*6.0%*	*6.3%*
of which assets under custody	*31.0*	*28.1*	*28.8*	*-2.4%*	*-1.5%*
of which assets under management and insurance products	*48.6*	*72.3*	*79.1*	*10.4%*	*10.3%*
Total funding (direct + indirect)	152.1	165.6	172.0	*2.2%*	*2.5%*
Institutional funding (excl. CCG)	12.9	23.2	25.6	*15.8%*	*14.7%*
Proprietary securities portfolio	~19	~16	~13		

The new commercial approach will allow the following moderate growth in volumes of business:

- growth in net loans from €84.6 billion in 2015 to approximately €89 billion in 2019 and approximately €92 billion in 2020 with average annual growth rates close to forecast growth in GDP;

- in terms of financing of growth, this will be supported by the partial replacement of retail bond funding with wholesale funding and recourse to TLTRO, which in 2016 will reach €12.5 billion[7] and will then fall to €8.5 billion in 2020. Wholesale funding[8] will rise over the course of the Plan from €12.9 billion at the end of 2015 to approximately €26 billion at the end of 2020, partly with a view to the progressive repayment of TLTROs;

- in order to guarantee the availability of additional liquidity over the whole course of the Plan, unencumbered eligible assets will always be greater than €11 billion;

- total funding from customers (direct and indirect) is expected to increase from €152.1 billion at the end of 2015 to approx. €166 billion in 2019 and €172 billion in 2020. Within the item, assets under management and insurance funding are expected to increase significantly from €48.6 billion in 2015 to approximately €72 billion in 2019 and approximately €79 billion in 2020, enabled as follows:
  - from the partial transformation of direct funding (bank bonds) into assets under management, also with a view to protecting customers consistent with the new bail-in rules;
  - by the conversion of assets under custody into managed assets;

[7] With value date 29 June 2016, the Group has repaid €8,1 billion of TLTRO1, replacing it with €10.1 billion of TLTRO2.

[8] Excluding *Cassa di Compensazione e Garanzia*.

- by an increase in distribution capacity in the "Affluent & Private Banking" segment as a result, amongst other things, of the recruitment of new private bankers in addition to the 300 already in service;
- by leveraging on the IW Bank Private Investments distribution network which will be reinforced (+200 financial advisors over the course of the plan);
- by focusing on the insurance/pension component in the "Persons and Families" and "Affluent and Private Banking" segments;
- by the use of new technologies (big data and advanced analytics) to determine a targeted range of products and services.

- finally, the Group's proprietary securities portfolio will be further reduced in parallel with growth in lending and it will be furthered diversified, falling from €19 billion at the end of 2015 to approximately €13 billion at the end of 2020, with the proportion of Italian government securities falling from approximately 95% in 2015 to around 46% at the end of the Business Plan.

(iv) Trends for the income statement

The income statement

Figures in €M	**2015**	**2019**	**2020**	**CAGR 15-19**	**CAGR 15-20**
Operating income	3,371	3,633	3,844	1.9%	2.7%
of which Net interest margin	*1,631*	*1,801*	*1,886*	*2.5%*	*2.9%*
of which Net fees and commissions	*1,300*	*1,553*	*1,662*	*4.5%*	*5.0%*
Operating expenses*	(2,277)	(1,967)	(1,982)	-3.6%	-2.7%
of which Staff costs	*(1,392)*	*(1,181)*	*(1,207)*	*-4.0%*	*-2.8%*
*of which other administrative expenses***	*(628)*	*(559)*	*(550)*	*-2.9%*	*-2.6%*
Net operating income	1,094	1,665	1,862	11.1%	11.2%
Net impairment losses on loans	(803)	(484)	(460)	-11.9%	-10.5%
Net Profit	117	732	874	58.2%	49.6%
Cost/income	68%	54%	52%		
Cost of credit	0.95%	~0.54%	~0.50%		

*Inclusive of redundancy expenses, net impairment losses on property, ordinary and extraordinary contributions to Resolution Fund and Deposit Guarantee Scheme.
**Excluding ordinary and extraordinary contributions to the Resolution Fund.

The increase in Group profitability will be achieved through the contribution of three income statement components:

- growth in operating income is expected, both as a result of a decrease in the cost of funding, (including the contribution of the TLTRO) which will have a favourable impact on net interest income, but also due to the effect of the contribution from fees and commissions in relation to growth in indirect funding;

- as a result, amongst other things, of the transition to a Single Bank, operating expenses are forecast to further reduce to below €2 billion at the end of the plan, notwithstanding the inclusion of a strong investment programme amounting to approximately €540 million, 72% of which will support the generation of revenues (integrated multi-channel services, new platforms for corporate clients and tools for private bankers, refurbishment of approximately 500 branches, etc.).

In detail:

a) staff costs are expected to fall constantly to reach a level of approx. €1.2 billion at the end of the Plan. Strong generation turnover is planned with approximately 2,750 staff leaving[9], of which around 600 as part of the Single Bank project, and approximately 1,100 new recruits to ensure an influx of new expertise to support the evolving commercial approach;

   staff costs also include important action to enhance and develop human resources including, but not only, a drive on training (almost half a million man/days are planned over the course of the Plan), an increase in flexible working already successfully experimented in recent years (smartworking and work-life balance measures) and an increase in variable remuneration in relation to the increase in the Group's profitability;

b) other administrative expenses, also expected to decrease during the course of the Plan, will benefit from savings connected with the Single Bank project, quantifiable in terms of a decrease by around €30 million per year. In addition to this, among other, savings will be made above all from the optimisation of operating processes and the renegotiation of supply contracts, which will offset natural growth in costs over the course of the Plan.

The combined effect of growth in the revenues and reduced costs is expected to produce an improvement in the cost/income ratio from around 68% in 2015 to approximately 54% in 2019 and to 52% in 2020.

- credit quality and loan losses

  The Group has high credit quality which will be further enhanced over the course of the Plan as a result of:

  a) a focus on the organisational structure, assisted also by the Single Bank project, with a further improvement in credit recovery capacities:
     - with regard to bad loans, centralised management already in place since 2009 with over 130 staff is confirmed
     - with regard to the other problem loans, organisational changes are planned with the introduction of a problem loan account manager reporting directly to the Chief Lending Officer with over 200 staff inclusive of the central department and network resources
  b) the reinforcement of monitoring tools with the introduction of evolved behavioural information (e.g. big data)
  c) the creation of a ReoCo to support the value of real estate collateral.

This action, together with the reduction in new inflows of non-performing exposures now in progress for three years in the Group, will lead to an improvement in the already historically high level of credit quality to allow the following to be achieved during the Plan period:
- a reduction in gross non-performing exposures from €13.4 billion in 2015 to approximately €11 billion in 2020, with the peak reached in 2015
- a decrease in the ratio of impairment losses on loans to total loans to customers from 0.95% in 2015 to approx. 0.50% in 2020
- coverage for non-performing exposures is expected to stand at around 49% (inclusive of write-offs) in 2020, up compared with approximately 43% in March 2016 (after the re-absorption of the shortfall)
- a reduction in the Texas ratio from 112% in 2015 to approximately 84% in 2020.

[9] Please see note 4

The Business Plan presents harmonious growth for the Group. The objectives of the Plan will allow sustainable profitability over time and a strengthening of capital ratios attributable primarily to growth in profits, with structural balance and risk indicators well above existing and expected regulatory requirements and the targets set by Group policies.

Structural balance and profitability indicators

	2015	**2019**	**2020**
CET1 ratio (fully loaded)	11.6%	12.1%	12.8%*
Total Capital Ratio (fully loaded)	13.9%	15.7%	16.3%
Leverage ratio (fully loaded)	5.8%	6.0%	6.4%
MREL	>15%	>15%	>15%
Net Stable Funding Ratio	>100	>100	>100
Liquidity Coverage ratio	>100	>100	>100
Texas ratio	112%	~92%	~84%
Return on Tangible Equity	2.4%**	9.4%	10.6%

*The estimated impacts of the new regulations (IFRS9, Default LGD, etc.) and the update of models, included in the calculation of the capital ratios, are expected to balance out with a neutral effect.
** Normalised data.

Impact of the Plan on the income statement to 30th June 2016

More than 95% [10] of the one-off non-recurring impacts of the new Organisational Baseline and of the 2019-2020 Business Plan, as shown in the table below, will be recognised in the income statement for the end of June 2016, which will therefore close with a loss. A dividend is nevertheless planned also for 2016, at least in line with that for 2015, given that the CET1 ratio remained well above SREP requirement.

Figures in €M	**gross impact**	**fiscal impact**	**net impact**
Increase in coverage of NPEs through reabsorption of shortfall	909	300	609
Contribution to the solidarity fund for the staff exits over the Business Plan period[11]	323	106	217
Brands impairment	60	20	40
Single Bank Project (excluding staff exits)	5	1.5	3.5
Total	1,297	427.5	869.5

Implementation of the Business Plan

The level of detail achieved in the preparation of the Business Plan for each individual customer segment made it possible to produce a "transformation plan" which involves around 40 key projects that define the individual quantitative and qualitative objectives that must be achieved and the relative timing with extreme accuracy.
The Management Board will receive progress reports on the Plan in all of its meetings in order to maintain a total focus on its implementation over the whole period involved. Periodic updates will also be provided to the market.

[10] Please see note 5
[11] Please see note 4

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THE UBI GROUP APPROVES THE "SINGLE BANK" PROJECT

Bergamo, 27th June 2016 – The Supervisory Board of UBI Banca S.p.A. ("UBI Banca"), which met today, has approved the "Single Bank" Project (the "Operation"), which involves the integration into the Parent, UBI Banca, of the following network banks (the "Network Banks"): Banca Popolare di Bergamo S.p.A., Banco di Brescia San Paolo CAB S.p.A., Banca Popolare Commercio e Industria S.p.A., Banca Regionale Europea S.p.A., Banca Popolare di Ancona S.p.A., Banca Carime S.p.A., Banca di Valle Camonica S.p.A., to be achieved through the merger by incorporation of these companies into the Parent. A similar resolution has also been approved by the competent bodies of the Network Banks.

Purposes of the Operation

The Operation is designed to achieve a further simplification of the decision-making and operational processes in the Group and to achieve significant savings on costs.

Procedures, terms and timing of the Operation

Today the Supervisory Board of UBI Banca approved the merger project (the "Project") for the purposes, amongst other things, of submitting an application for authorisation of the Operation to the competent supervisory authorities.

Following authorisation from the supervisory authority, the procedures for the Operation will resume in the last quarter of 2016 with the approval by the competent governing bodies of a report to illustrate the Project and other documents required by the regulations in force to be submitted, with the relative proposal of a resolution, to the shareholders' meeting.

UBI Banca will make prompt disclosures to the market on those activities as well as providing further information required by the legislation and regulations in force. It is envisaged that the overall procedure for the Operation will be completed by the end of the first half of 2017.

The Project that will be submitted to the supervisory authority states that, on completion of the Operation, the share capital of UBI Banca will have been increased by a maximum total of €189,444,377.50, by means of the issue of a maximum of 75,777,751 ordinary shares with no nominal value. In detail, the Project states that the share capital of UBI Banca will have been increased as follows:

- by a maximum of €96,024,597.50 at the service of the merger of Banca Regionale Europea S.p.A. ("BRE"), through the issue of a maximum of 38,409,839 shares to be allotted to the shareholders of BRE, with the exception of UBI Banca, on the basis of a share exchange ratio of (i) 0.2402 UBI Banca shares for every single BRE ordinary share and (ii) 0.4377 UBI Banca shares for every single BRE savings share;
- by €91,078,612.50 at the service of the merger of Banca Popolare Commercio e Industria S.p.A. ("BPCI"), through the issue of 36,431,445 shares to be allotted to the shareholders of BPCI, with the exception of UBI Banca, on the basis of an exchange ratio of 0.2522 UBI Banca shares for every single BPCI share;
- by €1,543,650.00 at the service of the merger of Banca Popolare di Ancona S.p.A. ("BPA"), through the issue of 617,460 shares to be allotted to shareholders of BPA, with the exception of UBI Banca, on the basis of an exchange ratio of 6.0815 UBI Banca shares for every single BPA share;
- by €60,042.50 at the service of the merger of Banca Carime S.p.A. ("Carime"), through the issue of 24,017 shares to be allotted to shareholders of Carime, with the exception of UBI Banca, on the basis of an exchange ratio of 0.1651 UBI Banca shares for every single Carime share;
- by €737,475.00 at the service of the merger of Banca di Valle Camonica S.p.A. ("BVC"), through the issue of 294,990 shares to be allotted to shareholders of BVC, with the exception of UBI Banca, on the basis of an exchange ratio of 7.2848 UBI Banca shares for every single BVC share.

There will be no settlements of balances in cash.

On the other hand, the merger of Banca Popolare di Bergamo S.p.A. ("BPB") and that of Banco di Brescia San Paolo CAB S.p.A. ("BBS") will not produce any effect on the share capital and the number of shares of UBI Banca, because the share capital of BPB and BBS is wholly owned by UBI Banca and will therefore be fully cancelled with no share exchange.

Moreover, UBI Banca has today signed an agreement with the Fondazione Cassa di Risparmio di Cuneo (the “Fondazione Cuneo”), the holder of 24.904% of the share capital social of BRE, for the purchase of all the privileged shares not held by UBI Banca (50,473,189 BRE privileged shares) and 18,240,680 BRE savings shares owned by Fondazione Cuneo for a total price of €120,000,000, with effect on the date of signing the deed for the merger of BRE into UBI Banca (the “BRE Merger”) and subject to the signing of that deed.

As a consequence of this, no share exchange ratio regarding the privileged shares is set for the BRE Merger, while a share exchange ratio is set in relation to the savings shares.

Under that agreement – with which UBI Banca has also agreed with Fondazione Cuneo the maintenance of certain of the latter’s prerogatives relating to BRE and the local area in which it operates – the Fondazione Cuneo has agreed to vote in favour of the BRE Merger both in the BRE’s Extraordinary Shareholders’ Meeting and in the special shareholders’ meetings for the privileged and savings shareholders of BRE, subject to the circumstance that the General Council of Fondazione Cuneo votes in favour of that merger.

The share exchange ratios have been approved, on the basis of a proposal by the Management Board, by the Supervisory Board on the basis of criteria and methodology commonly applied in relation to operations of this nature.

The holders of BRE savings shares (except for those subject to the agreement with Fondazione Cuneo mentioned above) who do not vote in favour of the proposal for the merger of BRE in UBI Banca will have the right of withdrawal (the “Right of Withdrawal”) in accordance with Art. 2437, paragraph 1, letter g) of the Italian Civil Code. The liquidation value of the shares subject to withdrawal will be calculated according to the criteria laid down in Art. 2437-*ter* of the Italian Civil Code and will be made available to BRE shareholders in accordance with the relative terms and conditions of the law.

The liquidation of the shares which may be subject to withdrawal will take place in accordance with Art. 2437-quater of the Italian Civil Code.

Effect of the Operation

The overall effects of the Operation, for each of the mergers, will take effect from the date indicated in the merger deed (or in the respective merger deeds), which may be the same as or later than that on which the last of the documents are filed pursuant to article 2504-*bis* of the Italian Civil Code. Network bank transactions will be recognised in the financial statements of UBI Banca from the first day of the financial year in progress at the time in which the respective merger operations come into effect, in accordance with Art. 2504-*bis* of the Italian Civil Code. They will take effect for tax purposes on that same date.

UBI Banca shareholdings post Operation

On the basis of information available as of today, following the Operation the holders of shares accounting for more than 3% of the share capital of UBI Banca will be as follows:

- Fondazione Cassa di Risparmio di Cuneo: 5.90%
- Fondazione Banca del Monte di Lombardia: 5.20%

The percentages reported above been calculated assuming that: (a) the current ownership structure of UBI Banca and the network banks does not undergo any changes before the completion of the Operation; and (b) the share capital increase takes place in terms of the maximum amounts reported above.

Related parties

In accordance with Art. 6 of Consob Regulation No. 17221 of 12th March 2010 (the "Consob Regulation"), it is also underlined that prudentially and in application of particularly rigorous principles of interpretation given the importance of the Operation, UBI Banca has considered Fondazione Cassa di Risparmio di Cuneo and Fondazione Banca del Monte di Lombardia who are shareholders of BRE and BPCI respectively, as related parties of UBI Banca, holders of significant interests in the aforementioned Network Banks involved in the Operation. Because those foundations are also related parties of UBI Banca, the provisions governing transactions with related parties of "greater importance" laid down in the "Regulations for transactions with related parties of UBI Banca S.p.A." adopted in accordance with the aforementioned Consob regulation apply to the Operation.

On the basis of those regulations, the Related and Connected Parties Committee of UBI Banca, within their duties, seen the unitary nature of the operation, also to the purpose of allowing the UBI Group to achieve significant synergies as indicated by management, has expressed opinion in favour of the Operation and, in particular, with regard to UBI Banca's interest in implementing the merger by incorporation into UBI Banca of BRE and BPCI and in purchasing the privileged shares and the saving shares from Fondazione CRC in the terms described above, and on the substantial fairness and advantageous nature the same.

UBI Banca will disclose an information document to the public on the transactions of "greater significance" with related parties pursuant to the aforementioned Consob Regulation, within seven days following the convening of the Shareholders' Meeting to approve the Terms. That opinion was issued by the Committee also in accordance with supervisory provisions concerning related-party transactions pursuant to Bank of Italy Circular No. 263 of 27th December 2006.

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UBI Banca has been assisted by Morgan Stanley as its financial advisor.

The Related and Connected Parties Committee of UBI Banca was assisted by Citigroup Global Market Limited as an independent financial advisor.

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