

# One Bank, One UniCredit *Transform Operating Model and Maximize Commercial Bank Value*



G. F. Papa

London, 13<sup>th</sup> December 2016

Welcome to  
 **UniCredit**

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# One Bank, One UniCredit

## The five pillars

**ONE BANK  
ONE  
UniCredit**

### 5 STRATEGIC PILLARS



**STRENGTHEN AND  
OPTIMIZE CAPITAL**



**IMPROVE  
ASSET  
QUALITY**



**TRANSFORM  
OPERATING MODEL**



**MAXIMIZE  
COMMERCIAL BANK  
VALUE**



**ADOPT LEAN  
BUT STEERING  
CENTER**



# Agenda

## Topic

- **UniCredit competitive advantages and transformation journey**

- **Context and UniCredit positioning**

- Western Europe Commercial Banking
- CEE
- CIB

- 
- Divisional highlights

- 
- Focus on One Bank, Risk discipline and execution of the plan

## Speaker

- **G. F. Papa**

- 
- Country/Division Heads

- 
- G. F. Papa



# One Bank, One UniCredit – Transform 2019

- Transform Western Europe Commercial Banking<sup>1</sup>: improved customer focus with a sustainable lower cost structure
- Further strengthen leadership position<sup>2</sup> in CEE
- Capture cross-selling through an efficient CIB and fully plugged into Commercial Banking
- Maximize revenue synergies and best practice sharing across business lines and countries
- Tightened risk discipline to further improve credit portfolio risk profile
- Effective execution and governance of the transformation plan

**Simple Pan European Commercial Bank, delivering unique Western, Central and Eastern European network to its extensive client franchise**



# Transform 2019 – anticipating the need for banks to evolve



## Regulatory environment

- Growing regulatory pressure driving simplification of business models
- Commercial Banking expected to be less affected by ongoing regulatory initiatives



## Low growth and interest rates

- Limited GDP growth in Western Europe whilst higher in CEE
- “Lower for longer” interest rates and low-yield environment



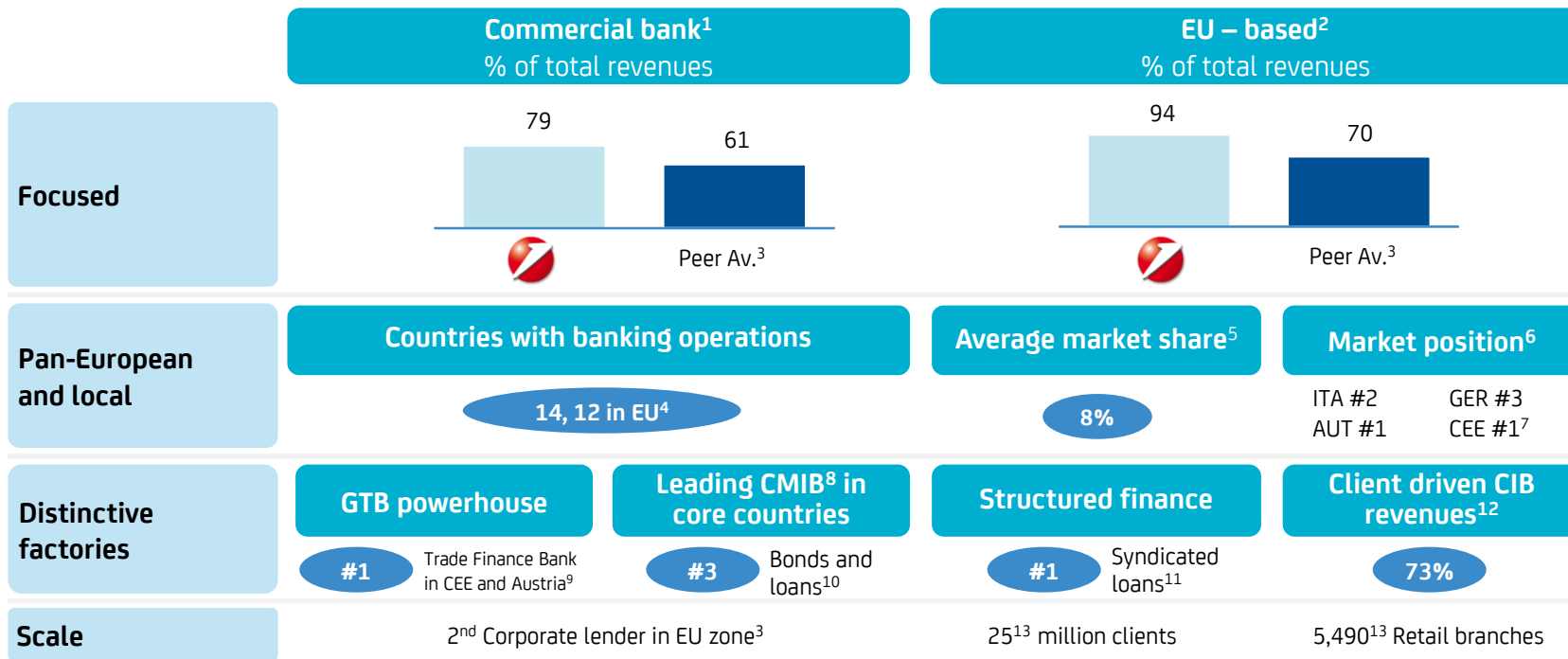
## Changing client behaviors

- Increasing use of remote channels
- Alternative new offerings to clients creating optionalities

**UniCredit ready to seize opportunities of evolving banking environment**



# UniCredit: simple Pan European Commercial Bank, delivering unique Western, Central and Eastern European network to its extensive client franchise



1. Based on public available information, including also Private Banking and Financial Service, 9M2016  
 2. UniCredit excludes Turkey and Russia with a pro-quota approach; BNP Paribas and Société Générale data calculated as of proxy of commitment at geographical level; Deutsche Bank split not available, 9M2016  
 3. Peers include: BNP Paribas, Deutsche Bank, Intesa Sanpaolo, Santander, Société Générale, EU revenues split comparison excluding Deutsche Bank; 9M2016  
 4. Excluding Azerbaijan, Estonia, Latvia, Lithuania; includes Bosnia and Herzegovina, Serbia (EU membership process initiated); 9M2016

5. On loans, weighted average based on UniCredit geographical mix; including 100% Turkey; 9M2016  
 6. Based on Total Assets 9M2016. For Austria domestic assets as of end of 2015 on local GAAP (source OeNB). For Germany considering private banks  
 7. Based on total assets. Compared to Erste, Intesa Sanpaolo, KBC, OTP, RBI, Société Générale, ranking as of 2015  
 8. Capital Markets and Investment Banking, 9M2016  
 9. Euromoney for CEE Global Finance for Austria, 2016  
 10. EMEA Bonds and Loans EUR denominated; 9M2016  
 11. EMEA Syndicated loans EUR denominated (All asset classes); 9M2016  
 12. CIB revenues excluding Treasury  
 13. Including 100% clients and branches in Turkey; 9M2016.



# UniCredit competitive advantages: a leading Corporate Bank in Europe

## "Go-to" bank for European "Mittelstand" Corporates



0.6m<sup>1</sup>

SMEs and  
Corporate clients

€314bn<sup>2</sup>

SMEs and  
Corporate loans

#2<sup>3</sup>

Corporate lender in  
EU zone

## Best in class CIB products provider



#1

EMEA syndicated  
loans EUR

#1

EMEA sponsor-driven  
acquisition finance

#1

EMEA covered bonds

## Unparalleled support for Corporates' international activities



#1

Bank for Trade  
Finance in CEE  
and Austria<sup>4</sup>

35%

Corporate groups  
served in multiple  
locations<sup>5</sup>

#1

In CEE<sup>6</sup>

## Distinctive Corporate client franchise and product factories

1. Includes 100% clients in Turkey, 9M2016 2. 9M2016 3. Peers include: BNP Paribas, Deutsche Bank, Intesa Sanpaolo, Santander, Société Générale, as of 9M2016 4. Euromoney for CEE, Global Finance for Austria, 2016 5. Share of Corporate clients groups active/booking in at least two countries, 9M2016 6. Based on total assets. Compared to Erste, Intesa Sanpaolo, KBC, OTP, RBI, Société Générale, ranking as of 2015.

Source: Dealogic, Euromoney 2016, Global Finance





# UniCredit competitive advantages: extensive Retail and Private client franchise in Europe

## Extensive client franchise<sup>1</sup>



24m

Retail and Private clients<sup>2</sup>

€133bn

Retail loans

€212bn

Retail deposits

**Extensive client coverage**  
(>38,000 sales people<sup>3</sup>)

## Key player in asset gathering<sup>1</sup>



€544bn

Retail and Private Total Financial Assets

30%

Share of AuC/AuM revenues of total Retail and Private Banking

**Three main UniCredit geographies covering >30% of EU wealth<sup>4</sup>**

## Untapped potential in Consumer Finance<sup>1</sup>



Western Europe data

€9bn

Consumer Finance<sup>5</sup> volumes

7%

Share of Consumer Finance revenues of total Retail and Private Banking

530bps

Risk-adjusted return<sup>6</sup>

**Limited penetration** of existing customer base

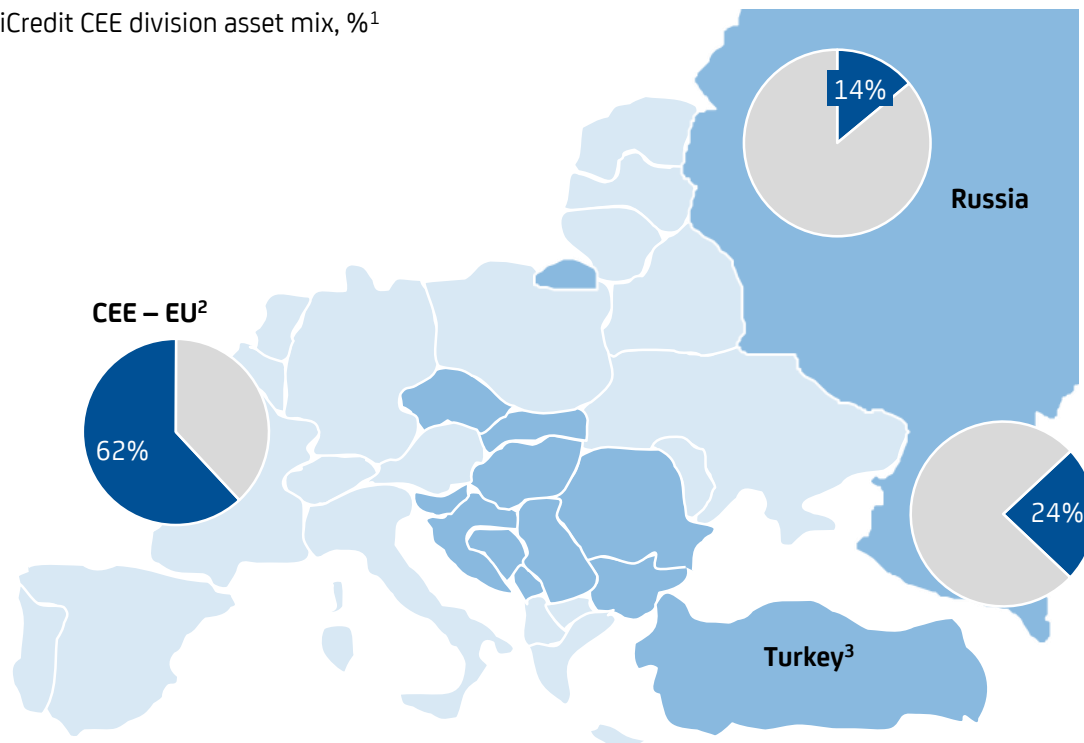
## Extensive Retail and Private client franchise in Europe

1. In 9M2016 2. Includes 100% clients in Turkey, 9M2016 3. Number of clients facing FTE in Retail and Private Banking, 2015 4. Households financial assets in Italy, Germany and Austria vs. 21 EU countries in OECD, 2015 5. Personal loans, credit and revolving cards, overdrafts and salary-backed loans 6. Revenues net of cost of risk loan volumes, weighted average on UniCredit geographical asset mix.



# UniCredit competitive advantages: leader in CEE

UniCredit CEE division asset mix, %<sup>1</sup>



**Leadership** position in market with Total Assets of €2,500bn<sup>4</sup>

**#1 in CEE, top 5 ranked** in most of CEE countries<sup>5</sup>

Mainly **present in EU** countries (62% of CEE assets)

**Well diversified** ensuring resilient performance throughout the cycle



# Key targets

	ROAC <sup>1</sup>			2019	Delta vs. 2015
Transform WE Commercial Banking <sup>2</sup>	8.9%	13.3%	Costs	€6.7bn	-€1.3bn
			Cost/income	57.2%	-9.1p.p.
			CoR	36bps	-12bps
Further strengthen leadership <sup>3</sup> in CEE	9.6%	12.3%	Revenues <sup>4</sup>	€4.4bn	+€431m
			CoR	110bps	-64bps
Capture CIB cross-selling	14.7% <sup>7</sup>	11.0% <sup>7</sup>	Share of client-driven <sup>5</sup> CIB revenues	83.6%	+17.3p.p.
			Joint CIB – Commercial Banking revenues <sup>6</sup>	€3.2bn	+€363m (+3.1% CAGR)
	2015	2019	CoR	19bps	+17bps <sup>8</sup>

**Customer base reaching 28m<sup>9</sup> clients in 2019, starting from 25m<sup>9</sup> in 9M2016**

1. RoAC: Return on Allocated Capital (Annualized net profit / Allocated Capital); Allocated Capital based on RWA equivalent figures calculated with a CET1 ratio target of 12.5% for all the plan horizon, including deductions for shortfall and securitizations. 2. Commercial Banking Italy, Germany and Austria 3. Intended as ranking #1 of market share in terms of total assets 4. At current FX rate. At constant FX €4.5bn in 2019. Delta: €559m 5. CIB revenues excluding Treasury 6. Includes revenues on GTB, ECM, DCM, M&A, Markets products from Commercial Banking clients and structured financing products from Corporate clients. 7. Refers to CIB division 8. vs. 2 bps in 2015 9. Including 100% clients in Turkey.



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# Transform Western Europe Commercial Banking

Key actions	2019 <sup>1</sup>	
<b>Improved customer focus with a sustainable lower cost structure</b>	<ul style="list-style-type: none"> <li>Affluent clients with dedicated relationship manager</li> </ul>	<b>+6p.p.</b>
	<ul style="list-style-type: none"> <li>Number of digital clients<sup>2</sup></li> </ul>	<b>+7.2% CAGR</b>
	<ul style="list-style-type: none"> <li>Western Europe Commercial Banking FTE net redundancies</li> </ul>	<b>-11,050 (-20.5%)</b>
<b>Growth of higher risk adjusted profitability products</b>	<ul style="list-style-type: none"> <li>TFA growth</li> </ul>	<b>+2.8% CAGR<sup>3</sup></b>
	<ul style="list-style-type: none"> <li>Consumer Finance volumes growth</li> </ul>	<b>+11.8% CAGR</b>
	<ul style="list-style-type: none"> <li>Small Business volumes growth</li> </ul>	<b>+3.2% CAGR</b>
	<ul style="list-style-type: none"> <li>Gross NPE ratio</li> </ul>	<b>-0.5p.p.</b>

Group-wide simple "cut and paste" Commercial Banking model



# Improved customer focus with a sustainable lower cost structure

## “Cut and paste” business model

Value for clients



Value for UniCredit

Value for investors



Sales channels



Tailored for each client segment

Sustainable

Revenue protection

Customer interaction



Seamless/innovative

Accretive

Day-to-day banking



Digitalized/convenient

Efficient

Cost reduction

Network organization



Specialized

Lean



# Improved customer focus with a sustainable lower cost structure

## UniCredit leading the market

### Restructuring programs in Germany, Austria and Italy, driving efficiency and streamlining

#### Germany: additional actions leveraging on a successful optimization program

- -41% (-234) Retail branch closures in 2013-2015
- -16% FTE net redundancies in 2013-2015
- Stable Top affluent<sup>1</sup> clients despite branch closures

2019<sup>4</sup>

- €300m cost savings
- -21% FTE net redundancies

#### Austria: on track, focusing on premium advisory and streamlining of organization

- -31% (-78) Retail branch closures in 2013-2015
- -9% FTE net redundancies in 2013-2015
- -40% headquarter organizational units<sup>2</sup> in 2015-9M2016

2019<sup>4</sup>

- €320m cost savings
- -29% (-50) branch closures
- -19% FTE with exit plan fully secured<sup>5</sup>

#### Italy: rightsizing of network and branches

- -6% (-222) Retail branch closures in 2013-2015 (-24% in 2008-2015)
- -2% FTE net redundancies in 2013-2015 (-9% in 2010-2015)
- 88% share of remote transactions<sup>3</sup> as of 2015

2019<sup>4</sup>

- €650m cost savings
- -27% (-883) branch closures
- -21% FTE net redundancies

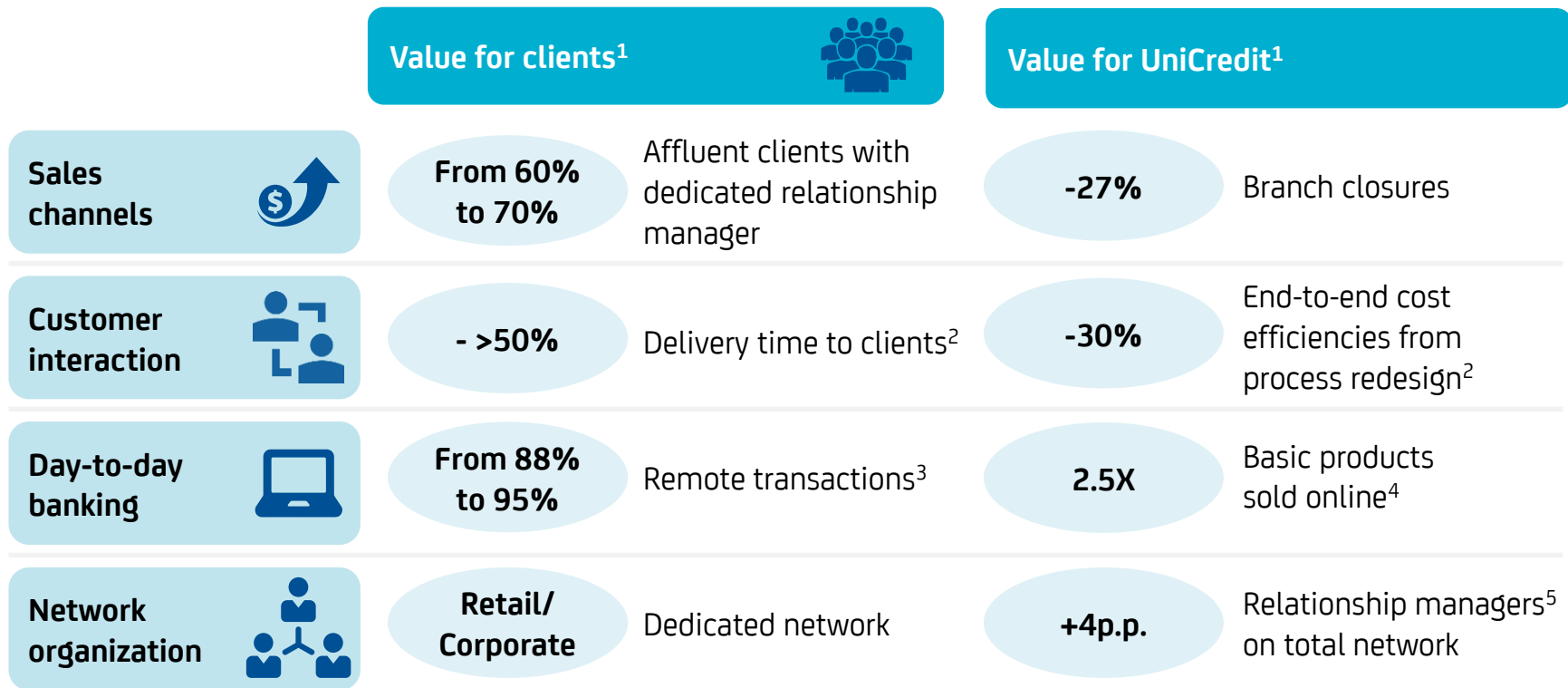
1. Retail clients with TFA ≥ €75,000 or with broad portfolio of products 2. Organizational units in the Corporate Center 3. Includes cash withdrawals, cash deposits and transfers 4. vs. 2015 5. FTE net redundancies fully secured through dedicated exit plan, redundancies will be realized by 2019.

Note: all 2015 and 9M2016 figures restated assuming new Group perimeter; for Germany, Austria and Italy considered only Commercial Banking perimeter. Deltas refers to EOP figures. Numbers might be rounded



# Improved customer focus with a sustainable lower cost structure

## Transform 2019 Italy



1. 2015-2019 2. Processes redesigned end-to-end will cover 85% of FTE 3. Includes cash withdrawals, cash deposits and transfers

4. Includes current accounts, personal loans, overdraft, car insurance 5. Affluent, Private, Small Business and Corporate relationship managers.

Note: numbers might be rounded



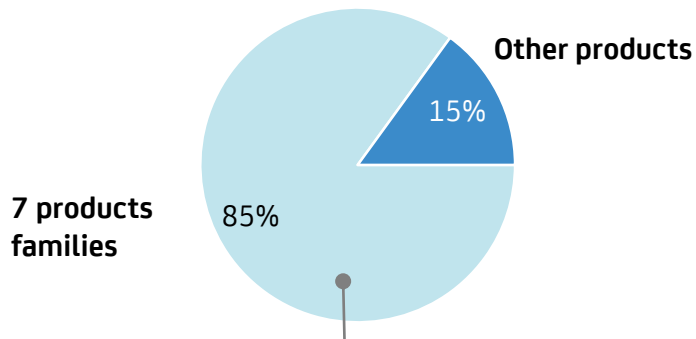


# Improved customer focus with a sustainable lower cost structure

## Italy improving whilst streamlining top products

### End-to-end redesign of the most relevant processes...

Network and headquarter FTE, %



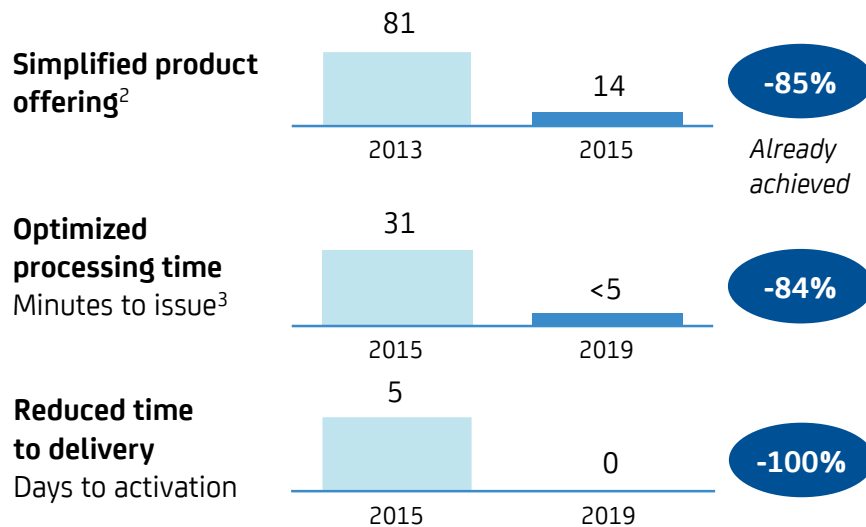
#### Focus on end-to-end redesign

- Setup of an “end-to-end delivery unit” with cross-functional teams between Business and IT
- Product simplification

**30% FTE efficiencies<sup>1</sup>**

### ...with improved service to customers

Credit card example



# Transform Western Europe Commercial Banking

Key actions	2019 <sup>1</sup>	
Improved customer focus with a sustainable lower cost structure	<ul style="list-style-type: none"> <li>Affluent clients with dedicated relationship manager</li> </ul>	+6p.p.
	<ul style="list-style-type: none"> <li>Number of digital clients<sup>2</sup></li> </ul>	+7.2% CAGR
	<ul style="list-style-type: none"> <li>Western Europe Commercial Banking FTE net redundancies</li> </ul>	-11,050 (-20.5%)
Growth of higher risk adjusted profitability products	<ul style="list-style-type: none"> <li>TFA growth</li> </ul>	+2.8% CAGR <sup>3</sup>
	<ul style="list-style-type: none"> <li>Consumer Finance volumes growth</li> </ul>	+11.8% CAGR
	<ul style="list-style-type: none"> <li>Small Business volumes growth</li> </ul>	+3.2% CAGR
	<ul style="list-style-type: none"> <li>Gross NPE ratio</li> </ul>	-0.5p.p.

Group-wide simple "cut and paste" Commercial Banking model



# Growth of higher risk adjusted profitability products

## Consolidate asset gathering position

### Value chain



### Key actions

- Enhanced offer to clients leveraging on product offering of leading global player
- Open platform for HNWI and Private Banking
- Advanced products developed by CIB



- Leading edge advisory model based on new technologies and multi-channel
- Advanced financial consulting services through robo-advisory, leveraging Fineco best practices



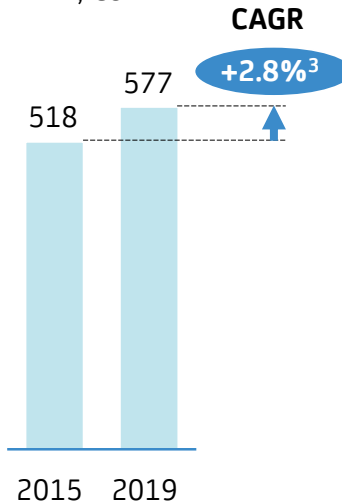
- Network setup focused on Affluent/Private with dedicated channel for HNWI
- Scaled up remote distribution and best-in-class online brokerage
- Switch from deposits to AuM and AuC
- Fully integrated "products – distribution" approach through personal financial advisors and online/mobile banking



Global Family Office

### 2019<sup>1</sup>

Western Europe  
Retail and Private  
Commercial Banking  
TFA<sup>2</sup>, €bn



# Growth of higher risk adjusted profitability products

## Capture full potential of Corporate franchise across Europe

### Leverage on “go to” bank status

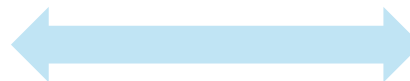


- **Leverage innovative CRM<sup>1</sup>** for advanced targeting and value measurement
- **Increase share of wallet** of best underpenetrated clients and geographies
- **Implement best risk management practices** to ensure quality of origination

Cumulated Corporate new loans 2016-2019<sup>2</sup>

>€55bn

### Maximize cross-selling



- Enhance **tailoring of client service**
- **Renew product offer**, promoting cross-selling of value added services (CMIB products, International)
- **Develop advanced account planning and opportunity identification**

Joint CIB-Commercial  
Banking Revenues<sup>3</sup>  
Revenue CAGR  
2015-2019

+3.1%

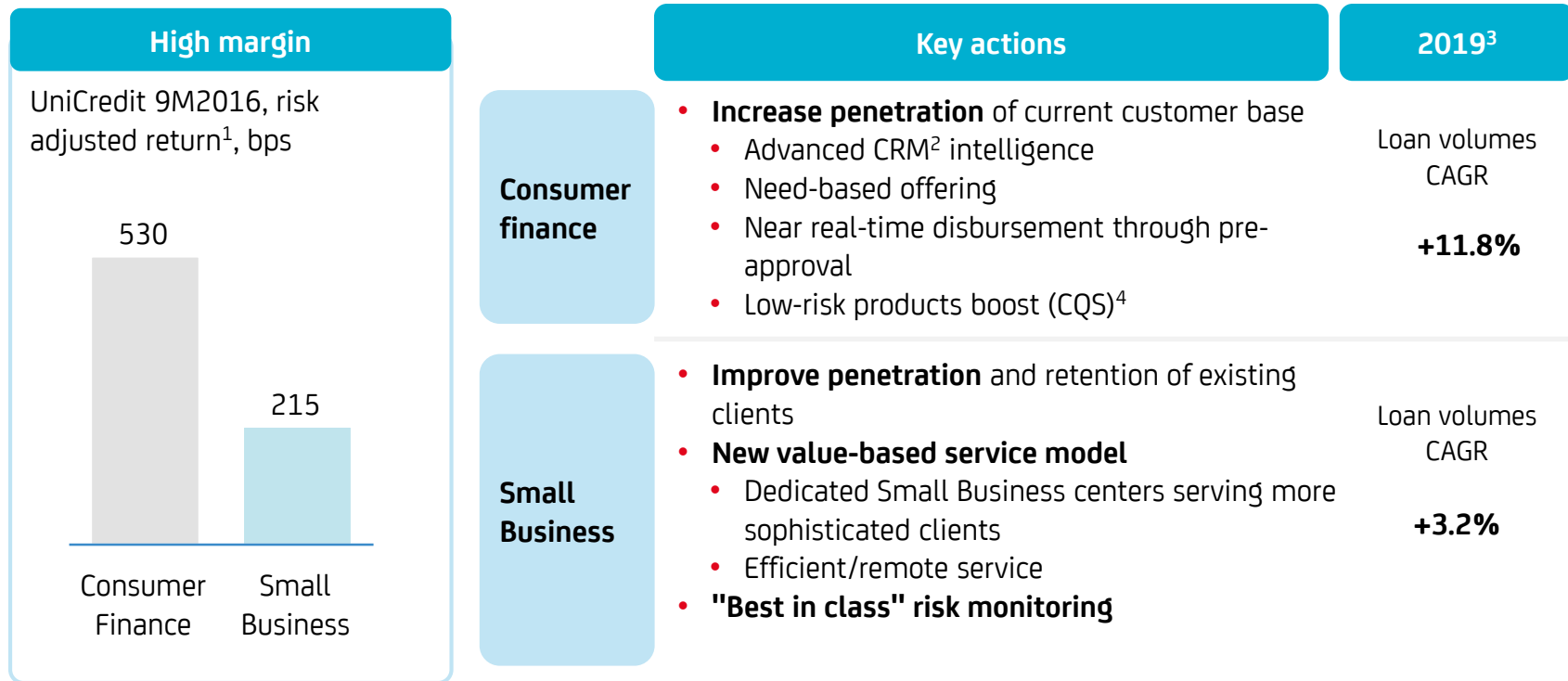
International  
business<sup>4</sup>  
Revenue CAGR  
2015-2019

+4.8%



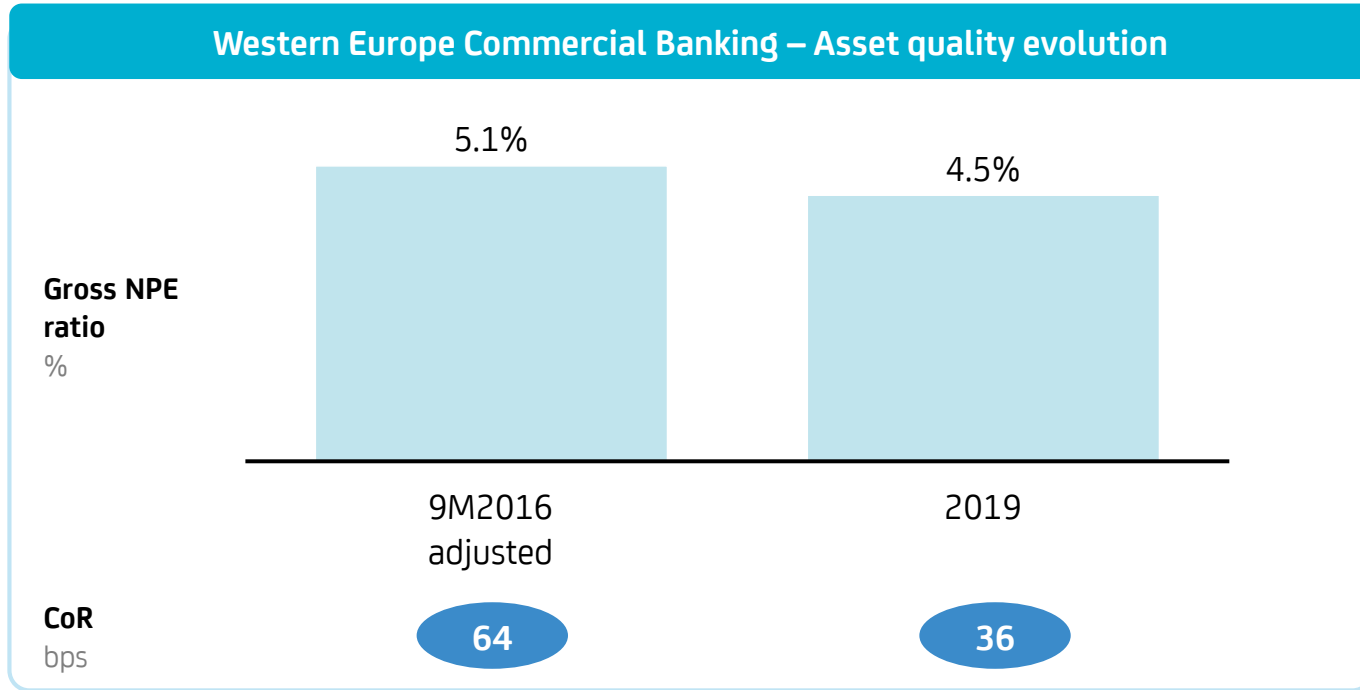
# Growth of higher risk adjusted profitability products

## Reaffirm Retail leading position



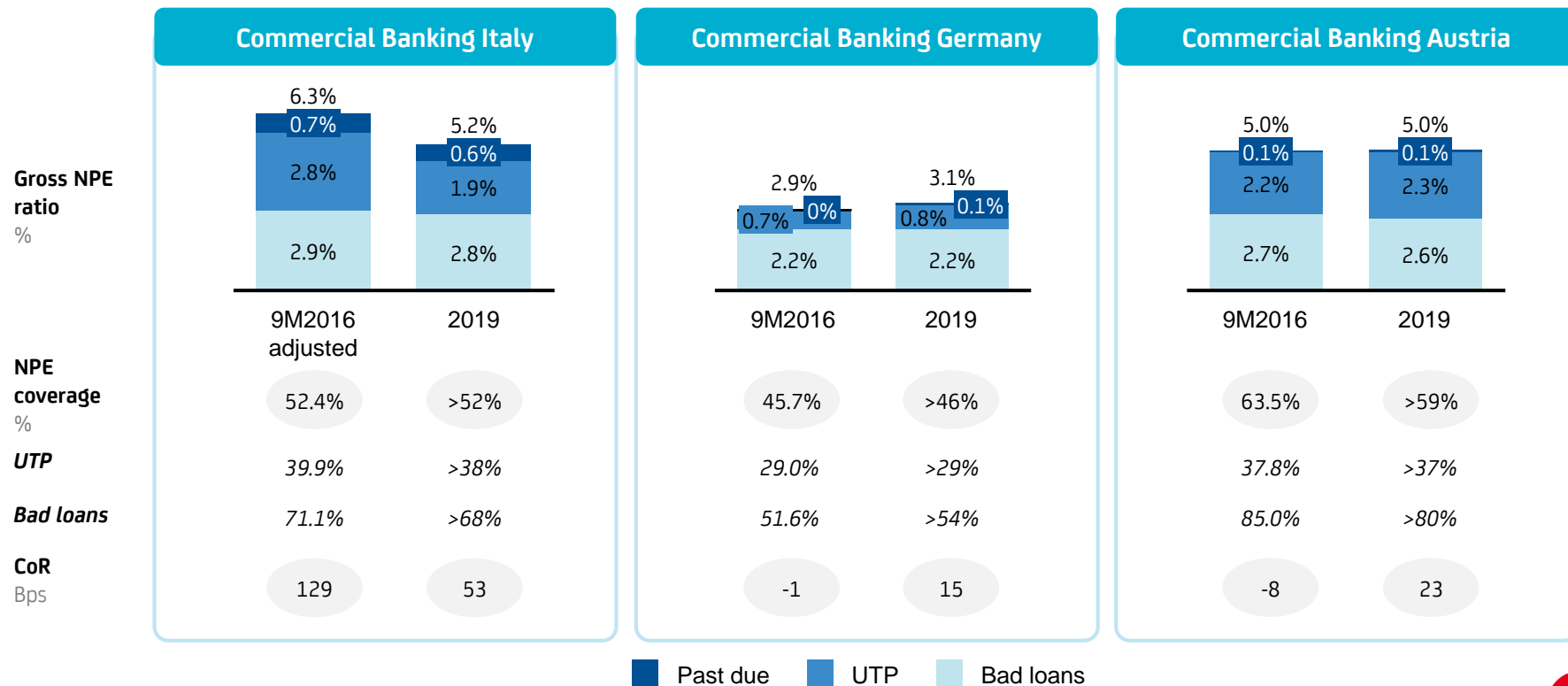
# Growth of higher risk adjusted profitability products

## Maintain and strengthen risk discipline



# Growth of better risk adjusted profitability products

## Commercial Banks delivering solid asset quality in Western Europe



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- **CEE**

- CIB

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- Focus on One Bank, Risk discipline and execution of the plan

## Speaker

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- Country/Division Heads

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# Further strengthen leadership in CEE

## CEE growth by combining innovation and risk discipline

Key actions	2019 <sup>2</sup>
<b>Organic growth</b> <ul style="list-style-type: none"> <li>Primary focus on organic growth</li> </ul>	Revenue growth <b>+2.6% CAGR<sup>3</sup></b>
<b>Innovation and digitalization</b> <ul style="list-style-type: none"> <li>Further strengthen leadership<sup>1</sup> position through innovation and digital transformation</li> </ul>	Net new clients <b>+2.6m<sup>4</sup></b>
<b>Cost savings culture continuous risk discipline</b> <ul style="list-style-type: none"> <li>Maintain lean cost structure</li> <li>Enhanced NPE management and control cost of risk</li> </ul>	Cost/income <sup>5</sup> <b>37.1%</b>  Gross NPE ratio <b>8.0% (-3.8p.p.)</b>

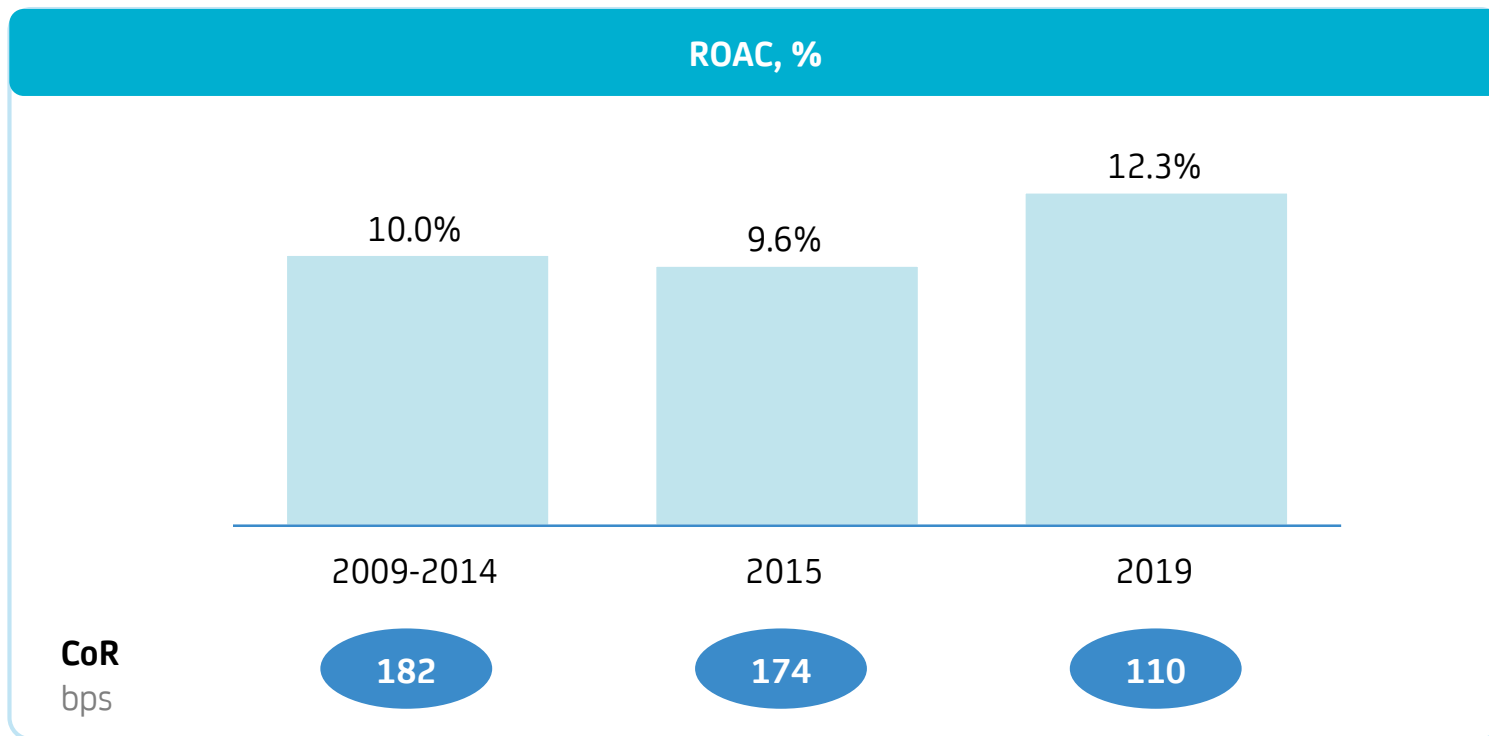
1. Intended as ranking #1 of market share in terms of total assets 2. vs. 2015 3. At current FX rate, Constant FX Rate CAGR 3.4% 4. Including Turkey at 100% 5. In 2019. At current FX, 36.3% at constant FX.

Note: all 2015 figures are restated assuming new Group perimeter.



# Further strengthen leadership in CEE

## Strong and resilient risk-adjusted returns through the cycle



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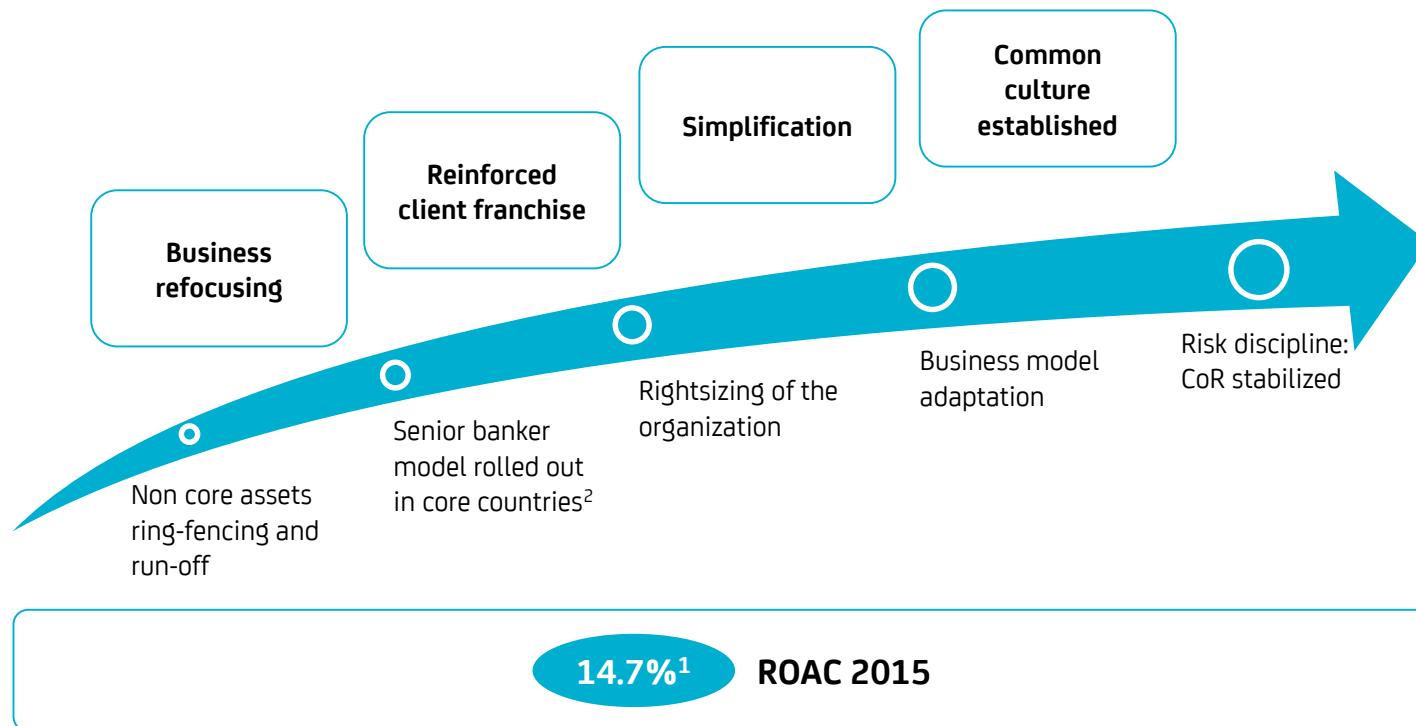
- 
- Focus on One Bank, Risk discipline and execution of the plan

- G. F. Papa



# Capture cross-selling through an efficient and fully plugged in CIB

## CIB successfully de-risked and simplified



1. RoAC: Return on Allocated Capital (Annualized net profit / Allocated Capital); Allocated Capital based on RWA equivalent figures calculated with a CET1 ratio target of 12.5% for all the plan horizon, including deductions for shortfall and securitizations.

2. Italy, Germany and Austria.



# Capture cross-selling through an efficient and fully plugged in CIB

Key actions	2019 <sup>3</sup>		
<b>Confirm and improve market leadership<sup>2</sup></b>	<ul style="list-style-type: none"> <li>Expand leadership<sup>1</sup> in GTB<sup>2</sup> and Debt Finance</li> <li>Deliver capital markets and risk hedging solutions to our clients</li> <li>Leverage international network</li> </ul>	<b>Client-driven revenues<sup>4</sup></b> on total CIB revenues	<b>From 73%<sup>5</sup> to 84%</b>
<b>Leverage on Group synergies</b>	<ul style="list-style-type: none"> <li>Fully capture existing cross-selling opportunities</li> <li>Focus on Commercial Banking joint ventures</li> </ul>	<b>Joint CIB – Commercial Banking revenues<sup>6</sup></b>	<b>+€363m (+3.1% CAGR)</b>
<b>Continuous cost discipline and simplification</b>	<ul style="list-style-type: none"> <li>Ongoing cost containment initiatives</li> <li>Streamline/fine-tune businesses and operating platform</li> </ul>	<b>Costs</b>	<b>-€201m -3.0% CAGR</b>

1. Intended as ranking between #1 and #3 in 8 league tables in 9M2016 2. Global Transaction Banking 3. vs. 2015 4. CIB revenues excluding Treasury 5. As of 9M2016

6. Includes revenues on GTB, ECM, DCM, M&A, Markets products from Commercial Banking clients and structured financing products from Corporate clients.

Source: Dealogic



# Capture cross-selling through an efficient and fully plugged in CIB

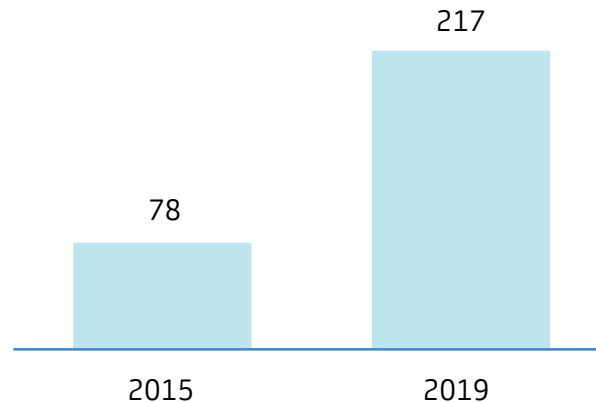
## CIB as cross-selling “engine”

### Key actions to support cross-selling with Commercial Banking

- **Strengthened governance** for CIB – Commercial Banking cooperation:
  - JV established with Commercial Banks for ECM, DCM, M&A and Markets
  - Direct senior management involvement
  - Fully aligned incentive system
- **Coordinated commercial activity:**
  - Joint client targeting and monitoring
  - Joint pitching
  - Joint reporting and monthly business meetings

### Italy JV CIB-Commercial Banking example

JV CIB-Commercial Banking Italy revenues<sup>1</sup>  
€m



# Agenda

## Topic

- UniCredit competitive advantages and transformation journey

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- **Divisional highlights**
  - **Commercial Banking Italy**
  - Commercial Banking Germany
  - Commercial Banking CEE
  - CIB

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- Focus on One Bank, Risk discipline and execution of the plan

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- G. F. Papa

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- **Country/Division Heads**
  - **A. Casini, G. Ronca**
  - T. Weimer
  - C. Vivaldi
  - G. Bisagni, O. Khayat

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- G. F. Papa



# Commercial Banking Italy: context and competitive advantages

## Market context

- Macro environment showing signs of recovery (1% GDP growth 2017-2019)
- Robust fundamentals in selected areas (e.g. high saving rate)
- High NPEs is a legacy of the past which is being decisively dealt with

## UniCredit competitive advantages, 9M2016

### Corporate

**46,300** • Number of Corporate clients

**18.8%** • Share of wallet on loans<sup>1</sup>

**49%** • Share of customers foreign trade<sup>2</sup>

### Retail

**7.4m** • Number of Retail clients

**€334bn** • TFA<sup>3</sup>

**12%** • Retail market share<sup>4</sup>

1. Corporate Loans (only loans in bonis, excluding leasing and factoring) 2. UniCredit share on customers international guarantees and import letters of credit

3. Total Commercial Banking Italy 4. Households loans and deposits, August 2016

Note: Numbers might be rounded

Source: GDO-Italian central credit register, Prometeia





# Transformation already started: actions and results in 2013-2015

## Key elements of transformation

### Distribution model

- Network transformation with branch rightsizing launched

### Service model

- Best practice in transaction migration toward remote channels, enlarging from basic transactions (transfers, payments) to high value added services

## Impact achieved 2013-2015

### Branches

**-222**  
**(-6%)**

Branch closures<sup>1</sup>

**461**  
**(14%)**

Branch refurbishments

**-8%**

Real Estate cost savings

### Share of remote transactions

**88%**

Remote transactions<sup>2</sup>

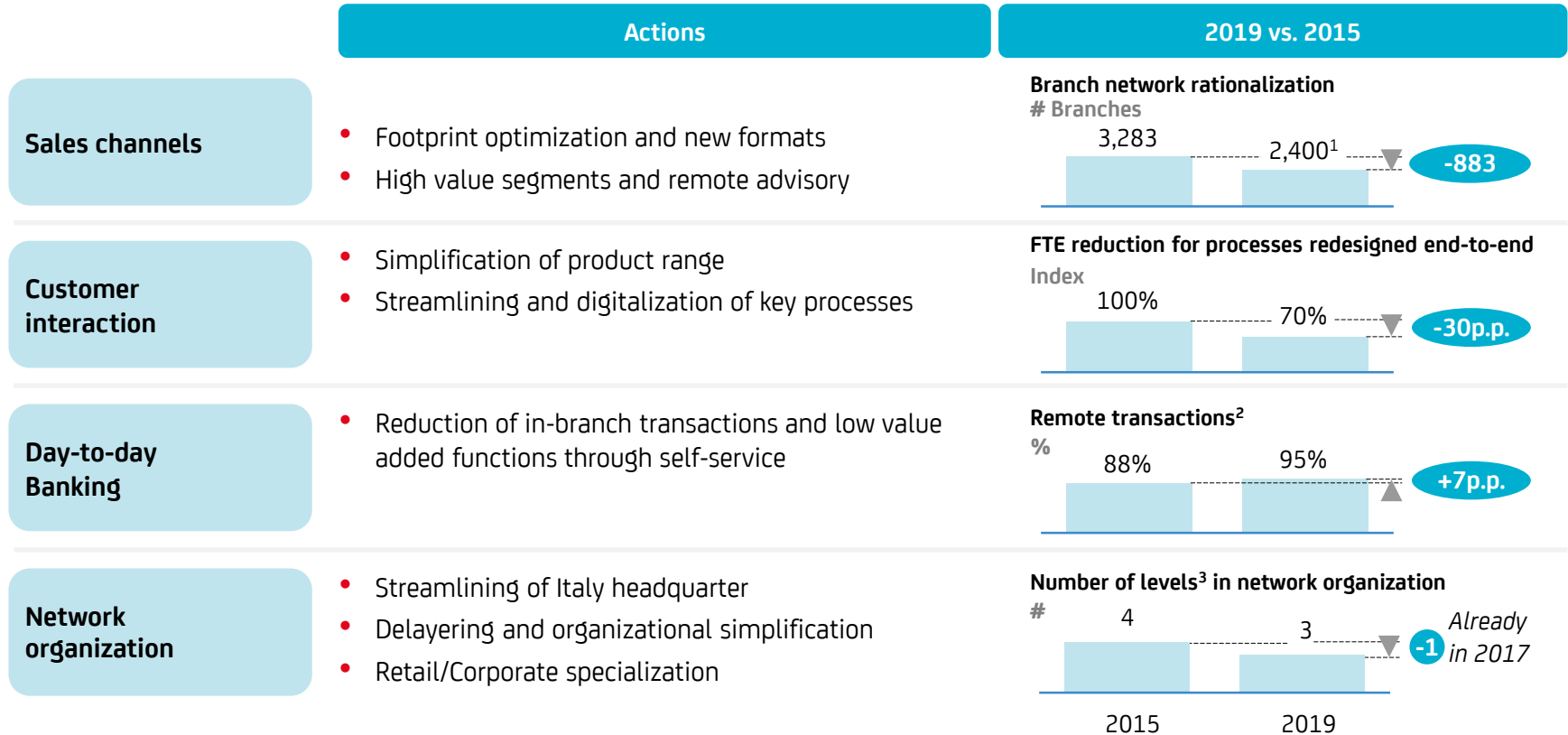
1. -24% from 2008 to 2015

2. In 2015, includes cash withdrawals, cash deposits and transfers.

Note: Deltas refer to EOP



# Key priorities: operating model transformation



# Key priorities: business actions

	Actions		2019	Delta vs. 2015
<b>Strengthen asset gathering</b>	<ul style="list-style-type: none"> <li>Advisory step-up both in branch and remote</li> <li>Product innovation and conversion towards Asset under Management</li> </ul>	TFA	<b>€365.8bn<sup>1</sup></b>	<b>+2.2% CAGR (+€30bn)</b>
<b>Reaffirm leading position in Retail</b>	<ul style="list-style-type: none"> <li>Improve consumer finance market share with existing clients with strict risk control and focus on safer products (CQS<sup>2</sup>)</li> <li>Regain market share of Small Business focusing on clients with good credit standing</li> </ul>	Retail lending volumes	<b>€84.5bn</b>	<b>+3.7% CAGR</b>
<b>Corporate – Focus on One Bank delivery</b>	<ul style="list-style-type: none"> <li>Strengthen cross-selling culture, leveraging on CIB and international presence</li> <li>Service model evolution (dynamic segmentation, client needs – product offer matching)</li> </ul>	ROAC Corporate	<b>9.0%</b>	<b>+6.5p.p.</b>

1. Total Commercial Banking Italy

2. Cessione Quinto Stipendio (salary-backed loans).



# Key priorities: disciplined new origination and tight monitoring

## Actions

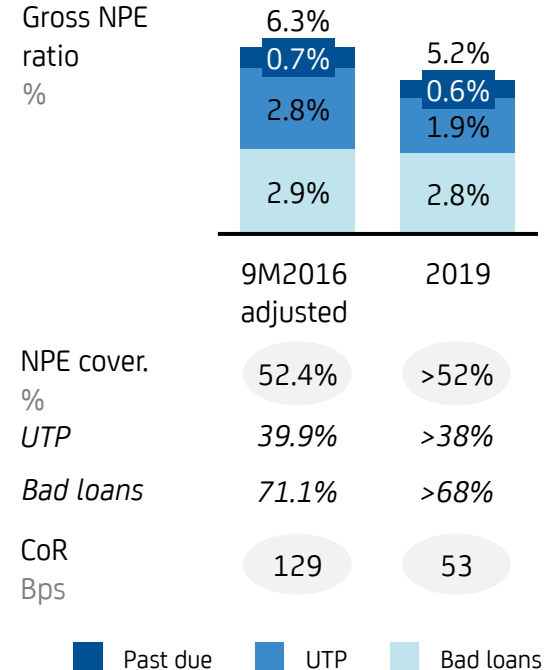
### Underwriting

- Centralization of underwriting for selected portfolios
- Focus on investment grade customers
- Increase of share of clients eligible for automatic lending on small business
- Set up of pre-approved decision process for personal loans
- Managerial KPI to ensure sound origination

### Monitoring

- Advanced early warning signals and automatic triggering of classification to worst status
- Preemptive transfer to restructuring and workout
- Faster deleveraging on riskier customers vs. competitors
- Managerial KPI to monitor risk dynamics of credit portfolio

## Evolution



# Targets

	2015	9M2016	2017	2019	CAGR 15-19
Revenues	7,668	5,761	7,378	7,613	-0.2%
Costs	-4,620	-3,486	-4,504	-3,972	-3.7%
Cost/income	60.3%	60.5%	61.0%	52.2%	
Cost of Risk	91bps	129bps <sup>1</sup>	67bps	53bps	
RWA	77,008	78,868	87,845	90,687	4.2%
ROAC	6.7%	10.3%	11.5%	15.7%	

1. Considering one-off provisions adjustments.

Note:RoAC: Return on Allocated Capital (Annualized net profit / Allocated Capital); Allocated Capital based on RWA equivalent figures calculated with a CET1 ratio target of 12.5% for all the plan horizon, including deductions for shortfall and securitizations.



# Agenda

## Topic

- UniCredit competitive advantages and transformation journey

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- **Divisional highlights**
  - Commercial Banking Italy
  - **Commercial Banking Germany**
  - Commercial Banking CEE
  - CIB

---

- Focus on One Bank, Risk discipline and execution of the plan

## Speaker

- G. F. Papa

---

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---

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# Commercial Banking Germany: context and competitive advantages

## Market context

- Largest European economy (21% of EU GDP<sup>1</sup>)
- Leading EU export country (exports at 48% of GDP<sup>1</sup>)
- Resilient economic growth
- Loans growth expected to pick up
- Highly competitive banking landscape, but traditionally high share of bank financing

## UniCredit competitive advantages, 9M2016

### Corporate

- "Go-to bank" for Mittelstand corporates
- Access to strong international Group network and capital markets

- #2<sup>2</sup> private sector lender for Mittelstand corporates (Corporates loan book of €59bn)
- Profitable (8.5%ROAC, with 3bps of CoR)

### Private Banking & Wealth Management

- Solid position in growing and attractive market
- Uniquely positioned to address wealth management needs of entrepreneurs

- Total TFA: €55bn
- 51,000 clients

### Retail

- First mover in sustainable repositioning and branch rightsizing
- Refocus client base on Affluent segment

- 41% of branches closed and state-of-the-art refurbishment of the remaining branches

1. In 2015

2. Considering large private banks, 1H2016.

Note: numbers might be rounded



# Transformation program: successful turnaround in Retail

## Key elements of transformation

### Value proposition

- Focus on Affluent clients, pricing based on share of wallet

### Service model/target segments

- "Brick & click" with focus on branch advice and service for affluent segment

### Distribution model

- Network downsizing and upgrade of remaining branches
- Full multichannel offer

## Impact achieved 2013-2015

### Branch closures

-234  
(-41%)

- Completed within 12 months

### Branch refurbishment

341  
(100%)

- Completed within 14 months

### FTE

-2,124  
(-16%)

- FTE net redundancies<sup>1</sup>  
(-23% in Retail)

1. Commercial Banking perimeter  
Note: Deltas refer to EOP





# Key priorities

## Further enhance strong position in Corporate Banking

- Increase domestic market share and expand international business
- Comprehensive restructuring of SME business through change in service model
- Introduction of digital SME services for new clients

## Continue growth strategy in Private Banking & Wealth Management

- Strengthen positioning in Asset Gathering with both existing and new clients
- Leverage on synergies with Corporate Banking
- Conversion towards Assets under Management

## Selective growth in Retail

- Increase sales proactiveness on target customers
- Consumer finance growth in existing clients (optimize workflow, implement new online sales platform)
- Renewed focus on bancassurance

## Streamlining of headquarters

- Streamlining of German Corporate Center
- Simplify Group corporate center interactions (e.g. reportings) and accountability reorganization for efficient decision making

## One Bank One UniCredit

- Significant increase of cross-selling across geographies
- Joint Venture between Corporate/ CIB and collaboration between Corporate/ Private Banking & Wealth Management

2019<sup>1</sup>

-2,372

FTE net  
redundancies

-€299m

Cost  
reduction

+3.2% CAGR

Customer  
loans



# Targets

	2015	9M2016	2017	2019	CAGR 15-19
Revenues	2,652	1,847	2,461	2,441	-2.1%
Costs	-1,997	-1,432	-1,886	-1,698	-4.0%
Cost/income	75.3%	77.5%	76.6%	69.6%	
Cost of Risk	6bps	-1bps	15bps	15bps	
RWA	34,030	35,015	35,674	36,871	2.0%
ROAC	7.3%	6.5%	4.2%	7.1%	



# Agenda

## Topic

- UniCredit competitive advantages and transformation journey

- **Divisional highlights**

- Commercial Banking Italy
- Commercial Banking Germany

- **Commercial Banking CEE**

- CIB

- Focus on One Bank, Risk discipline and execution of the plan

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# Commercial Banking CEE: context and competitive advantages

## Market context

- High real GDP growth (2.7% average GDP growth 2016-2019 in CEE EU<sup>1</sup> vs. 1.3% in Euro area)
- Underpenetrated banking market (loans/GDP ratio of 52%) with younger customer base<sup>2</sup>
- High lending growth<sup>3</sup> (9.6% in 2015)
- High risk adjusted return (market profitability<sup>4</sup> ca. 1.5x vs. Western Europe)

## UniCredit competitive advantages, 9M2016

### One Bank, One UniCredit

- #1** • Syndicated Loans (Bookrunner and MLA)
  - FSS League Tables
- #3** • DCM all Eastern European Bonds in EUR
  - M&A (number of deals)

1,861

Retail branches  
in CEE<sup>7</sup>

11

CEE countries  
of presence<sup>8</sup>

+1.3p.p.

- Loans market share<sup>5</sup> increase 2013-2015

-1.4p.p.

- Gross NPE ratio<sup>6</sup> decrease 2015-9M 2016

-8p.p.

- Cost/income vs. peers<sup>9</sup> average

1. Bulgaria, Croatia, Czech Republic, Hungary, Romania, Slovakia, Slovenia, includes Bosnia and Herzegovina (managerially mainly under Zagrebacka Banka in Croatia) and Serbia (EU membership process initiated). If considering total CEE, GDP growth at 2.2% 2. CEE's weighted median age is 37 years vs. Western Europe's 46 years, 2015 3. The growth rate refer to CEE as a whole and it is calculated aggregating the countries' growth rates using their share in total CEE loans and keeping the FX vs. EUR constant at the value of end-2015 4. Profitability computed as Profit before Taxes over average capital and reserves; Profit before taxes might exclude extraordinary items; Western Europe considered as average of Italy, Germany and Austria; based on 2016 forecast, with Western Europe kept constant at 2015 value 5. Gross loans at current FX (%), including BH, BG, HR, CZ, HU, RO, RU, RS, SK, SI, and TR at 40.9% 6. Including PCV 7. Including YKB in Turkey 8. Excluding Azerbaijan, Estonia, Latvia, Lithuania, considering only Retail branches 9. Data are based on 9M2016 Group reporting. UniCredit data include also TR (at equity), Baltics, PCV, CC and others (UCTAM, Consolidation, etc.). Data for ERSTE, Intesa Sanpaolo, KBC and RBI, obtained by summing the volumes for the countries of presence. Data for OTP are based on group consolidated reporting. For all groups contributions to the deposit guarantee funds and resolution funds are in Opex. Financial Transaction Tax and Special Banking Tax are excluded from Opex.



# Key priorities: strengthen market leadership through organic growth

	Actions	2019 <sup>2</sup>
EU <sup>1</sup>	<ul style="list-style-type: none"><li>• Client acquisition leveraging on innovative onboarding approach</li><li>• Distinctive value proposition for CEE multi country Corporate clients</li><li>• Opportunistic approach to selective portfolio acquisitions</li></ul>	Revenue growth <b>+2.6% CAGR<sup>3</sup></b>
Russia	<ul style="list-style-type: none"><li>• Focus on Large Corporate and Affluent customers</li><li>• Defend current positioning following a selective lending approach compliant with sanctions framework</li><li>• Capture opportunities linked to expected economic recovery</li></ul>	Net new clients <b>+2.6m<sup>4</sup></b>
Turkey	<ul style="list-style-type: none"><li>• Focus on profitability via efficiency gains and risk containment</li><li>• Further develop digital banking, starting from already innovative positioning</li></ul>	



# Key priorities: transform via innovation and capture Group synergies

	Actions		2019	Delta vs. 2015
<b>Transform via innovation and digitalization and continuous cost savings</b>	<ul style="list-style-type: none"> <li>Completion of infrastructure transformation</li> <li>Further strengthen Big Data and Analytics to exploit cross-selling and increase penetration</li> <li>Continue to maintain lean cost structure</li> <li>Relocation/closure 14% of network branches<sup>1</sup></li> </ul>	Online banking penetration	<b>51%<sup>2</sup></b>	<b>+20p.p.</b>
		Mobile banking penetration	<b>47%<sup>2</sup></b>	<b>+34p.p.</b>
		Cost/income	<b>37%</b>	<b>-0.1p.p.</b>
<b>Capture synergies with the Group</b>	<ul style="list-style-type: none"> <li>CEE networks focus on cross-selling to inbound/outbound clients</li> <li>Best practices sharing initiative launched between CEE countries and the Group</li> </ul>	Number of international clients 2019 <sup>3</sup>	<b>28,000</b>	
		Group-wide platform for structured identification and sharing of business best practices across the Group		

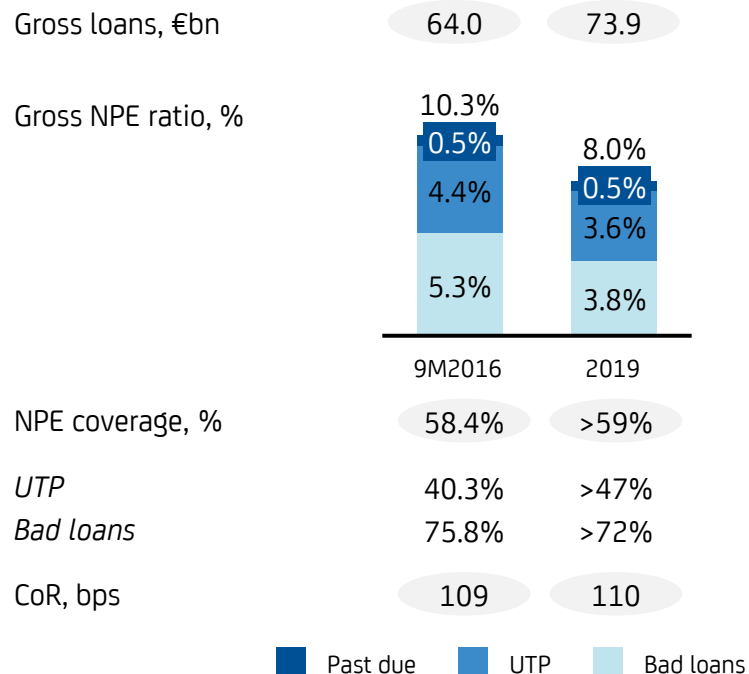


# Key priorities: continuous strict risk discipline

## Risk discipline

- Focus on countries with sound macro environment
- Further underwriting process centralization and a strict criteria for new origination
- Reinforced collection process
- Disposal program and enhanced repossession process leveraging on UCTAM<sup>1</sup>
- Managerial KPIs to ensure sound origination and to monitor risk dynamics

## Evolution



# Targets

€ m, current FX rate

	2015	9M2016	2017	2019	CAGR 15-19
<b>Revenues</b>	4,012	3,164	4,106	4,443	2.6% <sup>1</sup>
<b>Costs</b>	-1,491	-1,124	-1,579	-1,647	2.5% <sup>2</sup>
<b>Cost/income</b>	37.2%	35.5%	38.5%	37.1%	
<b>Cost of Risk</b>	174bps	109bps	133bps	110bps	
<b>RWA<sup>3</sup></b>	90,603	91,182	100,519	108,390	4.6% <sup>4</sup>
<b>ROAC</b>	9.6%	14.0%	10.5%	12.3%	

1 3.4% CAGR at Constant FX 2 2.5% CAGR at Constant FX 3. including Turkey at 40.9% 4. 6.1% CAGR at Constant FX.

Note: RoAC: Return on Allocated Capital (Annualized net profit / Allocated Capital); Allocated Capital based on RWA equivalent figures calculated with a CET1 ratio target of 12.5% for all the plan horizon, including deductions for shortfall and securitizations.





# Agenda

## Topic

- UniCredit competitive advantages and transformation journey

- **Divisional highlights**

- Commercial Banking Italy
- Commercial Banking Germany
- Commercial Banking CEE

- **CIB**

- Focus on One Bank, Risk discipline and execution of the plan

## Speaker

- G. F. Papa

- **Country/Division Heads**

- A. Casini, G. Ronca
- T. Weimer
- C. Vivaldi

- **G. Bisagni, O. Khayat**

- G. F. Papa



# CIB: context and competitive advantages

## Market context

- Abundant liquidity, persisting negative rates and low credit spreads
- Evolving client needs creating opportunities for Regional players, with growing demand for wider spectrum of services

## UniCredit competitive advantages, 9M2016

73%

Share of client-driven revenues

>1,100

Multinational clients group<sup>1</sup>

>9,000

Financial Institutions and Public Sectors served

#1

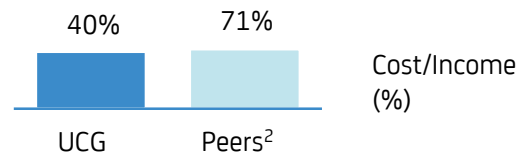
- Syndicated and Corporate Loans in Italy, Germany and CEE

- All EMEA covered Bonds

#1

- Bank for Trade Finance in Austria, Bulgaria, Croatia and CEE in 2016

- Bank for guarantees in 2015



# Key priorities

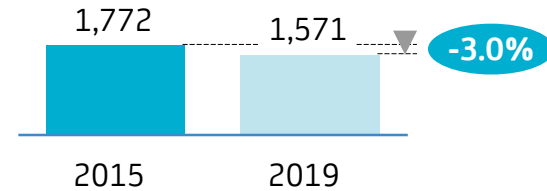
## Key actions

### Continuous cost discipline and simplification

- Continuous cost savings initiatives with reinforced discipline
- Streamlining/fine-tuning of businesses and operating platform

## 2019 vs. 2015

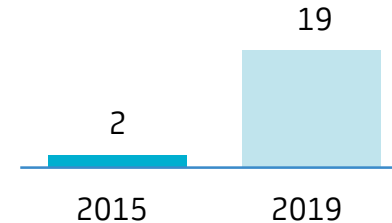
Cost €m, CAGR



### Constant focus on risk culture

- Further enhancement of risk culture
- Constant RWA optimization
- Disciplined management of maximum concentration on individual credits and industry sectors
- Simple risk/return managerial KPIs (e.g. RACE<sup>1</sup>)

CoR bps



# Key priorities

## Leverage on Group synergies

### Key actions

- Fully capture existing cross-selling opportunities across networks and divisions
- Focus on joint ventures: continue to grow Italian business (3x revenues since inception) and complete roll-out in other countries (e.g. Germany)

## Confirm and improve market leadership<sup>2</sup>

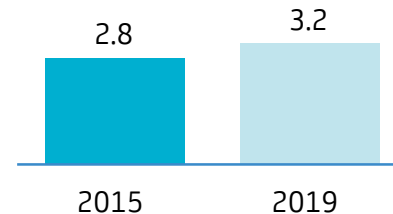
- Expand leadership<sup>2</sup> in debt finance and GTB<sup>3</sup>
- Leverage international network and clients
- Intensify markets capabilities for corporate and financial institutions

Fully capture the commercial franchise revenue potential

### 2019 vs. 2015

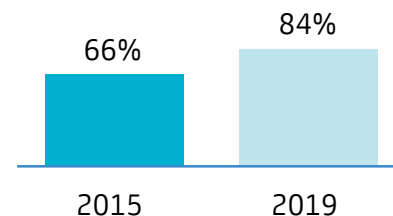
#### Joint CIB-Commercial Banking<sup>1</sup>

Revenues, € bn



#### Client-driven revenues

% of total



# Targets

€m

	2015	9M2016	2017	2019	CAGR 15-19	
Revenues	3,974	3,278	3,865	3,796	-1.1%	Client-driven revenues 5%
Costs	-1,772	-1,297	-1,723	-1,571	-3.0%	
Cost/income	44.6%	39.6%	44.6%	41.4%		
Cost of Risk	2bps	25bps <sup>1</sup>	24bps	19bps		3.8% net of models recalibration
RWA	70,754	74,370	85,199	88,277	5.7%	
ROAC	14.7%	15.1%	11.1%	11.0%		

<sup>1</sup> Considering one-off provisions adjustments.

Note: RoAC: Return on Allocated Capital (Annualized net profit / Allocated Capital); Allocated Capital based on RWA equivalent figures calculated with a CET1 ratio target of 12.5% for all the plan horizon, including deductions for shortfall and securitizations.



# Agenda

## Topic

- UniCredit competitive advantages and transformation journey
- Divisional highlights

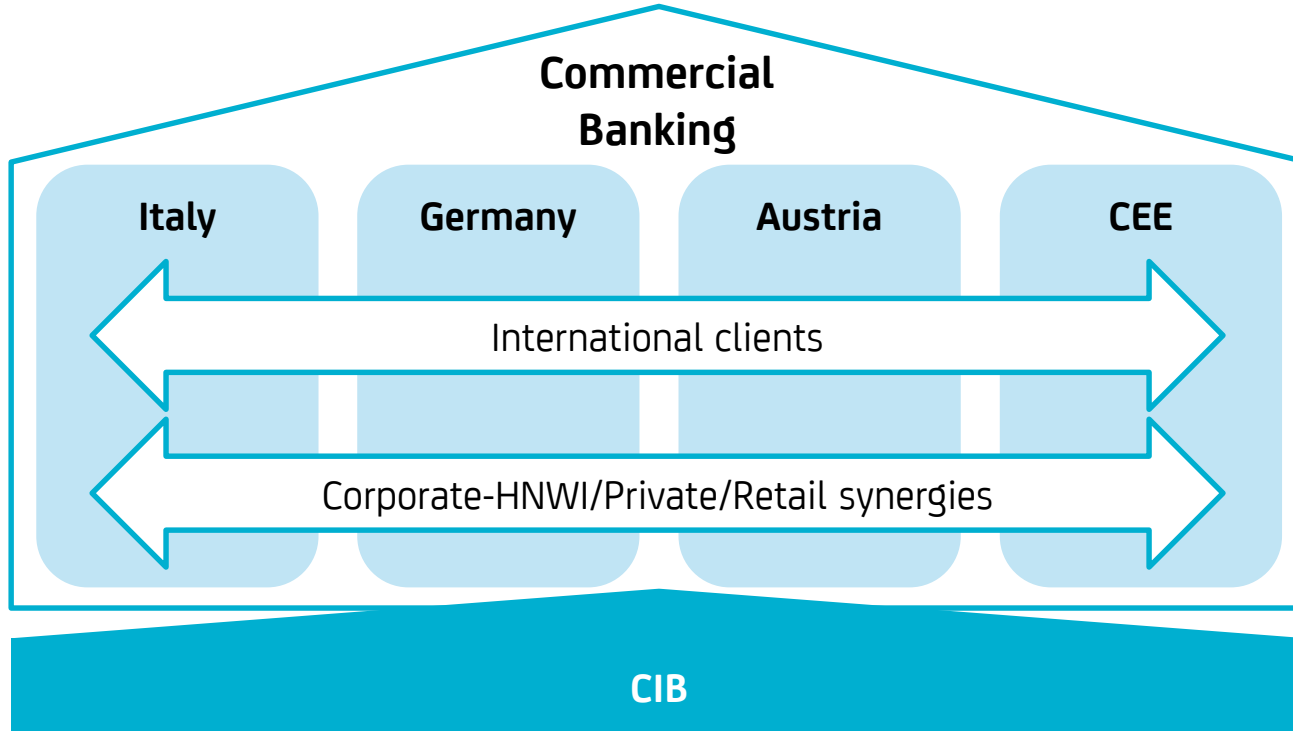
## Speaker

- G. F. Papa
- Country/Division Heads

- **Focus on One Bank, Risk discipline and execution of the plan**
- **G. F. Papa**



# Maximize synergies and best practice sharing



# Maximize synergies and best practice sharing

## Group-wide cross selling initiatives

### Key actions

#### Corporate – HNWI/ Private/Retail synergies

- Cross-acquisition of clients
- Single point-of-contact for individual and company needs, targeting entrepreneurs

#### CIB – Commercial Banking cooperation

- New governance and incentive system
- Joint targeting and monitoring

#### International client support

- "Cut and paste" international centers fully dedicated to support clients
- Systematic client mapping

Group-wide best practice sharing platform





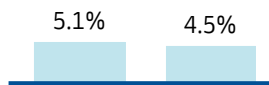
# Tightened risk discipline

## Key priorities

### Commercial Banking WE<sup>1</sup>

- Disciplined new origination supported by centralization and automation
- Tight monitoring supported by advanced models
- Managerial KPIs

Gross  
NPE ratio, %



9M2016  
adjusted

2019

NPE  
coverage, %

53.3%

>52%

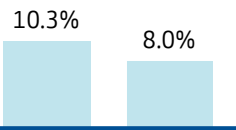
CoR, bps

64

36

### CEE

- Focus on countries with sound macro environment
- Further underwriting process centralization and a strict criteria on new origination
- Reinforced collection process on individual and small business
- NPE disposal program and enhanced repossession process
- Managerial KPIs to ensure a sound origination and to monitor risk dynamics



9M2016

2019

58.4%

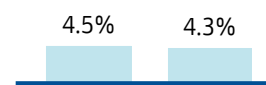
>59%

109

110

### CIB

- Further focus on client activities
- Enhance risk culture
- Constant RWA optimization
- Simple risk/return managerial KPIs



9M2016  
adjusted

2019

45.1%

>43%

25

19



# Effective execution and governance of the transformation program

## Dedicated governance and monitoring

### Targets

- 15 Group-wide projects with a detailed execution timeline and phase-in of benefits
- Objectives defined for each initiative and geography

### Strong empowerment and accountability

- Country and divisional leaders fully empowered to execute the transformation
- Joint staffing of business and supporting functions for initiatives implementation

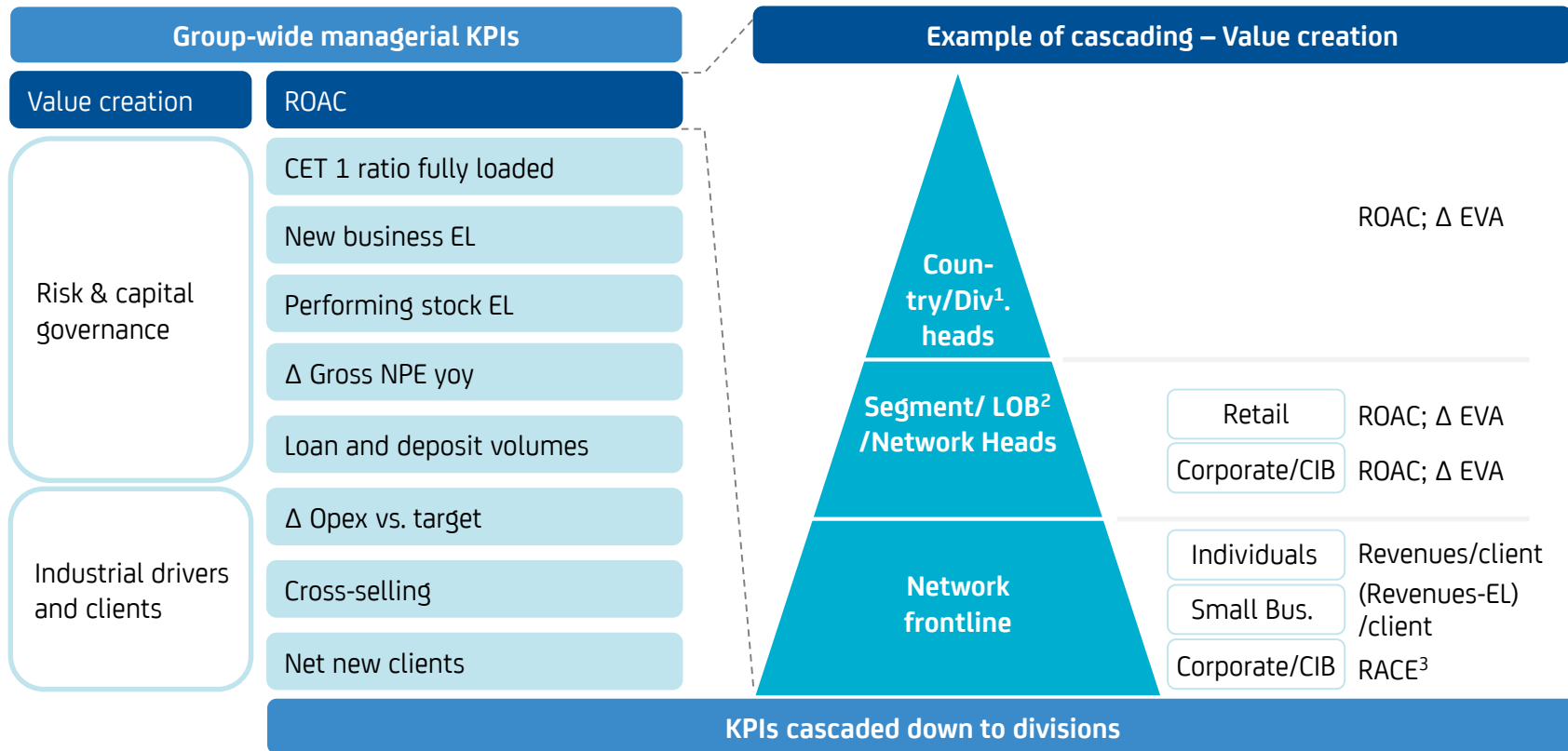
### Tight steering

- Structured monitoring of initiatives based on financial results, managerial KPIs and progress
- Set up of a dedicated Transformation Office to coordinate the plan
- Target achievement and corrective actions discussed in performance review with CEO and General Manager



# Effective execution and governance of the transformation program

## Managerial KPIs to steer transformation 2019



# Effective execution and governance of the transformation program

## Enablers for the successful execution of the program

### Human Capital

Extraordinary capability building

Best talent development  
(500 “transformation agents”)

Employee engagement

### IT support

Zero-based investments  
(€1.6bn<sup>1</sup> IT investment cash out over  
plan period)

Integrated business – “end-to-end  
delivery unit” (full time resources  
from Business, IT and relevant  
Departments)



# Closing remarks

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**Simple Pan European Commercial Bank, with CIB fully plugged in**

**One Bank, One UniCredit**

**Tightened risk discipline to further improve credit portfolio**



# Annex



# Transformation of the network – CBK Italy

## The levers

Cost savings target	Units impacted	Initiative description	FTEs ('000)
<b>Lean coordination</b> Network governance rationalization Other legal entities	<ul style="list-style-type: none"> <li>Coordination and specialist roles in Region, Area and Districts</li> <li>Rationalization of network structures</li> <li>Factoring, Leasing, Cordusio Fiduciaria, SIM and SubitoCasa</li> </ul>	<ul style="list-style-type: none"> <li>Higher focus on coordination and support to the network</li> <li>Rationalization of the structures</li> </ul>	1.3 0.1
<b>Focused sales channels</b>	<ul style="list-style-type: none"> <li>Branch / Network roles</li> </ul>	<ul style="list-style-type: none"> <li>Footprint optimization and new branch formats</li> <li>Focus on high value customers and push on remote advisory</li> </ul>	2.8
<b>Products/process E2E streamlining</b>	<ul style="list-style-type: none"> <li>Only CBI, perimeter not including competence lines and UBIS</li> </ul>	<ul style="list-style-type: none"> <li>Simplification / reduction of products range</li> <li>Radical streamlining and digitalization</li> </ul>	2.4
<b>Migration to direct</b>	<ul style="list-style-type: none"> <li>Teller-seller/mass RMs</li> </ul>	<ul style="list-style-type: none"> <li>Reduction of in-branch transactions and low value added functions through self-service</li> </ul>	1.2
<b>Total savings</b>			7.8

