



# UBI Banca Green Bond Issuance

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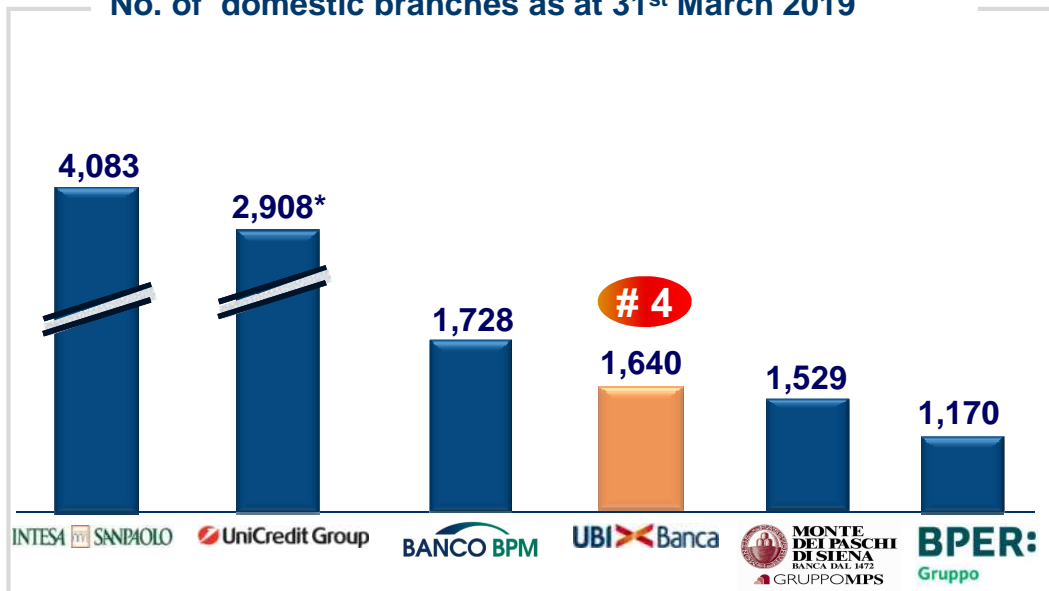
Rome, 3<sup>rd</sup> July 2019

**Giorgio Erasmi**  
Head of Treasury and Institutional Funding

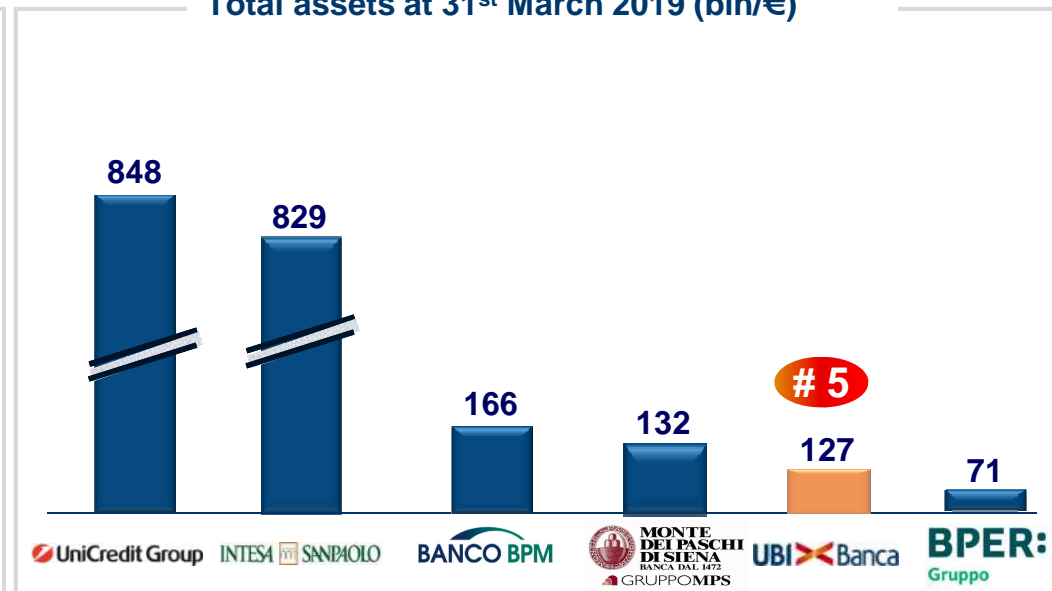


# UBI Banca ranks amongst the major Italian banks by key indicators

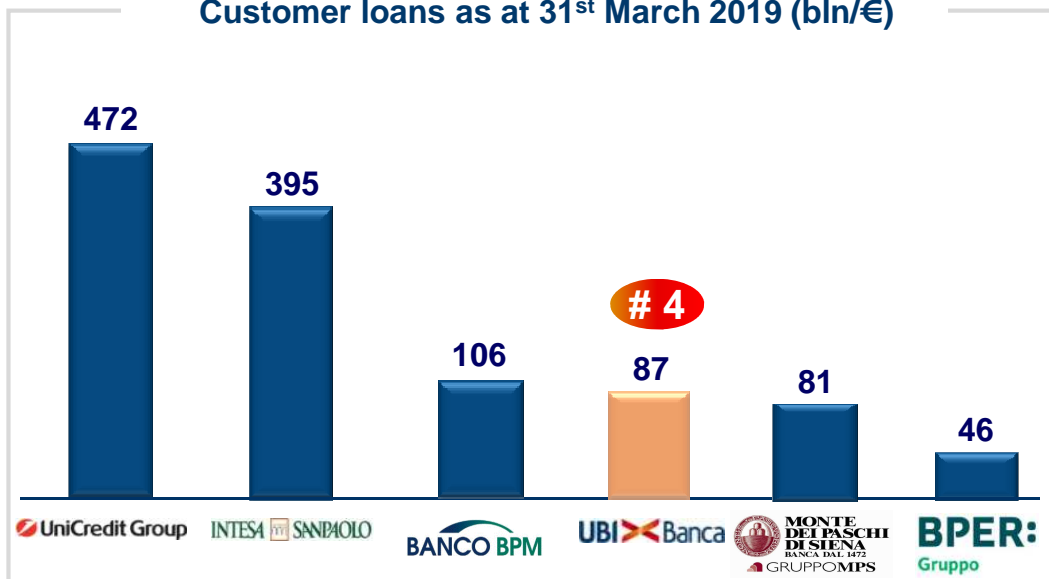
No. of domestic branches as at 31<sup>st</sup> March 2019



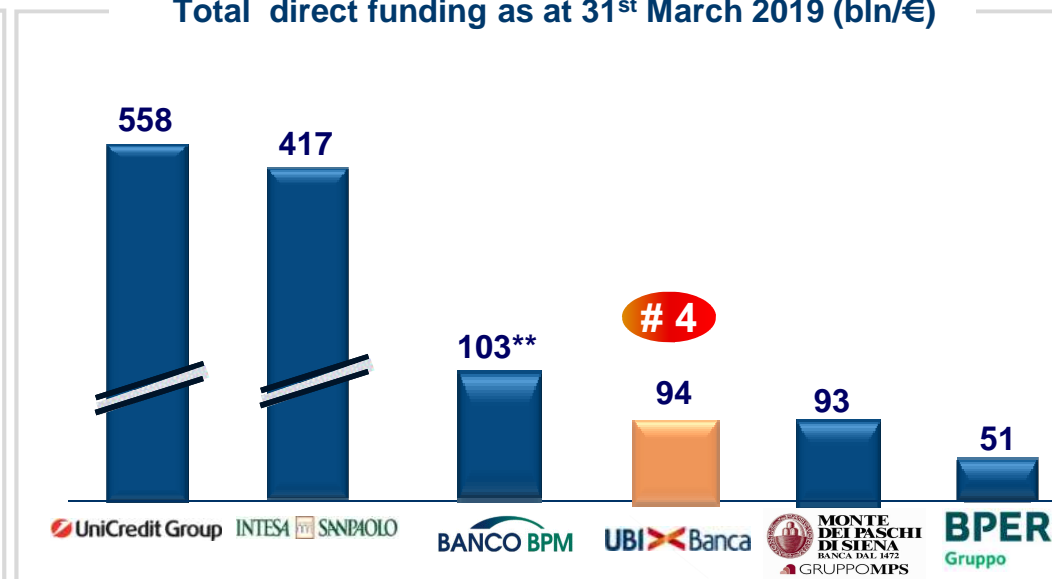
Total assets at 31<sup>st</sup> March 2019 (bln/€)



Customer loans as at 31<sup>st</sup> March 2019 (bln/€)



Total direct funding as at 31<sup>st</sup> March 2019 (bln/€)



\* Including CB Italy, CB Germany, CB Austria

2 \*\* Excluding repos

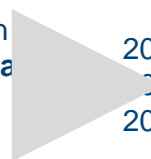
Source: press releases, presentations on 1Q 19 results, Unicredit and Banco BPM branches as at 31<sup>st</sup> Dec 2018

## Main commitments

- Maintain **governance** mechanisms that empower the strategic management of sustainability and the consistency of business decisions.
- Support the reputation and competitiveness of the Company through the respect of shared **values and principles** and proper **risk management**.
- Pursue appropriate conditions for **profitability and soundness**, as main factor of sustainability;
- Develop the **Human Capital**, enhancing diversity and offering a positive working environment, able to attract and raise talents.
- Promote a sustainable economic development, **supporting the real economy** to create value for the community and the Group.
- Promote the development of local communities, playing an active role in **supporting relevant social causes and projects**.
- Contribute to the reduction of the **environmental footprint** of human activities and support **energy transition** to fight climate change.



UBI Banca has been awarded the **National Prize for Innovation** (the "Prize of Prizes") by President of the Italian Republic.



2013 - Social Bond UBI Comunità  
 2015 - UBI Pay mobile peer to peer payments  
 2018 - UBI Welfare

Since 2016, **The Top Employer Italia certification** acknowledges UBI Banca's excellence in the working conditions it offers to its employees



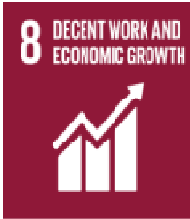
UBI Banca is the first Italian listed company to have received the award that recognizes best practices in terms of gender diversity.

**Grands Prix de la Mixité\***

2018

\* A recognition established by Institut du Capitalisme Responsable and Ethics & Boards, for the first time attributed in 2018 on a European scale. It has been presented during a ceremony held within the International Financial Forum at Paris Europlace.

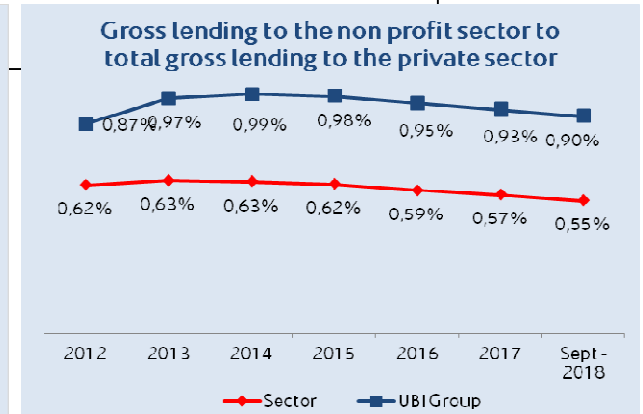
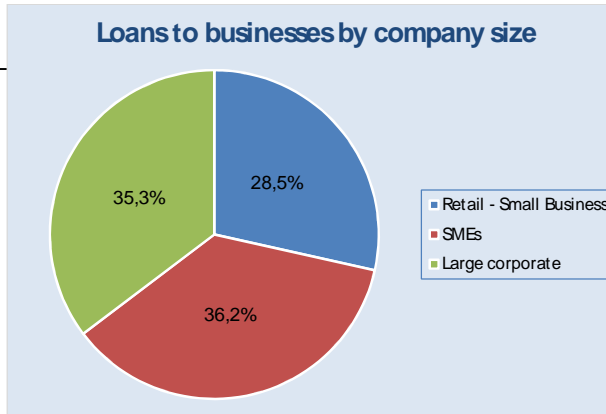
# Commitment to local economic development



**44.8 bln €** loans to businesses as at 31.12.2018

**770 mln €** loans to NPOs and civil economy organisations as at 31.12.2018

- Support for local productive growth and productivity encouraging formation and growth of SMEs
- Financing for sustainable infrastructures
- Banking services and contributions to universities and research institutes



**26.9 bln €** Home mortgages\* as at 31.12.2018


**1.2 bln €** project finance for infrastructure development as at 31.12.2018 (Hospitals, water and gas distribution, public transport, highways)

- Home mortgages
- Protecting and upgrading the cultural heritage of local communities


\* Also including mortgages for the refurbishment and renovation of buildings enhancing energy efficiency and installing of renewable energy production systems

# Commitment to the community






**1 NO POVERTY**  
  
**230 mln €** loans suspended or deferred in 2018 for 2,653 households in difficulty  
**14.1 mln €** solidarity loans

- Provide basic banking services and savings programs for vulnerable low-income people
- Support households affected by economic crisis or environmental disasters

**5 GENDER EQUALITY**  
  
**98.2%** female/male managers salary  
**89.0%** female/male middle managers salary  
**98.1%** female/male professional areas salary

- Policies for non-discrimination
- Equal pay for equal work and safe, protected labour environment

**3 GOOD HEALTH AND WELL-BEING** **4 QUALITY EDUCATION** **10 REDUCED INEQUALITIES**  
    
**10.9 mln €** total Group's grants to social initiatives  
**1,504** hours spent in financial education programmes for students and the community

- Support to NPOs operating in the area of social assistance to promote social and economic inclusion
- Banking services and contributions to academic and university institutes and financial education initiatives
- Support for projects and organizations operating in social healthcare and assistance

# Commitment to the environment

7 AFFORDABLE AND CLEAN ENERGY



11 SUSTAINABLE CITIES AND COMMUNITIES



**97.5%** Electric Energy consumption from renewable sources

**100%** Reused or recycled waste\*

**1.8 billion €** Portfolio of renewable energy financing (68.2% project finance)

- Reduce the environmental footprint of the Group's premises, increasing energy efficiency and renewable energy sourcing
- Support energy transition to develop a low carbon economy, by helping individuals and businesses to reduce their carbon footprint through dedicated loans and the participation in project finance initiatives.

Main green financing products:

- ✓ **Forza Sole** and **Nuova Energia Fotovoltaico** for photovoltaic systems
- ✓ **Creditoplà** for refurbishment and energy-efficient retrofitting of homes
- ✓ **Energie Rinnovabili** and **Full Power leasing** for electricity and heat production from renewable energy (wind, biogas and biomass)



Data as at 31/12/2018

\* Excluding solid urban waste, managed by the public collection service.

# UBI Banca sustainability recognized by some of the major ethical and sustainability indexes and ratings



Indices	UBI Ratings Circled in Red
<ul style="list-style-type: none"> <li>FTSE4Good Index Series</li> </ul>	
<ul style="list-style-type: none"> <li>ECPI Euro ESG Equity Index</li> </ul>	
<ul style="list-style-type: none"> <li>Euro Ethical Index</li> <li>Euro CSR Index</li> <li>Sustainable Index</li> </ul>	B, B+, B++, B+++, A, A+, <b>A++</b> , A+++
<ul style="list-style-type: none"> <li>Italian Index</li> <li>Italian Banks Index</li> </ul>	E-, E, E+, EE-, <b>EE</b> , EE+, EEE-, EEE, EEE+ Outlook negative <b>Investment Grade</b>
	CCC, B, BB, <b>BBB</b> , A, AA, AAA
	<b>Average performer</b>
	D-, D, D+, C-, <b>C</b> , C+, B-, B, B+, A-, A, A+ <b>Status Prime</b>

# UBI BANCA Green, Social and Sustainable Bond Framework at a glance

## 3 types of Bonds

1. **Green Bonds** – for which funds are exclusively allocated to Green Eligible Projects
2. **Social Bonds** – for which funds are exclusively allocated to Social Eligible Projects
3. **Sustainable Bonds** – whereby funds are allocated to Green Eligible Projects and to Social Eligible Projects



## Aligned with best market practices

- UBI Banca's Framework is in line with the:
- **Green Bond Principles June 2018**
  - **Social Bond Principles June 2018**
  - **Sustainability Bond Guidelines June 2018**



Before each issuance, a leading second opinion provider will provide a second opinion:

- to confirm the alignment of the bond to the ICMA's Green Bond Principles, Social Bond Principles or Sustainable Bond Guidelines
- to assess the sustainable added value of the assets
- to provide a review of UBI Banca's sustainability performance

## Inaugural issuance: Green Bond

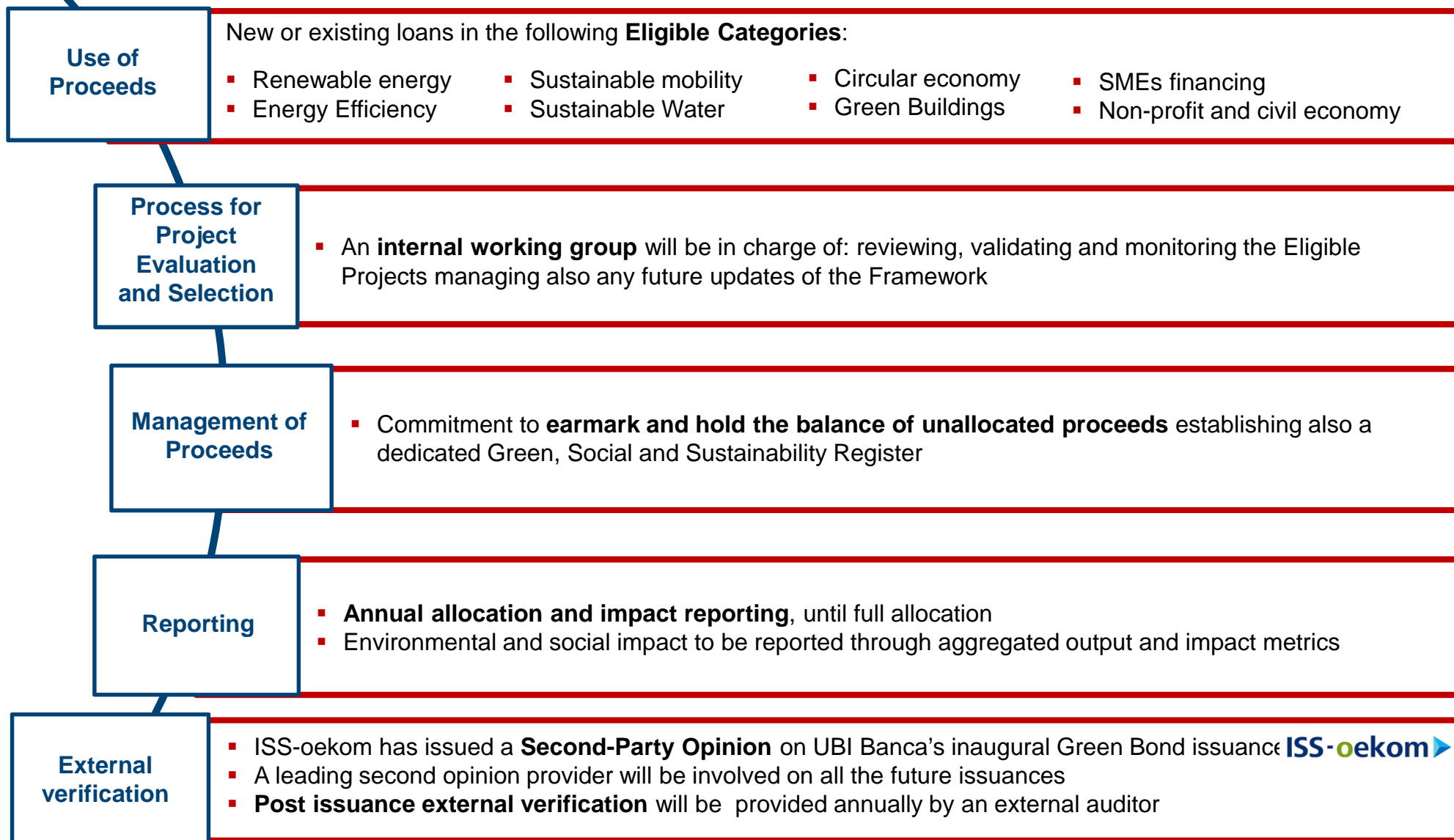
- For its inaugural issuance, UBI Banca focused on a Green Bond, refinancing a portfolio of project finance loans in renewable energy



***With this Green, Social and Sustainable Bond Framework, UBI Banca equips itself with a dynamic platform allowing the bank to specifically raise funds to support initiatives aiming at fostering sustainable growth and well-being in local communities***



# Overview of UBI Green, Social and Sustainable Bond Framework



## Eligible Green Projects categories

Eligible projects	Objectives	Eligibility criteria	Inaugural Green Bond
Renewable energy	Renewable energies aiming at replacing carbon-intensive energy sources and significantly reducing global warming emissions.	<p>Infrastructures and plants generating and/or distributing renewable energy such as:</p> <ul style="list-style-type: none"> <li>▪ Offshore and onshore windmills</li> <li>▪ Solar photovoltaic</li> <li>▪ Bioenergy /biomass</li> <li>▪ Geothermal</li> <li>▪ Hydropower projects up to 20 MW in installed capacity</li> </ul>	✓
Energy efficiency	Investing in assets related to energy efficiency	<ul style="list-style-type: none"> <li>▪ Energy storage</li> <li>▪ Smart grid</li> <li>▪ District heating</li> <li>▪ Efficient lighting (LED lighting, compact fluorescent lighting)</li> <li>▪ IT Optimization service, infrastructure and broadband</li> </ul>	
Sustainable mobility	Spreading eco-compatible means of transport	<ul style="list-style-type: none"> <li>▪ <b>Private transportation:</b> Hybrid/Electric vehicles and infrastructures</li> <li>▪ <b>Public mass and freight transportation:</b> Investment, acquisition, maintenance and replacement of rolling stocks as well as infrastructure</li> </ul>	
Sustainable water	Improving the efficiency of water management and water treatment.	<ul style="list-style-type: none"> <li>▪ Water collection, treatment, recycling, and related infrastructure</li> </ul>	
Circular economy	Pollution prevention and control	<ul style="list-style-type: none"> <li>▪ Infrastructures that turn waste into resources</li> </ul>	
Green buildings	Promoting urban sustainable growth.	<ul style="list-style-type: none"> <li>▪ Acquisition, construction, development, renovation of buildings that meet recognized environmental standards</li> <li>▪ Real estate loans for energy efficient buildings that comply with the Energy Efficiency Class A</li> <li>▪ Renovation of buildings that allow reaching Energy Efficiency class B or where at least 50% of the improvements are for energy efficiency purposes</li> </ul>	

# Eligible Social Projects categories

Eligible projects	Objectives	Eligibility criteria	Target Populations
<b>SMEs financing</b>	Supporting employment and access to the labor market	<ul style="list-style-type: none"> <li>▪ SMEs financings located :               <ul style="list-style-type: none"> <li>▪ in regions with a GDP per capita below national average, or</li> <li>▪ in areas impacted by natural disasters in Italy</li> </ul> </li> <li>▪ SMEs which purpose is to maintain jobs or create new jobs in their place of settlement through projects that provide at least one of the following:               <ul style="list-style-type: none"> <li>▪ partnerships or new production chains that involve public and/or Third Sector Entities ,</li> <li>▪ welfare initiatives for employees and/or the community</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>▪ People working in SMEs, to maintain their jobs and to create capacity for new jobs</li> </ul>
<b>Non-profit and civil economy financing</b>	Supporting general interest initiatives, which strive for civic, solidarity and social utility purposes	<ul style="list-style-type: none"> <li>▪ Investments and day by day operations of Third Sector Entities and Religious Entities such as:               <ul style="list-style-type: none"> <li>▪ Associations and NGOs,</li> <li>▪ Voluntary Organizations and Social Development Associations,</li> <li>▪ NGOs Social Enterprises, and Social Cooperatives and Mutual Aid Companies,</li> <li>▪ Foundations and Philanthropic entities,</li> <li>▪ Religious bodies for their social utility purposes (including maintenance and renovation of historic heritage).</li> </ul> </li> <li>▪ Eligible Projects cannot include funding to organizations that discriminate in any way in carrying out their activities</li> </ul>	Eligible Organizations are aiming at reducing exclusions and inequalities Target Populations are linked to the sectors of general interest where the Eligible Organizations operate, such as: <ul style="list-style-type: none"> <li>▪ healthcare,</li> <li>▪ education,</li> <li>▪ social, recreational and sports activities,</li> <li>▪ welfare and solidarity,</li> <li>▪ art and culture,</li> <li>▪ public utility infrastructures and services</li> </ul>

# Process for Project Evaluation and Selection and Management of Proceeds

Dedicated internal 'Sustainable Finance' working group

The working group will be in charge of:

1. **Reviewing and validating the selection of Eligible Projects**
2. **Monitoring the Eligible Projects portfolio, during the life of the transaction**
3. **Managing any future updates of the Framework**

- The working group is composed by representatives from:
- Corporate Social Responsibility department
  - Relevant Business departments
  - Treasury department
  - Investor Relations department

Dedicated Green, Social and Sustainability Register

UBI Banca commits to earmark and hold the balance of unallocated proceeds

UBI Banca will track the use of proceeds of its Bonds issued under this Framework through a dedicated **Green, Social and Sustainability Register** for the Bonds issued

- Updates of the framework will only apply to Green, Social and Sustainable Bonds issued after the issuance of an updated Second Opinion

Replacement of Eligible Projects

The working group can decide to replace some Eligible Projects in accordance with, inter alia, the following Substitution Conditions:

1. **an Eligible Project no longer meets the eligibility criteria**
2. **Eligible Projects mature or are redeemed before each Bond's maturity**

## Allocation reporting

UBI Banca will provide to investors an **annual reporting until full allocation**, and that includes:

- The total amount of proceeds allocated per Eligible Projects category,
- Share of financing and refinancing (in %), and
- The amount of unallocated proceeds

➤ Reviewed by an external auditor and included in the Sustainability Report

## Impact reporting

UBI Banca will **report on the environmental and social impact** of the Bonds issued under this Framework through aggregated output and impact metrics

Reporting	Examples of Output metrics	Impact metrics
Environment	<ul style="list-style-type: none"> <li>▪ Expected annual renewable energy generation in MWh</li> <li>▪ Expected Amount of energy saved (MWh)</li> <li>▪ Expected capacity ( passengers / freight) of private and public transportation</li> <li>▪ Energy Efficiency certification or Class, for Green Buildings</li> </ul>	Estimated annual GHG emissions reduced/avoided, in tons of CO2e

➤ Environmental reporting indicators will include aggregated impact metric per Green Eligible Projects category, on an aggregated portfolio basis

Reporting	Examples of indicators
SMEs financing	<ul style="list-style-type: none"> <li>▪ Number of SMEs supported</li> <li>▪ Estimated number of employees of the financed SMEs</li> </ul>
Non profit and civil economy financing	<ul style="list-style-type: none"> <li>▪ Number of Eligible Organization supported</li> <li>▪ Estimate of the number of final beneficiaries supported by the Eligible Organization</li> </ul>

➤ On aggregated basis and broken-down per geography

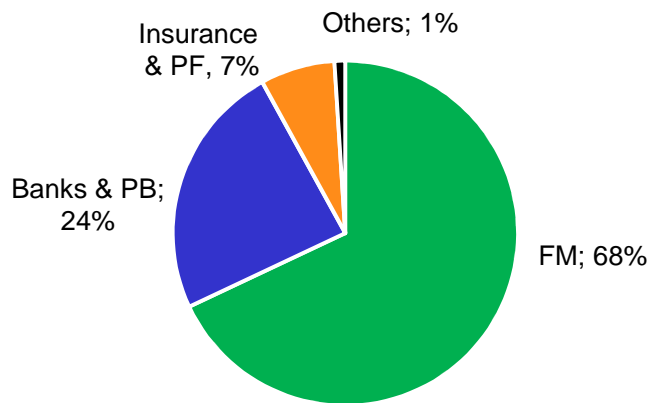
➤ On aggregated basis and broken-down per category of essential services / Sector activity

# Inaugural Green Bond issuance in April 2019

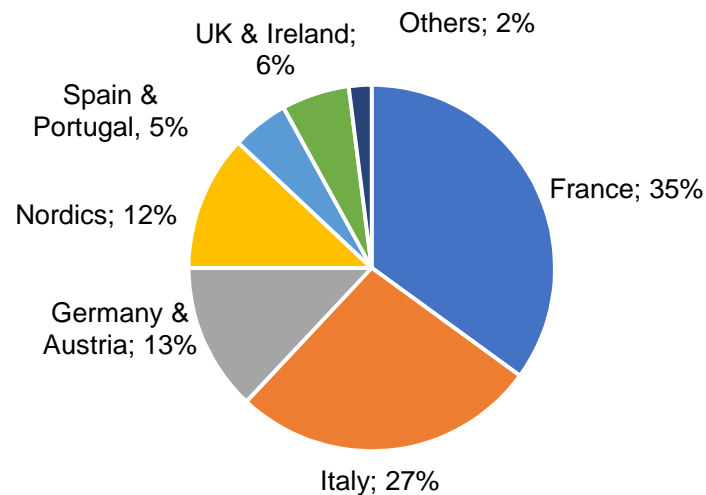
3<sup>rd</sup> April 2019

- Inaugural Green Bond (Senior Preferred) issuance on the wholesale market for a 5-year, 500 mln/€ benchmark amount
- The issuance, made under the Group's EMTN Programme, was carried out as part of a broader Framework, compliant with the guidelines issued by ICMA, which, in addition to Green Bonds, also includes the possibility to issue Social and Sustainable Bonds. The issue will refinance a selected renewable energy project finance portfolio (0.5 bln/€ out of a total of 1.3 bln/€), which focuses primarily (86%) on solar energy and wind power
- ISS-oekom, as the Second Opinion Provider, has released an opinion on the Framework and on the portfolio
- The issuance was met with strong demand from approximately 150 investors, with orders reaching close to 1.5 bln/€. This allowed to tighten the initial spread guidance of mid-swap + 170/175 bps to the final level of 150 bps over the 5 year mid-swap

Allocation by Investor Type



Allocation by Investor Geography



Included in the  
MSCI BARCLAYS GREEN  
BOND INDEX UNIVERSE

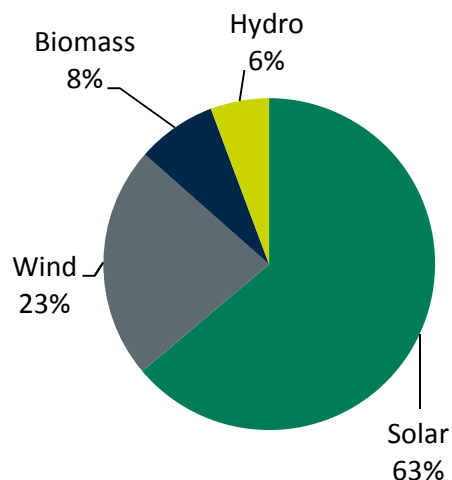
# The renewable energy portfolio selected for the Inaugural issuance

## Portfolio key features

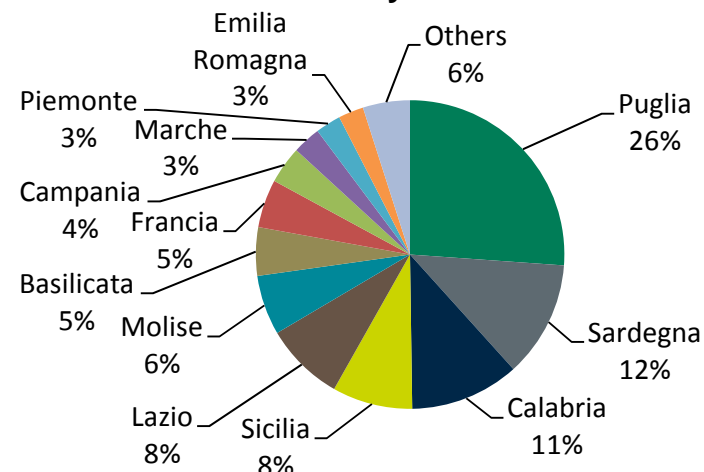
- Number of loans: 61
- Total loan amount: € 507m (overall portfolio of renewable energy financing 1.8 billion)
- Average loan amount: € 8.3m
- Average portfolio maturity: May 2028
- Total loan amount maturing during the next 5 calendar years: € 7.5m

## Portfolio analysis

Breakdown by technology \*



Breakdown by Location \*\*



Technology	Capacity installed in MW	Total energy produced in MWh/y	Annual GHG emissions reduced/avoided, in tons of CO <sub>2</sub> equiv.
Solar	213	317,990	102,075
Wind	157	324,445	104,147
Biomass	26	189,321	60,772
Hydro	17	71,446	22,934
<b>Total</b>	<b>412</b>	<b>903,202</b>	<b>289,928</b>

➤ Output and impact analysis weighted by UBI share in the financing pool

Data as at 31/12/2018

\* Drawn/utilized amount (EUR)

\*\* Installed Capacity (MW) attributable to UBI Banca

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