**BIt** Market Services

| Informazione Regolamentata n. 0263-4-2017 | Data/Ora Ricezione 12 Gennaio 2017 07:53:42 | MTA |
|---|---|---|

| | | |
|---|---|---|
| Societa' | : | UNICREDIT |
| Identificativo Informazione Regolamentata | : | 83832 |
| Nome utilizzatore | : | UNICREDITN05 - Berneri |
| Tipologia | : | AVVI 16 |
| Data/Ora Ricezione | : | 12 Gennaio 2017 07:53:42 |
| Data/Ora Inizio Diffusione presunta | : | 12 Gennaio 2017 08:08:43 |
| Oggetto | : | press release |

*Testo del comunicato*

Vedi allegato.

# Press release

Rome, 12 January 2017 – Upon CONSOB's request, pursuant to Article 114, par. 5, letter a) of the Legislative Decree no. 58/1998, UniCredit S.p.A. ("**UniCredit**", the "**Issuer**" or the "**Company**") discloses the following additions to the explanatory report of the Board of Directors, published on 13 December 2016 (the "**Explanatory Report**"), concerning Section 1) of the agenda of the extraordinary shareholders' meeting.

** * **

Section 1) on the agenda of the extraordinary shareholders' meeting: "*Share capital increase for cash consideration up to an aggregate amount of euro 13 billion, including any share premium, to be carried out no later than 30 June 2017, also in one or more tranches and in a divisible form, through the issue of ordinary shares with regular entitlement, to be pre-emptively offered to the company's ordinary shareholders and holders of saving shares pursuant to article 2441, first, second and third paragraphs, of the civil code. Subsequent amendments to the company's articles of association and resolutions related thereto.*".

**To supplement the information provided in the Explanatory Report concerning the first item on the agenda of the extraordinary shareholders' meeting with the following additional details:**

1. **With respect to the reasons underlying the proposed capital strengthening transaction, specify whether the abovementioned transaction and/or the mentioned actions included in the Strategic Plan, among which the de-risking of the balance sheet assets, have been requested by the Supervisory Authorities;**

2. **With regard to the expected period for the execution of the Rights Issue, updates in relation to the necessary authorisations from the competent Authorities and clarifications in relation to existence of restrictions regarding the identification of the first quarter of 2017 as expected period for the execution of such transaction;**

3. **Effects deriving from a potential failure to complete the proposed capital strengthening transaction on the ability of the UniCredit Group to meet the restrictions imposed by the applicable prudential regulation and/or provided by the Supervisory Authorities, as well as on the prospect of business continuity, also considering the negative non-recurring impacts expected on the net result of the forth quarter of 2016.**

* * *

With regard to the request under point 1) above, UniCredit provides the following additional information.

With regard to (i) the capital increase for a maximum of Euro 13 billion, to be executed via a rights issue to all shareholders, pursuant to Article 2441, paragraph 1,2 and 3 of the Italian Civil Code (the "**Rights Issue**" or the "**Capital Increase**"); and (ii) the actions envisaged by the 2016-2019 Strategic Plan (*Transform 2019*) and aimed to sustain a de-risking of the balance sheet assets (the "**De-risking Actions**"), UniCredit specifies that the Capital Increase and the De-risking Actions have not been requested by any Supervisory Authority.

As indicated during the Capital Markets Day held on 13 December 2016, the Strategic Plan is based on five well-defined strategic pillars which are consistently connected to each other:

- strengthen and optimize capital;
- improve the asset quality;
- transform the operating model;
- maximize commercial bank value; and
- adopt a lean but strong steering Group Corporate Center.

In particular, the Capital Increase represents a key pillar of the Strategic Plan, autonomously elaborated by the management of the Issuer, for the purposes of strengthening and optimizing the Group's capital structure and increasing its capital ratios in order to position the Group in line with the best Global systematically important financial institutions – "G-SIFIs". The target amount of the Capital Increase has been defined following an assessment of the capital uses arising from the implementation of the Strategic Plan and of the potential capital sources (for additional details on the potential capital needs, see below under point 3).

The Strategic Plan, including the Capital Increase and the De-risking Actions, autonomously elaborated by the management of the Issuer, will allow to strengthen the position of the Bank, at the same time being consistent with the outcome of the Supervisory Review and Evaluation Process (SREP) performed by the European Central Bank ("ECB").

* * *

With regard to the request under point 2) above, UniCredit provides the following additional information.

On 10 January 2017, following the relevant applications submitted by UniCredit, the Issuer received:

- the assessment of the Bank of Italy, pursuant to Article 56 of Legislative Decree No 385 of 1 September 1993, confirming that the amendments to the Articles of Association proposed in the context of the transaction are not in breach of the sound and prudent management principle; and

- the permission by the European Central Bank to classify the shares resulting from the Rights Issue as Common Equity Tier 1 (CET1), pursuant to Article 26 of Regulation (EU) No 575/2013 (CRR).

With regard to the timing for the completion of the Capital Increase, UniCredit confirms that there is no formal restriction requiring to carry out the transaction during the first quarter of 2017.

* * *

With regard to the request under point 3) above, UniCredit provides the following additional information.

The Strategic Plan envisages the strengthening of the UniCredit Group's capital structure together with the implementation of actions aimed at improving the quality of the balance sheet assets, including, specifically, actions generating a capital need.

Among the actions generating a capital need, **the improvement of the asset quality will entail additional loan loss provisions of Euro 8.1 billion**, to be booked in Q416.

**The additional loan loss provision are related to a new managerial approach on non performing exposures (NPE) management** which is being adopted by UniCredit in the context of the Strategic Plan, with the aim to:

- proceed more quickly and efficiently with the streamlining of positions via managing them in a way which facilitates their prompt collections and/or their sale;
- represent in a more straightforward way the possibility to recover such NPE, taking into consideration the most recent estimates of their assumed realizable value, also considering the related collateral.

These actions are in line with the key recommendations included in the new ECB guidelines on the management of Non Performing Exposures (NPE). As a result, the Group coverage ratio of bad loans and unlikely to pay will increase – "positioned to sell" – above 63 per cent and above 38 per cent respectively.

Such level of provisioning also stems from the execution of "Progetto FINO"; a two-phased de-risking of a portfolio of Euro 17.7 billion of gross bad loans, through its securitization, of which UniCredit will sell at least a vertical tranche larger than 50% to third party investors in phase 1 during 2017. The full disposal of "Progetto FINO" (phase 2) is expected to take place by the end of 2017.

As regards the third pillar of Transform 2019, **the transformation of the operating model** to increase customer focus and to achieve a lower sustainable cost base will bring additional 6,500 net FTE redundancies by 2019, which in its turn **will require booking in 4Q16 net integration costs for a net amount of Euro 1.7 billion**.

The above mentioned main negative impacts relating to the CET1 are expected to be recorded during the fourth quarter of 2016, while capital strengthening operations (*i.e.* the Capital Increase) and the completion of the M&A Transactions will be completed during 2017. Therefore, since the Capital Increase is expected to become effective in the course of 2017 1Q, the Issuer's capital ratios could temporarily be below the Maximum Distributable Amount (MDA) and the Pillar I + Pillar II capital requirements for the Tier 1 Ratio, as defined in the CRD IV, due to short term settlement timing difference which is expected to be remediated before the next AT1 coupon payment, due in March 2017.

In consideration of the above, compliance by the UniCredit Group with the minimum capital ratio levels applicable on the basis of prudential regulations in force and/or imposed by the Supervisory Authority from time to time (for example under the scope of the SREP) depends, among other things, on the implementation of the strategic actions planned to have a positive impact on the capital ratios (including, specifically, the Capital Increase and M&A Transactions). Therefore, if the Capital Increase and/or the M&A Transactions were not realised, in full or in part, or if different and/or less benefits were derived from them than anticipated in the Strategic Plan, this could have temporarily negative impacts on the capacity of the UniCredit Group to comply with the constraints set by prudential regulations and/or identified by the Supervisory Authority and to pay out coupons on its Additional Tier 1 instruments.

**Contatti:**

Media Relations

tel +39 02 88623569 e mail: mediarelations@unicredit.eu

Investor Relations

tel +39 02 88621872 e mail: investorrelations@unicredit.eu

| | |
|---|---|
| Fine Comunicato n.0263-4 | Numero di Pagine: 6 |