One Bank, One UniCredit
Transform 2019

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London, 12 December 2017

Banking that matters. | UniCredit

Transform 2019:
key targets confirmed with an improved risk profile (1/2)

A simple successful Pan European Commercial Bank, with a fully plugged in CIB, delivering
a unique Western, Central and Eastern European network to its extensive client franchise

Transform 2019 fully on track yielding tangible results underpinned
by group-wide business momentum

2019 key targets confirmed

Transform 2019:
key targets confirmed with an improved risk profile (2/2)

2019 key targets confirmed, RoTE target >9%

2019 fully loaded CET1 ratio confirmed >12.5%

FY19 dividend[1] payout increased from 20% to 30%

Post 2019 dividend payout to increase from 30% up to 50% once upcoming regulatory impacts are confirmed

Self-funded full rundown of Non Core by 2025

1. To be paid in 2020

One Bank, One UniCredit
Transform 2019 fully on track

Strong commercial dynamics thanks to network revamp

- 2019 revenues confirmed: higher relative contribution of fees and commissions
- 2019 costs confirmed: higher HR savings allowing for additional IT Investments
- 2019 RoTE target confirmed at >9%

Additional NPE rundown

- FINO phase 1 closed, all objectives achieved; phase 2 binding agreements signed to sell down below 20%, closing expected by 1Q18
- Group gross NPEs down by a further 4.0bn[1] by end 2019, better than initial Transform 2019 target
- Self-funded full rundown of Non Core by 2025

Confirm capital target whilst increasing dividend payout

- SREP Pillar 2 requirement lowered by 50bps to 200bps, CET1 MDA buffer above 250bps from 2019
- 2019 fully loaded CET1 ratio target confirmed >12.5% including partial anticipation of regulatory headwinds
- Post 2019, annual CET1 ratio[2] target >12.5% thanks to organic capital generation fully absorbing expected regulatory headwinds
- FY19[3] dividend payout increased from 20% to 30% thanks to a solid capital position
- Post 2019 dividend payout to increase from 30% up to 50% once upcoming regulatory impacts are confirmed

1. Of which: Non Core down by 2.0bn from 19.2bn to 17.2bn and Group Core down by 2.0bn from 25.1bn to 23.1bn
2. Refers to CET1 ratio phasing-in regulatory headwinds post 2019 (managerial estimates)
3. To be paid in 2020

Note: CET1 ratio fully loaded and data in Euro throughout the document unless otherwise stated

2019 key targets confirmed
RoTE target >9% and further 4.0bn reduction of NPEs

€bn, unless otherwise stated	9M17	2019	Line adjustment[1]
Revenues	14.8	20.6 ✓	+0.2[1]
Cost	<-11.7	-10.6 ✓	*unchanged*
LLP	-1.8	-2.6 ✓	-0.2[1]
Net Income	3.0[2]	4.7 ✓	*unchanged*
Cost/income	57.9%	<52% ✓	*unchanged*
Cost of risk	54bps	55bps ✓	+6bps[1]
Gross NPE stock	51.3	40.3 ✓✓ down by 4.0bn from 44.3bn	***improved***
RoTE	8%[2]	>9% ✓	*unchanged*
CET1 ratio	13.8%	>12.5% ✓	*unchanged*

Net Income and RoTE confirmed

FY17 Guidance

1. Line adjustment due to accounting changes, for details see Annex slide 19 and 20. Increase of revenues only impacts NII and it is compensated by LLP increase which mechanically impacts cost of risk
2. Adjusted to exclude net income from Pekao and Pioneer disposals and a one-off charge booked in Non Core related to FINO; RoTE calculated considering also the capital increase and Pekao and Pioneer disposals as at 1 January 2017

One Bank, One UniCredit
The five pillars

ONE BANK

ONE

UniCredit

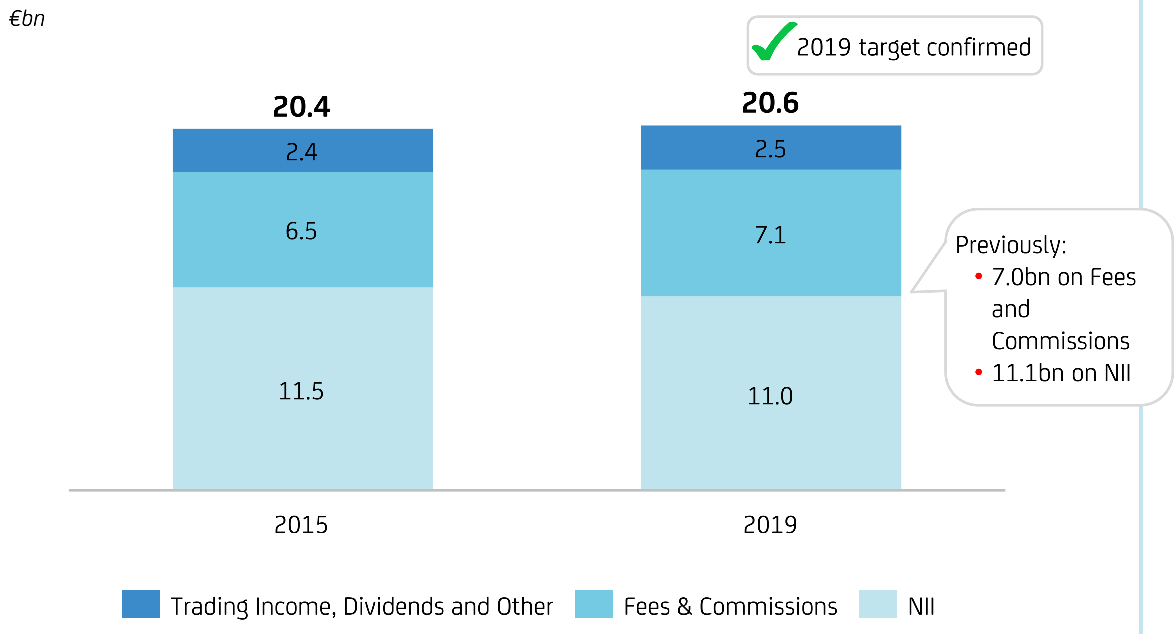
5 STRATEGIC PILLARS

- STRENGTHEN AND OPTIMISE CAPITAL
- IMPROVE ASSET QUALITY
- TRANSFORM OPERATING MODEL
- MAXIMISE COMMERCIAL BANK VALUE
- ADOPT LEAN BUT STEERING CENTRE

Transform operating model

Overall revenues target confirmed: higher relative contribution of fees and commissions

Revenues[1] mix evolution



Comments

- Fees expected to reach 7.1bn as a result of higher AuM
- Reduction of NII of 0.1bn:
  - U-shaped vs. V-shaped Net interest income evolution between 2017 and 2019
  - loan volumes revised lower by 11bn to 444bn[2]
  - lower cost of funding thanks to decreased issuance and lower rates
- Customer rates bottoming out in the second half of 2018

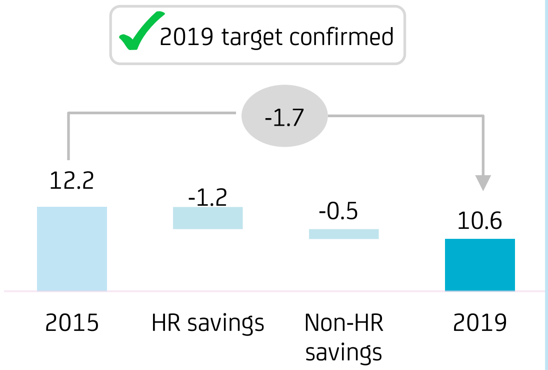
1. Including line adjustment from accounting changes, for details see Annex slide 19 and 20
2. Net loans excluding repos

Transform operating model

Cost target confirmed, FTE and branch reductions ahead of schedule

Cost savings

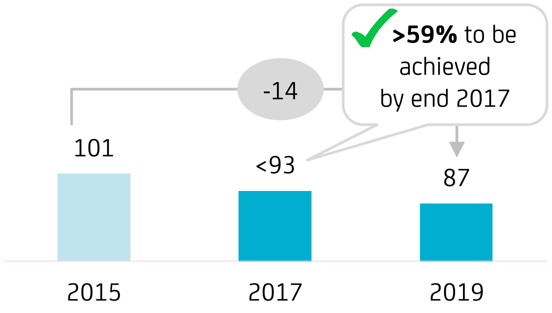
Group costs, €bn



- Decrease in costs on track with Transform 2019
- Higher HR savings allowing for additional IT Investments

FTE reduction

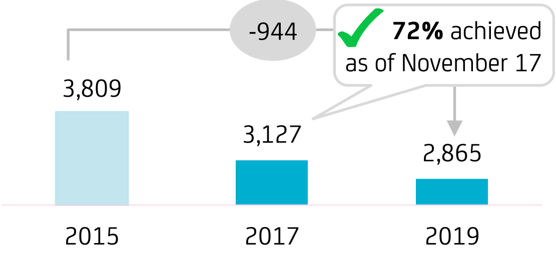
Group FTE, '000



- FTE reductions ahead of Transform 2019 schedule, 51% as of 9M17
- 7,232 net redundancies as of 9M17 and over 1,300 planned for 4Q17

Branch reduction in Western Europe[1]

Branches in Western Europe



- Additional 121 branch closures in Italy realised in 4Q17[2]
- 266 further closures planned between 2018 and 2019

1. Retail branches
2. Already done as of November 17
Note: Numbers might not add up due to rounding

Transform operating model
Digital and IT transformation on track

Improved customer experience thanks to digital transformation

Innovative distribution channels

- New multi-country **online and mobile banking** platforms
- New **Corporate Portal** in Italy, Germany and Austria
- First bank in Italy to launch payments via **Apple Pay** and to introduce **Alipay**

End-to-End[1]: simplification and improvement of key processes

- **3x faster** procedure for **current account opening**, with increased number of risk controls
- Increased **dematerialisation** process
- Launched fully **remote card management** on Internet and mobile banking

IT achievement

Reduction of IT complexity

- **Decommissioning** - 830 applications closures (ca. 75% versus target 2019)
- **Global application** to replace local ones

Evolution of Core Banking system

- **Phased-in release** of new applications to minimise operational risk
- November 2017 **New Core Banking system first release**

Infrastructure transformation

- Ongoing program including rationalisation and simplification
- Set-up of **first proprietary cloud infrastructure**

1. End-to-End process launched for Commercial Banking Italy, planned expansion to include Commercial Banking Germany and central functions

Maximise Commercial Bank Value

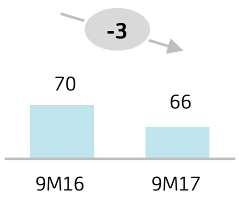
Western Europe transformation progress resulting in higher productivity

Commercial Banking Italy

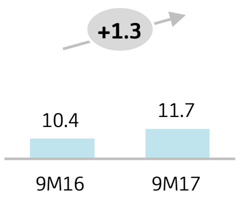
+4.0% Fees and Commissions[1]

-3.2% Operating Costs[1]

Cost of Risk, *bps*



RoAC[2], *%*



Actions implemented

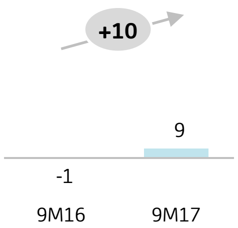
- Multichannel approach
- New service model for Affluent and SME clients

Commercial Banking Germany

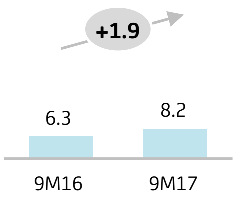
+9.7% Fees and Commissions[1]

-3.1% Operating Costs[1]

Cost of Risk, *bps*



RoAC[3], *%*



Actions implemented

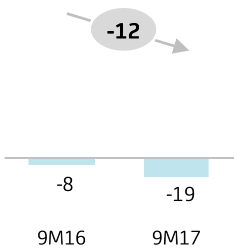
- New service model for SME client segment
- Closer CIB-Commercial banking collaboration

Commercial Banking Austria

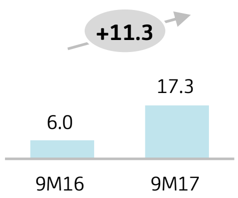
+4.8% Fees and Commissions[1]

-11.9% Operating Costs[1]

Cost of Risk, *bps*



RoAC[4], *%*



Actions implemented

- New Retail service model
- Focus on cross-selling

1. Delta between 9M16 and 9M17
2. Stated figures, allocated capital calculated as 12.5% of RWA
3. Allocated capital calculated as 12.5% of RWA; normalised RoAC. 9M16 for capital gain on Visa disposal; 9M17 for a capital gain on disposal in 3Q17 and a release of a tax provision in 2Q17
4. Allocated capital calculated as 12.5% of RWA; normalised RoAC. 9M16 for DBO integration costs and others items; 9M17 for real estate disposals and tax effects

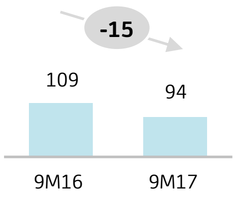
Maximise Commercial Bank Value
CEE and CIB confirming leadership positions

CEE

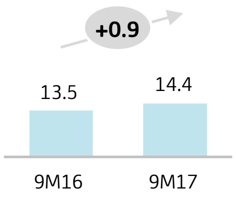
+4.4% Fees and Commissions[1]

+10% Net new clients[2]

Cost of Risk, *bps*



RoAC[3], *%*



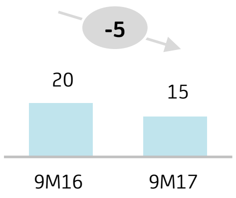
Further strengthened leadership position
#1 in terms of total assets[4]

CIB

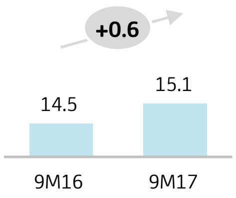
+0.9p.p. Client driven revenues[1]

-4.6% Operating costs[1]

Cost of Risk, *bps*



RoAC[3], *%*



Confirmed market leadership
#2 in Loan and Bonds[5]

1. Delta between 9M16 and 9M17, for CEE at constant FX
2. Delta between 2015 and 9M17
3. Stated figures, Allocated Capital calculated as 12.5% of RWA, CEE at current FX
4. Based on total assets compared to Erste, Intesa Sanpaolo, KBC, OTP, RBI, Société Générale, ranking as of 1H17
5. Combined Loans and Bonds – EMEA All borrowers (EUR denominated) as of 9M17

Strengthen and optimise capital

2019 CET1 ratio target confirmed whilst anticipating additional regulatory headwinds

Fully loaded CET1 ratio evolution to 2019, %

%	9M17	4Q17	2018	2019
Regulation, models and procyclicality	-0.3[1]	-0.3	-0.4	-0.1
IFRS9[2]		-0.4		
EBA guidelines (anticipation) etc.[3]			-0.8	-0.1
Organic Capital Generation[4]			+0.4	+0.5
Total CET1 impact, %		**-0.7**	**-0.8**	**+0.3**
Fully loaded CET1 ratio, %	**13.8**	**>13.0[4,5]**	**12.2/12.7**	**>12.5** ✓
Dividend payout		**20%**	**20%**	**30%** ✓✓

✓ Confirmed expected regulatory impacts of -1.5

1. Occurred between 4Q16 and 9M17
2. IFRS9 to be implemented on 1st January 2018
3. Partial anticipation impacts include EBA guidelines related effect and other minor adjustments
4. Includes: retained earnings net of dividend payout (FY17: 20%; FY18: 20%, FY19: 30%) and of AT1 coupons, RWA growth and other; for 2018 includes FINO Significant Risk Transfer benefit
5. Pro-forma for IFRS9

Strengthen and optimise capital - Post 2019 annual CET1 ratio[1] >12.5% thanks to organic capital generation fully absorbing expected regulatory headwinds

Regulatory Headwinds post 2019 – CET1 ratio impact (managerial estimates)

% of cumulative phase-in	Estimated CET1 impact, *%*	2020	2021	2022	2023	2024	2025	up to 2027
EBA guidelines (remaining)	**-0.9**	20%	100%					
Calendar provisioning[2]	**-0.4**		13%	37%	54%	66%	86%	100%
FRTB[3]	**-0.1**			65%	65%	100%		
Basel IV[4]	**< -0.9**			20%	40%	60%	80%	100%
Estimated CET1 impact, *%*		**-0.2**	**< -0.8**	**-0.3**	**-0.2**	**-0.3**	**-0.3**	**-0.2**
Cumulative net CET1 impact including organic capital generation[5], *%*		**+0.3**	**< +0.1**	**+0.3**	**+0.5**	**+0.7**	**+1.0**	**> +1.7**

Post 2019 dividend payout to increase from 30% up to 50% once upcoming regulatory impacts are confirmed with CET1 ratio[1] >12.5%

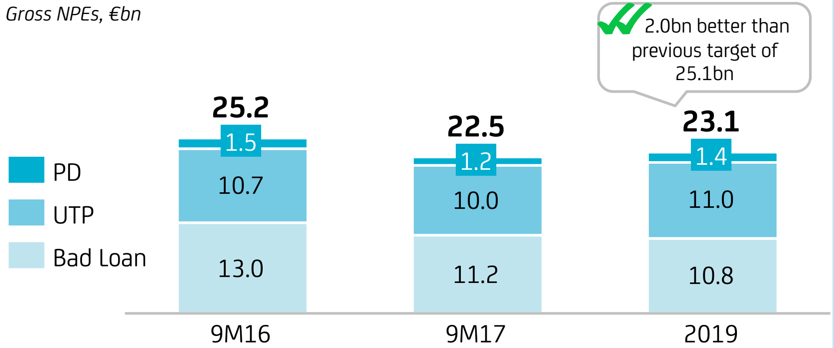
1. Refers to CET1 ratio phasing-in regulatory headwinds post 2019 (managerial estimates)
2. Conservative approach based on ECB proposal has been used
3. Expected phase-in period of 2 years; no impact expected during phase-in, full impact in 2024
4. Our expectation is that a phase-in approach will be introduced through the EU transposition in law; assumption of 5 years is consistent with foreseen phase-in period for output floor implementation
5. Assuming net annual organic capital generation equivalent to 2019 of +0.5, net of 30% dividend payout

Improve asset quality

Gross NPEs down by a further 4.0bn by end 2019, better than initial Transform 2019 target

Group Core – NPEs evolution[1]

Gross NPEs, €bn

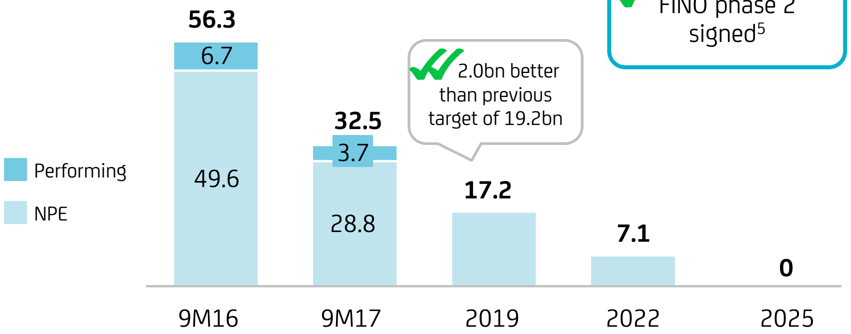


	9M16	9M17	2019
Net Loans[2], *€bn*	397	405	437
Gross NPEs ratio[3], *%*	5.8	5.0	4.7 ✓✓
NPEs Coverage ratio, *%*	49.6	55.7	>51
CoR, *bps*	42	38	43[4]

Non Core evolution[1]

Gross loans, €bn

✓ FINO phase 2 signed[5]



	9M16	9M17	2019
Net loans[2], *€bn*	29.5	15.6	7.4
NPEs Coverage ratio, *%*	53.5	57.1	>57

Self-funded full rundown of Non Core by 2025

1. For 9M16 and 9M17 stated figure
2. Excluding intercompany and repos
3. Calculated as: Gross NPEs / Gross Loans including intercompany and repos
4. Includes line adjustment, previously 45bps
5. Closing expected in 1Q18

Adopt lean but steering Centre
Strengthened corporate governance

Empowerment of Board of Directors to present its own list of candidates

Reduction of board members from 17 to 15[1] of which two appointed from the minority list

Removal of 5 per cent limit of voting rights[2]

Conversion of saving shares into ordinary shares

Delisting from trading of ordinary shares on Warsaw Stock Exchange[3]

Corporate governance in line with best in class European companies with simplified share capital structure

1. On December 2016 Board of Directors approved to disclose a recommendation for Shareholders to consider the reduction of Board members for next Board renewal in 2018
2. Subject to condition ("stop loss clause"): in case the exercised withdrawal rights exceeds 0.25% of the Bank's share capital (equal to approximately Euro 98m) Bylaws will not be amended, unless Board of Directors waives such condition
3. Ongoing

2019 key targets confirmed

	2015	9M17	2019	
Revenues, *€bn*	20.4[1]		20.6[1]	
Cost, *€bn*	-12.2	<-11.7	-10.6	
Net Income, *€bn*	1.5		4.7	
Cost/Income, *%*	60.0[1]	57.9	<52[1]	
Cost of Risk, *bps*	103[1]	54	55[1]	
RoTE, *%*	4	8[2]	>9	
CET1 ratio, *%*	10.4	13.8	>12.5	
Gross NPE, *€bn*	77.8	51.3	40.3	down by 4.0bn from 44.3bn
Gross NPE ratio, *%*	16.0	10.6	7.8	down by 0.6 from 8.4
Net NPE, *€bn*	38.3	22.3	17.7	down by 2.5 from 20.2

FY19 dividend[3] payout increased from 20% to 30%, post 2019 dividend payout to increase from 30% up to 50% once upcoming regulatory impacts are confirmed with CET1 ratio >12.5%

1. Including line adjustment due to accounting changes, for details see Annex slide 19 and 20
2. Adjusted to exclude net income from Pekao and Pioneer disposals and a one-off charge booked in Non Core related to FINO; RoTE calculated considering also the capital increase and Pekao & Pioneer disposals as at 1 January 2017
3. To be paid in 2020

FY17 guidance

Conclusion

Transform 2019 fully on track underpinned by group-wide business momentum

2019 key targets confirmed:
RoTE >9%, fully loaded CET1 ratio confirmed >12.5% and improved risk profile

FY19 dividend[1] payout increased from 20% to 30%

Self-funded full rundown of Non Core by 2025

Post 2019, organic capital generation fully absorbs expected regulatory headwinds

1. To be paid in 2020

Annex

Line adjustments from accounting changes

Accounting change[1]	Description	Impact	Net effect
NPEs time value accounting[2]	New Bank of Italy regulation requires to account for Time value release as NII and no longer as LLP write-back	NII ↑ LLP ↑	0
NPEs accrued interest	Interest from UTP and Past Due calculated on Net Book Value rather than Gross Book Value resulting in lower NII and lower associated LLP, according to IFRS9 guidance	NII ↓ LLP ↓	0
Reclassification of customer loans	Customers Debt Securities in issue[3] excluded from Customer Loans and included in Financial assets	Loans to customers ↓ Financial assets ↑	0

Combined effect in 2019

€bn

NII	+0.2
LLP	-0.2
Loans to customers	-12
Financial assets	+12

No impact on Net Income or RoTE

1. All effects from 2018
2. Difference between (i) the sum of expected recoverable cash flows of NPEs and (ii) its Net Present Value (i.e. Net Book Value)
3. Currently included in loan book

Line adjustments from accounting changes

P&L, €bn	2015 Previous	2015 Delta	2015 Restated	Transform 2019 targets Previous	Transform 2019 targets Delta	Transform 2019 targets Restated
Revenues	19.9	0.5	**20.4**	20.4	0.2	**20.6**
of which NII	*10.9*	*0.5*[1]	***11.5***	*10.9*	*0.2*[1]	***11.1***
LLP	-4.0	-0.5[1]	**-4.5**	-2.4	-0.2[1]	**-2.6**
Net income	1.5	0	**1.5**	4.7	0	**4.7**

Combined effect equal to zero

Other	2015 Previous	2015 Delta	2015 Restated	Transform 2019 targets Previous	Transform 2019 targets Delta	Transform 2019 targets Restated
Loans[2], €bn	418	-9[3]	**409**	467	-12[3]	**455**
CoR[4], bps	89	14[5]	**103**	49	6[5]	**55**
Cost/Income[6]	61.6%	-1.6p.p.[1]	**60.0%**	<52%	-0.6p.p.[1]	**<52%**

1. Delta given by effect of: NPEs time value accounting, NPEs accrued interest
2. Excluding repos
3. Delta given by effect of: reclassification of customers loans
4. Cost of Risk computed as LLP over average loans
5. Delta given by effect of: NPEs time value accounting, NPEs accrued interest, reclassification of customers loans
6. Cost/Income computed as total operating cost over revenues

Strengthen and optimise capital

Transparency on sector-wide regulatory headwinds[1] up to end of 2019 and beyond

During Transform 2019	**Regulation, models and procyclicality**	Model changes, recalibrations and other impacts from regulation
	IFRS9	First time adoption of Fair Value accounting and new provisioning rules
	EBA guidelines (anticipation)	Definition of common standards for credit risk regulatory models
Beyond Transform 2019	**EBA guidelines (remaining)**	Definition of common standards for credit risk regulatory models
	Calendar provisioning[2]	Inflow to NPEs to be fully provisioned 2 years (unsecured) and 7/8 years (secured) after default
	FRTB	Revision of capital framework for market risks
	Basel IV	Credit and operational risk requirements, introducing constraints to use internal models for capital

partial anticipation mainly on Italian models

1. No impacts have been considered in terms of prudential measures on Sovereign exposure, considering that as of now no changes to current rules have been introduced while a discussion paper was published by Basel Committee on 7 December 2017. Given the duration and composition of Sovereign portfolio proactive actions to manage potential capital impacts would be taken
2. Conservative approach based on ECB proposal has been used

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