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Testo del comunicato

Vedi allegato.

UniCredit

MILAN, 7 AUGUST 2018

UNICREDIT: A PAN-EUROPEAN WINNER

RESILIENT COMMERCIAL DYNAMICS AND SUCCESSFUL EXECUTION OF TRANSFORM 2019 DELIVER SUSTAINABLE RESULTS

2Q18 AND 1H18 GROUP RESULTS

GROUP CORE STRONG PERFORMANCE: 1H18 NET PROFIT AT €2.6 BN, UP 4.2 PER CENT VS. 1H17 ADJUSTED[1], WITH ROTE AT 10.9 PER CENT, UP 0.2 P.P. VS. 1H17 ADJUSTED[1]. 2Q18 GROUP CORE GROSS NPE RATIO IMPROVING, DOWN 85 BPS Y/Y TO 4.4 PER CENT

2Q18 GROUP NET PROFIT AT €1.0 BN, DOWN 13.3 PER CENT VS. 2Q17 ADJUSTED[1], DUE TO HIGHER OTHER CHARGES AND PROVISIONS. SUSTAINED UNDERLYING FINANCIAL PERFORMANCE WITH 2Q18 GROUP NET OPERATING PROFIT AT €1.8 BN, UP 7.9 PER CENT Y/Y. 1H18 GROUP ROTE AT 8.7 PER CENT, UP 0.4 P.P. VS. 1H17 ADJUSTED[1]. FY19 GROUP ROTE TARGET >9 PER CENT CONFIRMED

2Q18 GROUP NET INTEREST AT €2.7 BN (+1.6 PER CENT Q/Q). POSITIVE COMMERCIAL DYNAMICS WITH HIGHER LENDING VOLUMES (+9.0 BN Q/Q GROUP CORE) AND POSITIVE NET AUM SALES (+3.2 BN IN 2Q18 GROUP) DESPITE CHALLENGING MARKETS. RESILIENT GROUP FEES (-0.3 PER CENT Y/Y) WITH TRANSACTIONAL FEES COMPENSATING LOWER INVESTMENT AND FINANCING FEES

2Q18 GROUP COSTS AT €2.7 BN, DOWN 7.0 PER CENT Y/Y AND 2.9 PER CENT Q/Q. BRANCH AND FTE REDUCTION AHEAD OF SCHEDULE, ACHIEVED 87 PER CENT OF FTE[2] REDUCTION AND 84 PER CENT OF BRANCH CLOSURE TARGETS. 1H18 GROUP COST/INCOME RATIO AT 53.6 PER CENT

2Q18 GROUP COR AT LOW 45 BPS MAINLY DRIVEN BY NON-RECURRING WRITE-BACKS IN CIB. FY18 GROUP COR EXPECTED TO BE BELOW 68 BPS

2Q18 GROUP GROSS NPE RATIO IMPROVED TO 8.7 PER CENT (-243 BPS Y/Y) WITH GROSS NPES DOWN €10.2 BN Y/Y AND €2.0 BN Q/Q, OF WHICH €1.1 BN DISPOSALS IN 2Q18. NON CORE GROSS NPES AT €22.2 BN IN 2Q18 WITH FY18 NEW TARGET AT €19 BN

2Q18 GROUP FULLY LOADED CET1 RATIO AT 12.51 PER CENT, INCLUDING -35 BPS IMPACT OF FVOCI[3] PORTFOLIO. FY18 FULLY LOADED CET1 RATIO CONFIRMED BETWEEN 12.3 PER CENT AND 12.6 PER CENT, AT CURRENT BTP SPREAD LEVELS[4]

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[1]Group adjusted net profit and RoTE exclude the net impact of the Pekao disposal (-€310 m in 2Q17) and the net profit from Pekao and Pioneer (+€48 m in 1Q17, +€73 m in 2Q17). RoTE calculated at CMD perimeter, taking into account the capital increase and Pekao and Pioneer disposals as of 1 January 2017. RoTE defined as Return on Tangible Equity (annualised net profit divided by average tangible equity).
[2]Full Time Equivalent.
[3]FVOCI stands for fair value through other comprehensive income.
[4]As of 29 June 2018, BTP sensitivity: +10 bps parallel shift of BTP asset swap spread has a -3.8 bps (or -€137 m) pre and -2.6 bps (or-€95 m) post tax impact on the fully loaded CET1 ratio (capital).

UniCredit Group

2Q18 Highlights	**Group** ■ Total revenues at €4.9 bn (-4.3 per cent Y/Y, -3.3 per cent Q/Q), impacted by lower trading income and a €90 m positive one-off net interest item in 2Q17. Net interest up 1.6 per cent Q/Q to €2.7 bn, thanks to higher lending volumes and lower term funding costs. Resilient fees down only 0.3 per cent Y/Y, with transactional fee growth offsetting lower investment and financing fees ■ Lower operating costs (-7.0 per cent Y/Y, -2.9 per cent Q/Q) thanks to lower HR costs (-7.6 per cent Y/Y, -1.4 per cent Q/Q) and non HR costs (-6.0 per cent Y/Y, -5.1 per cent Q/Q), with FTEs down 1,725 Q/Q. C/I ratio at 53.7 per cent (-1.5 p.p. Y/Y, +0.2 p.p. Q/Q) ■ LLPs down 23.7 per cent Y/Y to €504 m, mainly driven by non-recurring write backs in CIB leading to a low CoR of 45 bps including 5 bps of models impact ■ Net operating profit at €1.8 bn, up 7.9 per cent Y/Y and Net profit at €1.0 bn, down 13.3 per cent vs. 2Q17 adjusted, mainly due to higher other charges and provisions ■ CEE and Commercial Banking Italy main contributors to net profit **Group Core** ■ Net profit at €1.3 bn, down 6.4 per cent vs. 2Q17 adjusted
1H18 Highlights	**Group** ■ Revenues at €10.1 bn (-2.5 per cent H/H) with NII down 1.7 per cent H/H due to pressure on customer loan rates and trading income down 23.2 per cent H/H due an unfavourable market environment in 2Q18. Fees increased 1.3 per cent H/H thanks to positive net AuM sales and transactional services ■ Operating expenses down 6.1 per cent H/H to €5.4 bn in 1H18 with lower C/I ratio at 53.6 per cent (-2.0 p.p. H/H). FY18 C/I ratio target confirmed below 55 per cent ■ Improved LLP at €1.0 bn (-29.9 per cent H/H) with low CoR at 45 bps, including 2 bps models change. FY18 CoR expected to be below 68 bps ■ Net profit of €2.1 bn, up 4.7 per cent vs. 1H17 adjusted with sound operating performance from all divisions ■ 1H18 RoTE at 8.7 per cent (+0.4 p.p. vs. 1H17 adjusted). Confirmed FY19 RoTE target above 9 per cent **Group Core** ■ Group Core net profit at €2.6 bn (+4.2 per cent vs. 1H17 adjusted) with a RoTE of 10.9 per cent (+0.2 p.p. vs. 1H17 adjusted). FY19 RoTE target confirmed above 10 per cent
Capital	■ Group fully loaded CET1 ratio at 12.51 per cent in 2Q18, including -35 bps impact of FVOCI portfolio ■ Group fully loaded leverage ratio at 5.20 per cent in 2Q18
Asset Quality	■ Group gross NPE[5] ratio improved 243 bps Y/Y to 8.7 per cent in 2Q18, with a coverage ratio of 60.9 per cent ■ Total Group disposals of €1.1 bn in 2Q18 and €1.4 bn in 1H18 ■ Group Core gross NPE ratio improved 85 bps Y/Y to 4.4 per cent in 2Q18, with a coverage ratio of 58.2 per cent

[5]NPEs: Non Performing Exposures. The perimeter of Non Performing Loans is equivalent to the perimeter of EBA non performing exposures. NPEs are broken down in bad exposures, unlikely-to-pay and past due.

	■ NON CORE GROSS NPES DOWN €7.5 BN Y/Y TO €22.2 BN IN 2Q18 WITH A COVERAGE RATIO OF 63.4 PER CENT
TRANSFORM 2019 UPDATE	■ GROUP FULLY LOADED CET1 RATIO CONFIRMED BETWEEN 12.3 PER CENT AND 12.6 PER CENT AT THE END OF 2018 AND ABOVE 12.5 PER CENT AT THE END OF 2019, AT THE CURRENT BTP SPREAD LEVELS[4] ■ ACCELERATED NON CORE RUNDOWN PROGRESSING AS PLANNED. NEW GROSS NPE TARGET AT €19 BN AT THE END OF 2018 ■ OPERATING MODEL TRANSFORMATION AHEAD OF SCHEDULE, WITH 84 PER CENT OF PLANNED BRANCH CLOSURES AND 87 PER CENT OF FTE REDUCTION TARGETS ACHIEVED ■ STRATEGIC COMMERCIAL INITIATIVES ONGOING AND E2E PROCESS REDESIGN IN PROGRESS

Milan, 7 August 2018: on 6 August 2018, the Board of Directors of UniCredit S.p.A. approved the Group's 2Q18 and 1H18 consolidated financial accounts as of 30 June 2018.

Jean Pierre Mustier, Chief Executive Officer of UniCredit S.p.A., commenting on the 2Q18 and 1H18 Group results:

"The UniCredit team has delivered another very solid set of results in the first half of 2018 despite a more challenging market and geopolitical context. We remain confident in the European and Italian economy and their strong underlying fundamentals. UniCredit continues to finance the real economy where it operates.

The ongoing successful execution of Transform 2019 underpins the resilient commercial dynamics we enjoyed across the Group in the second quarter: net interest is up by 1.6 per cent to 2.7 billion euro, lending volumes increased by 9 billion euro in Group Core and we saw AuM net sales of an additional 3.2 billion euro.

Thanks to the decisive actions we are continuously taking to de-risk the Group, our Group Core gross NPE ratio at the end of the second quarter dropped by 85 bps year on year to 4.4 per cent.

In terms of our accelerated Non Core rundown, our end 2018 objective is to reach 19 billion euro from 22.2 billion at the end of Q2.

By the end of this year, we expect to be close to finalising the announced Transform 2019 branch closures in Western Europe as well as the planned FTE reductions."

TRANSFORM 2019 UPDATE

Transform 2019 is fully on track and is delivering sustainable results, underpinned by resilient commercial dynamics:

- **Strengthen and optimise capital:** strong capital position in 2Q18 with Group fully loaded CET1 ratio at 12.51 per cent (-56 bps Q/Q), including -35 bps impact of FVOCI portfolio.

- **Improve asset quality:** the Group balance sheet de-risking continued during the second quarter with gross NPEs further down to €42.6 bn in 2Q18 from €44.6 bn in 1Q18. Group gross NPE ratio improved 243 bps Y/Y to 8.7 per cent in 2Q18, with a solid coverage ratio of 60.9 per cent. Gross NPE disposals contributed €1.1 bn in 2Q18 and €1.4 bn in 1H18.

  Group Core gross NPEs dropped to €20.4 bn while gross NPE ratio improved 85 bps Y/Y to 4.4 per cent in 2Q18. The coverage ratio remained solid at 58.2 per cent.

  Non Core rundown is progressing as planned, with gross NPEs were further down €7.5 bn Y/Y to €22.2 bn in 2Q18, including €0.5 bn of disposals (€0.6 bn in 1H18). By the end of 2018, total gross NPEs are expected to be down to €19 bn with a target of €2 bn disposals.

- **Transform operating model:** the transformation of the operating model is ahead of schedule. Since December 2015:
  - 790 branches have been closed in Western Europe (of which 58 closed in 2Q18), corresponding to 84 per cent of the 944 planned closures by 2019[6];
  - FTEs have been reduced by 12,311 (of which 1,725 FTEs in 2Q18), corresponding to 87 per cent of the 14,000 planned reductions by 2019.

- **Maximise commercial bank value:** commercial initiatives are in place across the whole Group, delivering tangible results. In particular, during the second quarter of 2018:
  - two strategic Bancassurance partnerships signed with Allianz and Generali in CEE;
  - UniCredit is the first bank to offer cross-border instant payments. Executed the first transaction on a blockchain trade platform of which UniCredit is a founding partner;
  - new partnership with Meniga, the global leader in digital banking solutions, to further strengthen the Group's offering with new digital services and to improve digital customer experience, starting with Italy and Serbia;
  - new partnership signed with Poste Italiane for the distribution of financial products in the consumer credit market in Italy;
  - remote sales[7] of total bank sales[8] in Italy increased 6.1 p.p. Y/Y, reaching 23.5 per cent in 2Q18;
  - mobile user penetration[9] improved by 2.1 p.p. Q/Q to 36 per cent in CEE;
  - following the successful execution of the E2E process redesign of eleven products[10], two additional products[11] were launched in Italy with a total of thirteen E2E redesigns running in parallel; the E2E redesign programme was also successfully extended to Germany.

[6]Retail branches in Italy, Germany and Austria as indicated during the CMD.
[7]Transactions concluded through ATM, online, mobile or contact centre.
[8]Percentage of remote sales calculated on total bank products that have a direct selling process.
[9]Including Yapi at 100 per cent. Ratio defined as number of retail mobile users as percentage of active customers.
[10]Current accounts, credit cards, receivable financing, residential mortgages, advisory, AuM, corporate mortgages, debit cards, online banking, deposits & withdrawals and Bancassurance.
[11]Checks and AuC.

In 1H18, UniCredit confirmed its top position for debt financing, by ranking:
- #1 in "All Bonds" (Italy and Germany) and in "All Syndicated Loans" (Italy, CEE and Austria);
- #2 in "All Bonds in EMEA EUR" by number of transactions and in "All Syndicated Loans" (Germany);
- #3 in "All Bonds in EMEA EUR" and in "All Syndicated Loans in EMEA EUR".

Moreover, the strength of the fully plugged-in CIB platform and the strong mid-corporate footprint was further underlined by ranking #1 in "Financial Advisory" by number of transactions in Italy, Germany and CEE, and #1 in "Commodity Finance in EMEA"[12].

- **Adopt a lean but steering Group Corporate Centre (GCC):** the weight of GCC of total costs was 3.4 per cent in 1H18, down 0.5 p.p. H/H (compared to 5.2 per cent as of December 2015[13]). The 2019 target of 3.6 per cent[14] is confirmed.

[12]All league tables were based on Dealogic as of 4 July 2018. Period: 1 Jan. – 30 Jun. 2018. Rankings by volume unless otherwise stated. Corporate Finance Advisory rankings: source Mergermarket (1 Jan – 30 June 2018, by number of deals, excluding accounting firms).
[13]FY15 actual recasted as of June 2018, previously 5.1 per cent.
[14]FY19 target recasted as of June 2018, previously 3.5 per cent.

UniCredit

UNICREDIT GROUP CONSOLIDATED RESULTS

(€ million)	1H17	1H18	*H/H*	2Q17	1Q18	2Q18	*Y/Y*	*Q/Q*
Total Revenues	10,323	10,061	*-2.5%*	5,172	5,114	4,947	*-4.3%*	*-3.3%*
Operating costs	-5,744	-5,396	*-6.1%*	-2,858	-2,738	-2,659	*-7.0%*	*-2.9%*
LLP	-1,427	-1,000	*-29.9%*	-661	-496	-504	*-23.7%*	*+1.5%*
Net profit	1,853	2,136	*+15.3%*	945	1,112	1,024	*+8.3%*	*-7.9%*
Adjusted net profit	2,041	2,136	*+4.7%*	1,182	1,112	1,024	*-13.3%*	*-7.9%*
Fully loaded CET1 ratio	12.80%	12.51%	*-0.3 p.p.*	12.80%	13.06%	12.51%	*-0.3 p.p.*	*-0.6 p.p.*
Adjusted RoTE	8.3%	8.7%	*+0.4 p.p.*	9.5%	8.9%	8.5%	*-1.0 p.p.*	*-0.4 p.p.*
Loans (excl. repos) - bn	411	423	*+2.9%*	411	415	423	*+2.9%*	*+1.9%*
Gross NPE - bn	53	43	*-19.3%*	53	45	43	*-19.3%*	*-4.4%*
Deposits (excl. repos)- bn	395	414	*4.8%*	395	412	414	*+4.8%*	*+0.5%*
Cost/income	55.6%	53.6%	*-2.0 p.p.*	55.3%	53.5%	53.7%	*-1.5 p.p.*	*+0.2 p.p.*
Cost of risk (bps)	65	45	*-20*	60	45	45	*-15*	*+0*

Note*: Group adjusted net profit and RoTE exclude the net impact of the Pekao disposal (-€310 m in 2Q17) and the net profit from Pekao and Pioneer (+€48 m in 1Q17, +€73 m in 2Q17). RoTE calculated at CMD perimeter, taking into account the capital increase and Pekao and Pioneer disposals as of 1 January 2017.*

Revenues were down 4.3 per cent Y/Y to €4.9 bn in 2Q18 (-3.3 per cent Q/Q) mainly due to lower trading (-28.5 per cent Y/Y) and a €90 m positive release of a tax provision in 2Q17 NII in Commercial Banking Germany. The main contributions came from Commercial Banking Italy, CEE and CIB. 1H18 revenues reached €10.1 bn (-2.5 per cent H/H).

Net interest income (NII)[15] was up 1.6 per cent Q/Q to €2.7 bn in 2Q18 (-2.6 per cent Y/Y) thanks to higher lending volumes (+€28 m Q/Q) and lower cost of term funding (+€23 m Q/Q) compensating ongoing pressure on customer rates (-€23 m Q/Q). Excluding the positive release of €90 m in 2Q17, NII was stable H/H at €5.3 bn in 1H18.

Net interest margin[16] decreased from 1.47 per cent in 1Q18 to 1.42 per cent in 2Q18.

Group customer loans[17] were €422.9 bn as of the end of June 2018 (+2.9 per cent Y/Y, +1.9 per cent Q/Q). Group Core customer loans were up €9.0 bn Q/Q to €412.9 bn. Main contributors to Group Core customer loans were Commercial Banking Italy (€141.4 bn), Commercial Banking Germany (€83.2 bn) and CIB (€76.3 bn).

Group customer deposits[18] increased to €413.8 bn at the end of June 2018 (+4.8 per cent Y/Y, +0.5 per cent Q/Q). The main contributors were Commercial Banking Italy (€145.0 bn), Commercial Banking Germany (€89.2 bn) and CEE (€62.4 bn).

Customer loan rates were down 3 bps Q/Q at 2.64 per cent in 2Q18 and down 10 bps Y/Y.

Dividends and other income[19] were €180 m in 2Q18 (-1.8 per cent Y/Y, -5.1 per cent Q/Q). Yapi contribution was up 27.9 per cent Y/Y at constant FX, while down 3.4 per cent at current FX, considering the depreciation of Turkish Lira.

Fees and commissions[20] were down only 0.3 per cent Y/Y to €1.7 bn in 2Q18 (-1.4 per cent Q/Q). In particular:

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[15] Net contribution from hedging strategy of non-maturity deposits in 2Q18 at €376 m (-€3.5 m Y/Y, -€1.9 m Q/Q).

[16] Net interest margin calculated as interest income divided by interest earning assets minus interest expenses divided by interest bearing liabilities.

[17] End of period accounting volumes calculated excluding repos and, for divisions, excluding also intercompany items. Accounting customer loans including repos amounted to €458.8 bn as of 30 June 2018 (+4.1 per cent Y/Y, +3.8 per cent Q/Q).

[18] End of period accounting volumes calculated excluding repos and for divisions, also excluding intercompany items. Accounting customer deposits including repos amounted to €456.1 bn as of 30 June 2018 (+5.3 per cent Y/Y, -0.2 per cent Q/Q).

[19] Include dividends and equity investments. The entities belonging to Koc/Yapi Kredi Group are evaluated according to the equity method (dividend line of the Group P&L based on managerial view) under the accounting perimeter and proportionally consolidated under the regulatory perimeter.

[20] All 2017 figures have been restated for the consolidation effects arising from the intercompany fees relating to Bank Pekao and Pioneer, which until 2Q17 were classified as held for sale, in accordance with IFRS5.

- the contribution from **investment fees** was €708 m in 2Q18 (-3.4 per cent Y/Y, -3.1 per cent Q/Q), with higher AuM management fees only partially offsetting lower up-front fees;
- **financing fees** were €424 m in 2Q18, down 6.9 per cent Y/Y (-0.9 per cent Q/Q), mainly due to lower fees in Capital Markets and guarantees in CEE;
- **transactional fees** amounted to €594 m in 2Q18, up 9.6 per cent Y/Y (+0.4 per cent Q/Q) thanks to current account and card services.

Fees and commissions were up 1.3 per cent H/H to €3.5 bn in 1H18 thanks to positive AuM net sales and transactional fees.

Total Financial Assets (TFA)[21] rose €26.3 bn Y/Y reaching €820.5 bn as of 30 June 2018 (+€5.1 bn Q/Q).

- **Assets under Management (AuM)** performed well during the quarter reaching €219.9 bn, up €12.5 bn Y/Y thanks to sustained commercial dynamics mainly in Commercial Banking Italy (+€6.4 bn Y/Y). In particular, the AuM/TFA ratio in Commercial Banking Italy increased 1.2 p.p. Y/Y to 37.1 per cent as of end of June 2018 as AuC were transformed into AuM. Group net sales were €3.2 bn in 2Q18, despite a challenging market.
- **Assets under Custody (AuC)** decreased to €194.9 bn in 2Q18 (-€8.6 bn Y/Y), mainly in Commercial Banking Italy (-€11.0 bn Y/Y).
- **Deposits** were €405.7 bn in 2Q18, up €22.4 bn Y/Y sustained by positive dynamics mainly in Commercial Banking Italy (+€11.0 bn Y/Y) and Commercial Banking Germany (+€6.7 bn Y/Y).

Trading income totalled €331 m in 2Q18, down 28.5 per cent Y/Y and 30.8 per cent Q/Q due to lower client activity in an unfavourable market environment. Client driven share of trading included positive valuation adjustments[22] of €31 m (+€23 m in 2Q17, +€67 m in 1Q18). Trading income at €809 m in 1H18 (-23.2 per cent H/H).

Operating costs were down to €2.7 bn in 2Q18 (-7.0 per cent Y/Y, -2.9 per cent Q/Q), ahead of schedule. In particular:

- **HR expenses** were down to €1.6 bn in 2Q18, decreasing 7.6 per cent Y/Y and 1.4 per cent Q/Q, driven by FTE reduction;
- **Non HR costs**[23] were €1.0 bn in 2Q18, down 6.0 per cent Y/Y thanks to lower consulting, sponsorship and real estate expenses.

The number of employees reached 88,640 in 2Q18, down by 1,725 FTEs Q/Q and down 12,312 FTEs since December 2015, reaching 87 per cent of the 14k planned reductions by 2019. Branch closures were ahead of schedule, with a decrease of 61 units Q/Q to 4,698 in 2Q18 (of which 3,019 in Western Europe and 1,679 in CEE)[24] and down by 790 branches in Western Europe since December 2015, corresponding to 84 per cent of 944 planned closures by 2019. C/I ratio was down at 53.6 per cent in 1H18 (-2.0 p.p. H/H). FY18 C/I ratio target is confirmed at below 55 per cent.

Operating costs were €5.4 bn in 1H18 (-6.1 per cent H/H), ahead of schedule. FY18 total costs are expected to be below €11.0 bn target, FY19 target confirmed at €10.6 bn.

Gross operating profit totalled €2.3 bn in 2Q18 (-1.1 per cent Y/Y, -3.7 per cent Q/Q) and €4.7 bn in 1H18 (+1.9 per cent H/H).

[21] It refers to Group commercial TFA. Non-commercial elements, e.g. Group Corporate Centre, Non Core, Leasing/Factoring and Market Counterparts are excluded. Numbers are managerial figures.

[22] Collateral valuation adjustments (OIS), Debt/Credit Value Adjustment (DVA/CVA), Fair Value Adjustment and Funding Valuation Adjustment (FVA).

[23] Non HR costs include “other administrative expenses”, “recovery of expenses” and “amortisation, depreciation and impairment losses on intangible and tangible assets”.

[24] Branch figures consistent with CMD perimeter.

LLPs amounted to €504 m in 2Q18 (-23.7 per cent Y/Y, +1.5 per cent Q/Q) mainly driven by non-recurring write backs in CIB and to €1.0 bn in 1H18 (-29.9 per cent H/H). CoR was 45 bps in 1H18, including 2 bps of models change (5 bps in 2Q18). FY18 CoR is expected to be below 68 bps.

Net operating profit was €1.8 bn in 2Q18 (+7.9 per cent Y/Y, -5.1 per cent Q/Q) and €3.7 bn in 1H18 (+16.3 per cent H/H) thanks to sustained underlying commercial performance and strict cost and risk discipline.

Other charges and provisions totalled €662 m in 2Q18 (+27.5 per cent Q/Q), due to some non-recurring items and higher systemic charges. Other charges and provisions were €1.2 bn in 1H18 (+97.5 per cent H/H).

Income tax was €258 m in 2Q18 (+81.0 per cent Y/Y, +17.1 per cent Q/Q) and €479 m in 1H18 (+32.3 per cent H/H).

The good performance across all business divisions led to a **Group net profit** of €1.0 bn in 2Q18 (-13.3 per cent vs. 2Q17 adjusted, -7.9 per cent Q/Q). Positive operating performance in 2Q18 was registered across all divisions, with CEE and Commercial Banking Italy as the main contributors (net profit of €472 m and €369 m respectively). Group net profit at €2.1 bn in 1H18 (+4.7 per cent vs. 1H17 adjusted) with a RoTE of 8.7 per cent.

Group Core

(€ million)	1H17	1H18	*H/H*	2Q17	1Q18	2Q18	*Y/Y*	*Q/Q*
Total revenues	10,283	10,089	*-1.9%*	5,156	5,132	4,957	*-3.9%*	*-3.4%*
Gross operating profit	4,600	4,743	*+3.1%*	2,319	2,426	2,317	*-0.1%*	*-4.5%*
Net operating profit	3,764	4,256	*+13.1%*	1,981	2,056	2,201	*+11.1%*	*+7.1%*
Net profit	2,275	2,566	*+12.8%*	1,164	1,256	1,310	*+12.6%*	*+4.3%*
Adjusted net profit	2,464	2,566	*+4.2%*	1,400	1,256	1,310	*-6.4%*	*+4.3%*
Adjusted RoTE	10.7%	10.9%	*+0.2 p.p.*	12.0%	10.5%	11.3%	*-0.7 p.p.*	*+0.8 p.p.*
Cost/income	55.3%	53.0%	*-2.3 p.p.*	55.0%	52.7%	53.3%	*-1.8 p.p.*	*+0.5 p.p.*
Cost of risk (bps)	40	22	*-17*	32	35	11	*-21*	*-24*
Gross NPE ratio	5.3%	4.4%	*-85 bps*	5.3%	4.7%	4.4%	*-85 bps*	*-29 bps*

***Note**: Group adjusted net profit and RoTE exclude the net impact of the Pekao disposal (-€310 m in 2Q17) and the net profit from Pekao and Pioneer (+€48 m in 1Q17, +€73 m in 2Q17). RoTE calculated at CMD perimeter, taking into account the capital increase and Pekao and Pioneer disposals a of 1 January 2017.*

Group Core revenues were €5.0 bn in 2Q18 (-3.9 per cent Y/Y, -3.4 per cent Q/Q), mainly due to lower trading income (-27.1 per cent Y/Y) and a €90 m positive release from a one-off tax provision in 2Q17 NII in Commercial Banking Germany. 1H18 revenues amounted to €10.1 bn (-1.9 per cent H/H).

Costs were down to €2.6 bn in 2Q18 (-6.9 per cent Y/Y, -2.4 per cent Q/Q) and amounted to €5.3 bn in 1H18 (-5.9 per cent H/H). C/I ratio was down to 53.0 per cent in 1H18 (-2.3 p.p. H/H).

LLPs down to €116 m in 2Q18 (-65.7 per cent Y/Y, -68.7 per cent Q/Q) mainly driven by non-recurring write backs in CIB and to €487 m in 1H18 (-41.8 per cent). 1H18 CoR at 22 bps.

Group Core net operating profit was €2.2 bn in 2Q18 (+11.1 per cent Y/Y, +7.1 per cent Q/Q) and €4.3 bn in 1H18 (+13.1 per cent H/H).

Group Core net profit was €1.3 bn in 2Q18 (-6.4 per cent vs. 2Q17 adjusted, +4.3 per cent Q/Q) and €2.6 bn in 1H18 (+4.2 per cent vs. 1H17 adjusted) with a RoTE of 10.9 per cent (+0.2 p.p. vs. 1H17 adjusted). FY19 Group Core RoTE target is confirmed above 10 per cent.

Asset Quality

Group gross NPEs were down 19.3 per cent Y/Y and 4.4 per cent Q/Q to €42.6 bn, with an improved **gross NPE ratio** of 8.7 per cent in 2Q18 (-243 bps Y/Y, -71 bps Q/Q). Net NPEs decreased to €16.7 bn in 2Q18 (-27.5 per cent Y/Y, -5.9 per cent Q/Q) with net NPE ratio at 3.6 per cent in 2Q18 (-158 bps Y/Y, -37 bps Q/Q). The coverage ratio increased to 60.9 per cent in 2Q18 (+441 bps Y/Y, +61 bps Q/Q). Group gross NPE disposals reached €1.1 bn in 2Q18 of which €0.5 bn was in Non Core and €1.4 bn in 1H18 of which €0.6 bn in Non Core.

Group gross bad loans were further down at €24.1 bn in 2Q18 (-19.5 per cent Y/Y, -4.4 per cent Q/Q) with a coverage ratio at 73.5 per cent (+701 bps Y/Y, +49 bps Q/Q). **Group gross unlikely to pay** decreased to €17.5 bn (-18.9 per cent Y/Y, -4.5 per cent Q/Q), with a coverage ratio of 45.1 per cent (+116 bps Y/Y, +94 bps Q/Q). **Group past due loans** declined to €1.0 bn in 2Q18 (-22.6 per cent Y/Y, -3.4 per cent Q/Q) with a coverage ratio at 34.0 per cent.

The ongoing de-risking in **Group Core** continued with gross NPEs down to €20.4 bn in 2Q18 (-11.6 per cent Y/Y, -2.4 per cent Q/Q) and gross NPE ratio improved to 4.4 per cent (-85 bps Y/Y, -29 bps Q/Q). Coverage ratio was 58.2 per cent (+240 bps Y/Y, +25 bps Q/Q). Gross bad loans further decreased to €10.3 bn in 2Q18 (-10.2 per cent Y/Y, -1.9 per cent Q/Q) with a coverage ratio of 71.4 per cent (+143 bps Y/Y, -46 bps Q/Q). Gross unlikely to pay amounted to €9.2 bn in 2Q18 (-12.3 per cent Y/Y, -3.0 per cent Q/Q) with a coverage ratio of 45.7 per cent.

Inflows from performing loans to NPEs amounted to €1.4 bn in 2Q18. The default rate stood at 1.4 per cent in 2Q18, up from 1.3 per cent in 2Q17, mainly due to some single names in CEE. The cure rate[25] amounted to 10.6 per cent in 2Q18 (+1.6 p.p. Q/Q). Unlikely to pay migrating to bad loans at €460 m in 2Q18, from €433 m in 1Q18.

Commercial Banking Italy gross NPEs stood at €9.5 bn in 2Q18 (+0.3 per cent Y/Y, +0.7 per cent Q/Q), with a gross NPE ratio at 6.4 per cent (-20 bps Y/Y, -14 bps Q/Q) and a coverage ratio at 55.5 per cent. Net NPEs were €4.2 bn with a net NPE ratio down to 3.0 per cent in 2Q18. Gross bad loans were €4.7 bn (+3.5 per cent Y/Y, +3.0 per cent Q/Q) with a coverage ratio of 71.4 per cent in 2Q18. Gross unlikely to pay exposures were €4.2 bn (-2.4 per cent Y/Y, -1.4 per cent Q/Q) with a coverage ratio of 41.7 per cent in 2Q18.

Inflows to NPEs in Commercial Banking Italy amounted to €686 m in 2Q18, with a stable Q/Q default rate at 2.1 per cent. Unlikely to pay migrating to bad loans at €309 m in 2Q18, from €347 m in 1Q18.

Non Core rundown is progressing well with gross NPEs down to €22.2 bn in 2Q18 (-€7.5 bn Y/Y, -€1.5 bn Q/Q). In 2Q18, the improvement in the Non Core gross NPEs was supported by: i) write-offs of €0.6 bn, ii) recoveries of €0.3 bn, iii) disposals of €0.5 bn, and iv) back to Group Core of €0.2 bn. Net NPEs down to €8.1 bn in 2Q18 (-€4.6 bn Y/Y, -€0.8 bn Q/Q). NPE coverage ratio stood at 63.4 per cent in 2Q18 (+637 bps Y/Y, +102 bps Q/Q).

By the end of 2018, total gross NPEs are expected to be down to €19 bn[26] with a disposal target of €2 bn. FY19 gross NPE target is confirmed at €14.9 bn.

[25] Back to performing (annualised) divided by the stock of NPEs at the beginning of the period.
[26] Already below initial target of €19.2 bn for FY19 given at CMD16.

CAPITAL & FUNDING

The Group **fully loaded CET1 ratio** was down 56 bps Q/Q to 12.51 per cent in 2Q18, including -35 bps impact form FVOCI portfolio.

During the quarter, fully loaded CET1 ratio benefitted from earnings generation (+29 bps Q/Q) compensated by dividend accrual and AT1 / CASHES coupon payments[27] (-10 bps), valuation reserves (-48 bps) and higher RWA (-26 bps).

Fully loaded CET1 ratio target for year end 2018 confirmed between 12.3 per cent and 12.6 per cent[28] as the negative impact from BTP spread widening is compensated by partial slippage of impact from models, procyclicality and the anticipation of EBA guidelines to 1Q19. For year end 2019, fully loaded CET1 ratio target above 12.5 per cent, assuming BTP spreads remain at the current levels[29].

In 2Q18, **transitional**[30] **capital ratios** were: **CET1** 12.57 per cent, **Tier 1** 14.12 per cent and **total** 16.42 per cent. All ratios are confirmed well above capital requirements[31].

RWA totalled €360.7 bn in 2Q18 increasing by €7.4 bn since March 2018. In particular, credit RWA[32] were up €7.3 bn in the quarter to €313.3 bn in 2Q18, mainly affected by business evolution (+€8.0 bn Q/Q), regulation, procyclicality & models (+€0.6 bn) and FX effect and other credit risks (+€0.7 bn). These items were offset by business actions (-€1.9 bn Q/Q). Market RWA were up €1.0 bn Q/Q to €16.1 bn, due to higher market volatility during the quarter. Operational RWA were down to €31.3 bn in 2Q18 (-€0.9 bn Q/Q).

Fully loaded leverage ratio at 5.20 per cent in 2Q18 (+11 bps Y/Y, -15 bps Q/Q). **Transitional leverage ratio** at 5.33 per cent in 2Q18 (+7 bps Y/Y, -15 bps Q/Q).

Funding plan 2018 executed for €8.7 bn by the end of July. TLTRO II overall outstanding amount is equal to €51.2 bn on a consolidated basis[33].

[27]Dividend payout of 20 per cent in 2018. Coupons paid in 2Q18: on AT1 instruments equal to €95 m net of tax and on CASHES equal to €30 m.
[28]Please refer to footnote 4.
[29]Please refer to footnote 4.
[30]The transitional adjustments applicable for 2018 refer to: (I) 20 per cent for the actuarial losses calculated according to CRR Article 473 (40 per cent for 2017); (II) 40 per cent of the phase-out limit for the Additional Tier 1 and Tier 2 capital instruments subject to Grandfathering in coherence with CRR article 486 (50 per cent for 2017).
[31]Transitional capital requirements and buffers for UniCredit Group as of 30 June 2018 (rounded figures): 9.16 per cent CET1 ratio (4.50 per cent P1 + 2.00 per cent P2 + 2.66 per cent combined capital buffer); 10.66 per cent T1 ratio (6.00 per cent P1 + 2.00 per cent P2 + 2.66 per cent combined capital buffer); 12.66 per cent Total Capital ratio (8.00 per cent P1 + 2.00 per cent P2 + 2.66 per cent combined capital buffer).
[32]Business evolution: changes related to loan evolution. Business actions: initiatives to proactively decrease RWA (e.g. securitisations, changes in collaterals). Models: methodological changes to existing or new models. Procyclicality: change in macro-economic framework or client's credit worthiness. Regulation: changes in regulation. FX: impact from exposures to foreign currencies.
[33]Breakdown by country: €33.6 bn have been taken in Italy, €12.6 bn in Germany, €4.0 bn in Austria, €0.9 bn in CEE.

DIVISIONAL QUARTERLY HIGHLIGHTS[34]

Commercial Banking Italy

(€ million)	1H17	1H18	H/H	2Q17	1Q18	2Q18	Y/Y	Q/Q
Total revenues	3,808	3,751	-1.5%	1,940	1,884	1,867	-3.8%	-1.0%
Gross operating profit	1,567	1,660	+5.9%	819	831	829	+1.2%	-0.2%
Net operating profit	1,078	1,229	+14.0%	582	611	618	+6.2%	+1.1%
Net profit	637	748	+17.4%	325	379	369	+13.4%	-2.7%
RoAC	12.7%	14.0%	+1.2 p.p.	12.8%	14.2%	13.7%	+0.8 p.p.	-0.6 p.p.
Cost/income	58.9%	55.7%	-3.1 p.p.	57.8%	55.9%	55.6%	-2.2 p.p.	-0.3 p.p.
Cost of risk (bps)	72	62	-10	70	64	61	-9	-3

Revenues were €1.9 bn in 2Q18, down 3.8 per cent Y/Y and 1.0 per cent Q/Q. NII reached €873 m in 2Q18 (-3.3 per cent Q/Q) affected by ongoing market pressure on customer rates partially offset by increased loan volumes. Solid performance in lending activity with new loan production at €7.2 bn in 2Q18 (+22.0 per cent Q/Q) driven by corporates and retail (mortgages and personal loans). Fee generation was up 0.9 per cent Y/Y and up 0.4 per cent Q/Q to €979 m in 2Q18, thanks to sustained transactional fee growth (+14.9 per cent Y/Y, +3.1 per cent Q/Q). AuM net sales reached €1.1 bn in 2Q18 in a challenging market with AuM stock up 5.3 per cent Y/Y to €127.4 bn. Revenues were €3.8 bn in 1H18 (-1.5 per cent H/H).

92k gross new clients in 2Q18 (+4.9 per cent Y/Y), supported by the transformation of the Italian network which saw a further 58 branches close during the quarter.

Operating costs were down to €1.0 bn in 2Q18 (-7.4 per cent Y/Y, -1.6 per cent Q/Q) mainly thanks to HR cost reduction (-8.5 per cent Y/Y, -2.2 per cent Q/Q) related to lower FTEs. Cost savings on track in 1H18 at €2.1 bn (-6.7 per cent H/H) with C/I ratio down 3.1 p.p. H/H to 55.7 per cent in 1H18.

LLPs amounted to €211 m in 2Q18 (-11.1 per cent Y/Y, -3.8 per cent Q/Q) reflecting the positive asset quality trends and the conservative approach to NPEs. LLPs amounted to €431 m in 1H18 (-11.8 per cent H/H) with a CoR at 62 bps (-10 bps H/H), with limited models impact (2 bps in 2Q18).

The disciplined execution of Transform 2019 is driving the business turnaround with a net operating profit at €618 m in 2Q18, up 6.2 per cent Y/Y and up 1.1 per cent Q/Q and at €1.2 bn in 1H18 (+14.0 per cent H/H).

Commercial Banking Italy net profit reached €369 m in 2Q18 and €748 m in 1H18 (+17.4 per cent H/H) with a Return on Allocated Capital (RoAC) of 14.0 per cent.

[34] Please consider that (i) all divisional figures in "Divisional Quarterly Highlights" represent the contribution of each division to Group data; (ii) Return on Allocated Capital (RoAC) related to each division and showed in this section is calculated as: annualised net profit / allocated capital. Allocated capital based on RWA equivalent figures calculated with a CET1 ratio target of 12.5 per cent as for plan horizon, including deductions for shortfall and securitisations; (iii) new loan production for all divisions is a managerial figure

COMMERCIAL BANKING GERMANY

(€ million)	1H17	1H18	H/H	2Q17	1Q18	2Q18	Y/Y	Q/Q
Total revenues	1,432	1,257	-12.2%	731	636	621	-15.0%	-2.2%
Gross operating profit	499	380	-23.9%	271	189	191	-29.5%	+1.3%
Net operating profit	438	318	-27.4%	234	161	157	-33.1%	-2.9%
Net profit	350	142	-59.6%	239	85	57	-76.2%	-32.6%
RoAC	15.1%	6.2%	-8.9 p.p.	21.1%	7.5%	4.9%	-16.2 p.p.	-2.6 p.p.
Cost/income	65.1%	69.8%	+4.7 p.p.	62.9%	70.3%	69.2%	+6.3 p.p.	-1.1 p.p.
Cost of risk (bps)	15	15	-	18	13	17	-1	+3

Revenues at €621 m were slightly down 2.2 per cent Q/Q and decreasing 15.0 per cent Y/Y. NII was up 4.1 per cent Q/Q to €378 m in 2Q18, thanks to stabilising loan volumes and rates. NII was down 3.2 per cent Y/Y excluding a €90 m positive release from a one-off tax provision in 2Q17. New loan production was €4.9 bn in 2Q18, up 10.6 per cent Q/Q mainly driven by corporates. Fees at €190 m in 2Q18, up 1.6 per cent Y/Y thanks to higher contribution from AuM products (+7.8 per cent Y/Y). Revenues were €1.3 bn in 1H18 (-12.2 per cent H/H).

Gross new clients amounted to 19k in 2Q18.

Operating expenses were down 6.4 per cent Y/Y to €430 m in 2Q18 (-3.7 per cent Q/Q) confirming the ongoing cost control and supported by strong HR costs reduction (-7.5 per cent Y/Y) with FTEs further down 9.4 per cent Y/Y. Operating costs were €877 m in 1H18 (-5.9 per cent H/H) with C/I ratio of 69.8 per cent in 1H18, up 0.3 p.p. H/H, excluding the positive tax provision release in 2Q17.

LLPs were €35 m in 2Q18 and €62 m in 1H18 (+0.6 per cent H/H) with a still seasonally low CoR of 15 bps (stable H/H) thanks to a good risk environment.

Net operating profit was €157 m in 2Q18 (-33.1 per cent Y/Y, -2.9 per cent Q/Q) and €318 m in 1H18 (-27.4 per cent H/H). Net profit amounted to €57 m in 2Q18 (-76.2 per cent Y/Y, -32.6 per cent Q/Q) and to €142 m in 1H18 (-59.6 per cent H/H) with normalised[35] RoAC at 5.0 per cent in 1H18. FY19 RoAC confirmed at 9.1 per cent.

COMMERCIAL BANKING AUSTRIA

(€ million)	1H17	1H18	H/H	2Q17	1Q18	2Q18	Y/Y	Q/Q
Total revenues	785	784	-0.2%	411	380	403	-1.8%	+6.1%
Gross operating profit	229	262	+14.1%	139	114	148	+6.4%	+29.3%
Net operating profit	303	316	+4.3%	165	153	164	-0.5%	+7.4%
Net profit	280	209	-25.5%	209	50	159	-23.8%	n.m.
RoAC	19.0%	15.5%	-3.6 p.p.	28.7%	7.2%	23.9%	-4.8 p.p.	+16.8 p.p.
Cost/income	70.8%	66.6%	-4.2 p.p.	66.2%	70.0%	63.4%	-2.8 p.p.	-6.6 p.p.
Cost of risk (bps)	-31	-24	+7	-22	-34	-14	+8	+19

Revenues amounted to €403 m in 2Q18 (-1.8 per cent Y/Y, +6.1 per cent Q/Q). NII was down 1.5 per cent Q/Q to €167 m, due to higher repayments by corporates while customer rates were stable. New loan production was €2.1 bn in 2Q18 (+27.7 per cent Q/Q), thanks to corporates. Fees at €157 m, up 1.8 per cent Y/Y thanks to transactional fees (+2.8 per cent Y/Y). Revenues were €784 m in 1H18 (-0.2 per cent H/H).

[35] Non-recurring items in 2Q18 amounted to €27 m of net gains from participations. 2Q18 net profit negatively affected by non-recurring other charges & provisions.

The number of gross new clients was 11k in 2Q18.

Total expenses were down to €256 m (-5.9 per cent Y/Y, -3.9 per cent Q/Q) thanks to a reduction both in terms of HR costs (-7.2 per cent Y/Y) and Non HR costs (-4.3 per cent Y/Y). FTEs continue to decrease to 4,939 (-8.3 per cent Y/Y). Costs were €522 m in 1H18 (-6.1 per cent H/H) with C/I ratio of 66.6 per cent in 1H18 (-4.2 p.p. H/H).

Some write backs of LLPs were booked in 2Q18, leading to a net release of €16 m and of €55 m in 1H18. During the rest of the year, LLPs are expected to begin to normalise.

Net operating profit reached €164 m in 2Q18 (-0.5 per cent Y/Y, +7.4 per cent Q/Q) and €316 m in 1H18 (+4.3 per cent H/H).

Net profit was €159 m in 2Q18, down 23.8 per cent Y/Y due to some positive non-recurring items booked in 2Q17. Net profit at €209 m in 1H18 with a RoAC at 15.5 per cent.

CEE[36]

(€ million)	1H17	1H18	*H/H*	2Q17	1Q18	2Q18	*Y/Y*	*Q/Q*
Total revenues	2,141	2,155	*+4.7%*	1,072	1,095	1,060	*+3.9%*	*-1.5%*
Gross operating profit	1,376	1,390	*+6.3%*	686	715	675	*+4.8%*	*-3.4%*
Net operating profit	1,107	1,184	*+12.5%*	604	609	575	*+1.2%*	*-4.0%*
Net profit	825	887	*+14.6%*	494	415	472	*+2.3%*	*+14.6%*
RoAC	14.3%	16.0%	*+1.8 p.p.*	17.3%	15.0%	17.0%	*-0.3 p.p.*	*+2.0 p.p.*
Cost/income	35.7%	35.5%	*-0.2 p.p.*	36.0%	34.8%	36.3%	*+0.3 p.p.*	*+1.6 p.p.*
Cost of risk (bps)	89	67	*-22*	54	69	65	*+11*	*-4*

Revenues were up 3.9 per cent Y/Y to €1.1 bn in 2Q18 (-1.5 per cent Q/Q) with increased commercial revenues compensating lower trading income during the quarter. NII was up 3.9 per cent Q/Q to €667 m in 2Q18 thanks to increased lending volumes and stable customer rates. New loan production was €6.5 bn in 2Q18, up 45.6 per cent Q/Q. Fee generation was up 0.6 per cent Y/Y to €217 m in 2Q18 (+4.7 per cent Q/Q) mainly driven by transactional services up 8.8 per cent Y/Y. Revenues were €2.2 bn in 1H18, up 4.7 per cent H/H.

The number of gross new clients was 317k during the quarter.

Operating expenses were €385 m in 2Q18 (+2.2 per cent Y/Y, +2.4 per cent Q/Q) below inflation, mainly due to HR costs (+3.5 per cent Y/Y, +0.7 per cent Q/Q). Operating expenses were at €766 m in 1H18 (+1.8 per cent H/H) with C/I ratio of 35.5 per cent in 1H18 (-0.2 p.p. H/H).

LLPs were €100 m in 2Q18 (+32.1 per cent Y/Y, -0.2 per cent Q/Q) and €206 m in 1H18 (-19.5 per cent H/H) with CoR low at 67 bps thanks to continued write-backs. CoR should begin to normalise in the last part of the year.

Net operating profit was €575 m in 2Q18 (+1.2 per cent Y/Y, -4.0 per cent Q/Q) and €1.2 bn in 1H18 (+12.5 per cent H/H).

CEE continued to be a main contributor to Group bottom line, generating a net profit of €472 m in 2Q18, (+2.3 per cent Y/Y, +14.6 per cent Q/Q). The most important contributors to 2Q18 Y/Y earnings generation growth were Hungary (€63 m net profit, +14.7 per cent Y/Y), Bulgaria (€61 m net profit, +5.2 per cent Y/Y) and Croatia (€52 m net profit, +1.0 per cent Y/Y). Net profit was €887 m in 1H18 (+14.6 per cent H/H) with RoAC at 16.0 per cent.

Gross NPE ratio improved 176 bps Y/Y to 7.2 per cent in 2Q18, already at FY19 target.

[36] For CEE, changes (Y/Y, Q/Q and H/H) at constant exchange rate. RoAC, C/I ratio and CoR changes at current FX.

CIB

(€ million)	1H17	1H18	H/H	2Q17	1Q18	2Q18	Y/Y	Q/Q
Total revenues	2,196	1,957	-10.9%	1,034	1,099	858	-17.0%	-21.9%
Gross operating profit	1,355	1,178	-13.1%	623	700	477	-23.4%	-31.9%
Net operating profit	1,270	1,339	+5.5%	618	652	687	+11.1%	+5.5%
Net profit	753	559	-25.8%	402	378	181	-54.9%	-52.1%
RoAC	16.1%	11.4%	-4.6 p.p.	17.5%	15.7%	7.3%	-10.1 p.p.	-8.4 p.p.
Cost/income	38.3%	39.8%	+1.5 p.p.	39.8%	36.3%	44.4%	+4.6 p.p.	+8.1 p.p.
Cost of risk (bps)	17	-30	-47	2	19	-77	-78	-96

Revenues were €858 m in 2Q18 (-17.0 per cent Y/Y, -21.9 per cent Q/Q) in a challenging market environment with lower fees and trading income. NII was up 0.3 per cent Q/Q to €558 m in 2Q18, thanks to increased loan volumes and slightly higher customer rates. Fees were €149 m, down 17.1 per cent Y/Y due to a weak 2Q18 performance against the strong 2Q17 commercial performance in Equity and Debt Capital Markets. Trading income decreased to €131 m in 2Q18 mainly affected by spread widening and negative impacts from market making activity, lower institutional investor flows and less gains of FVOCI portfolio. Client driven share of revenues was 78 per cent in 2Q18 (+4 p.p. Q/Q). Revenues reached €2.0 bn in 1H18 (-10.9 per cent H/H).

Total costs were down to €381 m in 2Q18 (-7.4 per cent Y/Y, -4.4 per cent Q/Q) and to €780 m in 1H18 (-7.3 per cent H/H). FTEs increased 2.2 per cent Q/Q to 3,331 as the 2019 targets were already achieved. C/I ratio of 39.8 per cent in 1H18 (+1.5 p.p. H/H).

Non-recurring write backs of LLPs were booked in 2Q18, with a net release of €210 m and of €161 m in 1H18. CoR at -30 bps in 1H18 (-47 bps H/H).

Net operating profit reached €687 m in 2Q18 (+11.1 per cent Y/Y, +5.5 per cent Q/Q) and €1.3 bn in 1H18 (+5.5 per cent H/H). Net profit was €181 m in 2Q18 and €559 m in 1H18, with RoAC at 10.6 per cent in 1H18 normalised for non-recurring items booked in 1Q18[37].

In 1H18, UniCredit confirmed its top position for debt financing, by ranking:

- #1 in “All Bonds” (Italy and Germany) and in “All Syndicated Loans” (Italy, CEE and Austria);
- #2 in “All Bonds in EMEA EUR” by number of transactions and in “All Syndicated Loans” (Germany);
- #3 in “All Bonds in EMEA EUR” and in “All Syndicated Loans in EMEA EUR”.

Moreover, the strength of the fully plugged-in CIB platform and the strong mid-corporate footprint was further underlined by ranking #1 in “Financial Advisory” by number of transactions in Italy, Germany and CEE, and #1 in “Commodity Finance in EMEA”[38].

[37]Non-recurring items amounted to €39 m in 1Q18 of net trading gains from participations. 2Q18 net profit negatively affected by non-recurring other charges & provisions.

[38]All league tables were based on Dealogic as of 4 July 2018. Period: 1 Jan. – 30 Jun. 2018. Rankings by volume unless otherwise stated. Corporate Finance Advisory rankings: source Mergermarket (1 Jan – 30 June 2018, by number of deals, excluding accounting firms).

Fineco

(€ million)	1H17	1H18	H/H	2Q17	1Q18	2Q18	Y/Y	Q/Q
Total revenues	282	311	+10.2%	141	155	156	+11.0%	+0.7%
Gross operating profit	161	187	+15.7%	80	91	95	+18.6%	+4.0%
Net operating profit	160	185	+16.2%	79	91	95	+19.9%	+4.8%
Net profit	37	44	+19.8%	19	21	23	+24.1%	+9.3%
RoAC	64.9%	55.0%	-10.0 p.p.	70.9%	56.5%	53.7%	-17.3 p.p.	-2.8 p.p.
Cost/income	42.9%	40.1%	-2.9 p.p.	43.0%	41.0%	39.1%	-3.9 p.p.	-2.0 p.p.
AUM / TFA	48.1%	48.5%	+0.4 p.p.	48.1%	48.6%	48.5%	+0.4 p.p.	-0.1 p.p.

Revenues were up 11.0 per cent Y/Y to €156 m in 2Q18 (+0.7 per cent Q/Q), with a positive contribution from all business areas. In particular:

- NII was up 6.6 per cent Y/Y to €68 m (-0.4 per cent Q/Q), driven by further expansion in lending activities with loan volumes[39] up 86.6 per cent Y/Y to €2.4 bn (+15.4 per cent Q/Q);
- fees were up 14.7 per cent Y/Y to €75 m (+4.3 per cent Q/Q), thanks to higher AuM management fees.

Revenues were up 10.2 per cent H/H to €311 m in 1H18.

Brokerage activity (generating fees and trading income) performed well, with commercial revenues up 5.7 per cent H/H and 14.4 m orders executed since the beginning of 2018 (+6.4 per cent H/H).

Operating expenses were €61 m in 2Q18 (+0.9 per cent Y/Y, -4.1 per cent Q/Q) and €125 m in 1H18 (+2.9 per cent H/H) confirming the continuous focus on efficiency while expanding the business activity. C/I ratio at 40.1 per cent in 1H18 (-2.9 p.p. H/H).

Net operating profit increased to €95 m in 2Q18 (+19.9 per cent Y/Y, +4.8 per cent Q/Q) and €185 m in 1H18 (+16.2 per cent H/H). Net profit[40] reached €23 m in 2Q18 (+24.1 per cent Y/Y, +9.3 per cent Q/Q) and €44 m in 1H18 (+19.8 per cent H/H). RoAC amounted to 55.0 per cent in 1H18.

Fineco continued to be the key player in asset gathering in Italy. TFA increased to €69.8 bn at the end of June 2018 (+9.8 per cent H/H) with AuM up 10.6 per cent Y/Y to €33.9 bn mainly thanks to the strong productivity of the financial advisors network.

TFA net sales expansion continued in 2Q18, reaching €3.6 bn since the beginning of the year (+24.3 per cent H/H). AuM net sales were €1.4 bn in 1H18 (-20.2 per cent H/H) in line with increased market volatility recorded during the first half of 2018. "Guided products & services"[41] stock increased its share of total AuM stock to 64 per cent in June 2018 (vs. 59 per cent in June 2017 and 63 per cent in December 2017).

Moreover, Fineco acquired an additional 29k gross new customers in the second quarter 2018, reaching a total of almost 1.24 m clients (+6.8 per cent Y/Y).

[39]End-of-period accounting volumes calculated excluding repos and intercompany items.
[40]Consolidated view, i.e. 35 per cent ownership by UniCredit.
[41]Refers to products and developed services based on a selection among UCITS, considering the different customer risk profiles. Among others, the offer includes a multi-segment fund of funds denominated "Core Series", a unit-linked policy denominated "Core Unit" and an advanced investment advisory service denominated "Fineco Advice".

Group Corporate Centre (GCC)

(€ million)	1H17	1H18	H/H	2Q17	1Q18	2Q18	Y/Y	Q/Q
Total revenues	-361	-126	*-65.0%*	-172	-118	-9	*-95.0%*	*-92.7%*
Operating costs	-227	-186	*-17.9%*	-127	-96	-90	*-29.3%*	*-6.1%*
Gross operating profit	-588	-312	*-46.9%*	-299	-214	-99	*-67.0%*	*-53.8%*
Net profit/loss	-607	-23	*-96.3%*	-524	-71	49	*n.m.*	*n.m.*
FTE	16,211	14,712	*-9.2%*	16,211	15,177	14,712	*-9.2%*	*-3.1%*
Costs GCC/total costs	3.9%	3.4%	*-0.5 p.p.*	4.5%	3.5%	3.4%	*-1.1 p.p.*	*-0.1 p.p.*

GCC revenues improved to -€9 m in 2Q18 (-95.0 per cent Y/Y, -92.7 per cent Q/Q) driven by lower term funding costs and positive results from hedging activity. 1H18 revenues amounted to -€126 m (-65.0 per cent H/H).

In 2Q18, GCC operating costs amounted to €90 m, down 29.3 per cent Y/Y driven by lower HR costs (-12.0 per cent Y/Y). In 1H18, they were down 17.9 per cent H/H to €186 m. The lean but steering GCC transformation is on track with a Y/Y reduction of 1,498 FTEs. Since December 2015, FTEs were down 17.5 per cent (-3,130 FTEs).

The reduction of GCC continued with the GCC weight of Group total costs further improving to 3.4 per cent in 1H18, down 0.5 p.p. H/H (compared to 5.2 per cent as of December 2015[42]). FY19 target is confirmed at 3.6 per cent[43].

Systemic charges were higher due to a €52 m additional contribution to the National Resolution Fund in Italy.

Non Core

(€ million)	1H17	1H18	H/H	2Q17	1Q18	2Q18	Y/Y	Q/Q
Total revenues	40	-28	*n.m.*	16	-18	-10	*n.m.*	*-44.3%*
Operating costs	-62	-50	*-18.5%*	-21	-32	-18	*-13.0%*	*-43.7%*
Gross operating profit	-22	-78	*n.m.*	-4	-50	-28	*n.m.*	*-43.9%*
LLP	-590	-514	*-12.9%*	-323	-126	-388	*+20.1%*	*n.m.*
Net loss	-423	-430	*+1.7%*	-218	-144	-285	*+30.9%*	*+97.7%*
Gross customer loans	33,476	24,615	*-26.5%*	33,476	26,322	24,615	*-26.5%*	*-6.5%*
Net NPEs	12,759	8,110	*-36.4%*	12,759	8,886	8,110	*-36.4%*	*-8.7%*
Coverage ratio	57.0%	63.4%	*+6.4 p.p.*	57.0%	62.4%	63.4%	*+6.4 p.p.*	*+1.0 p.p.*
RWA	22,500	15,367	*-31.7%*	22,500	17,125	15,367	*-31.7%*	*-10.3%*

Non Core accelerated rundown is progressing as planned.

Gross loans were down to €24.6 bn in 2Q18 (-8.9 bn Y/Y, -1.7 bn Q/Q), including €2.4 bn of performing exposure. RWA decreased to €15.4 bn in 2Q18 (-31.7 per cent Y/Y).

Revenues were negative for €10 m in 2Q18 and for €28 m in 1H18.

Operating costs further down 13.0 per cent Y/Y to €18 m in 2Q18, driven by HR expenses (-11.6 per cent Y/Y). 1H18 operating costs amounted to €50 m (-18.5 per cent H/H). LLPs amounted to €388 m in 2Q18 (+20.1 per cent Y/Y) and to €514 m in 1H18 (-12.9 per cent H/H).

Net loss was €285 m in 2Q18 and €430 m in 1H18.

[42] Please refer to footnote 13.
[43] Please refer to footnote 14.

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GROUP TABLES

UNICREDIT GROUP: RECLASSIFIED INCOME STATEMENT

(€ million)	1H17	1H18	H/H	2Q17	1Q18	2Q18	Y/Y	Q/Q
Net interest	5,408	5,314	*-1.7%*	2,748	2,636	2,678	*-2.6%*	*+1.6%*
Dividends and other income from equity investments	353	369	*+4.5%*	183	189	180	*-1.8%*	*-5.1%*
Net fees and commissions	3,432	3,475	*+1.3%*	1,730	1,750	1,725	*-0.3%*	*-1.4%*
Net trading income	1,053	809	*-23.2%*	462	478	331	*-28.5%*	*-30.8%*
Net other expenses/income	76	94	*+22.6%*	49	60	33	*-31.5%*	*-44.7%*
OPERATING INCOME	**10,323**	**10,061**	***-2.5%***	**5,172**	**5,114**	**4,947**	***-4.3%***	***-3.3%***
Payroll costs	(3,500)	(3,246)	*-7.2%*	(1,744)	(1,634)	(1,612)	*-7.6%*	*-1.4%*
Other administrative expenses	(2,195)	(2,101)	*-4.3%*	(1,081)	(1,069)	(1,032)	*-4.5%*	*-3.4%*
Recovery of expenses	344	348	*+1.1%*	167	163	185	*+10.5%*	*+13.7%*
Amort. deprec. and imp. losses on intang. & tang. assets	(393)	(396)	*+0.9%*	(199)	(197)	(199)	*+0.1%*	*+1.3%*
OPERATING COSTS	**(5,744)**	**(5,396)**	***-6.1%***	**(2,858)**	**(2,738)**	**(2,659)**	***-7.0%***	***-2.9%***
OPERATING PROFIT (LOSS)	**4,579**	**4,665**	***+1.9%***	**2,315**	**2,376**	**2,289**	***-1.1%***	***-3.7%***
Net write-downs on loans and provisions for guarantees and commitments	(1,427)	(1,000)	*-29.9%*	(661)	(496)	(504)	*-23.7%*	*+1.5%*
NET OPERATING PROFIT (LOSS)	**3,152**	**3,665**	***+16.3%***	**1,654**	**1,880**	**1,785**	***+7.9%***	***-5.1%***
Other charges and provisions	(598)	(1,181)	*+97.5%*	(135)	(519)	(662)	*n.m.*	*+27.5%*
- of which: systemic charges	*(453)*	*(623)*	*+37.3%*	*(19)*	*(465)*	*(158)*	*n.m.*	*-66.1%*
Integration costs	(12)	9	*n.m.*	(8)	11	(2)	*-72.3%*	*n.m.*
Net income from investments	(149)	222	*n.m.*	(173)	17	205	*n.m.*	*n.m.*
PROFIT (LOSS) BEFORE TAX	**2,392**	**2,715**	***+13.5%***	**1,338**	**1,389**	**1,325**	***-0.9%***	***-4.6%***
Income tax for the period	(362)	(479)	*+32.3%*	(143)	(221)	(258)	*+81.0%*	*+17.1%*
NET PROFIT (LOSS)	**2,030**	**2,236**	***+10.1%***	**1,195**	**1,169**	**1,067**	***-10.7%***	***-8.7%***
Profit (Loss) from non-current assets held for sale, after tax	29	14	*-52.1%*	(133)	(1)	15	*n.m.*	*n.m.*
PROFIT (LOSS) FOR THE PERIOD	**2,059**	**2,249**	***+9.2%***	**1,062**	**1,168**	**1,082**	***+1.9%***	***-7.4%***
Minorities	(204)	(111)	*-45.6%*	(116)	(55)	(56)	*-51.2%*	*+3.2%*
NET PROFIT (LOSS) ATTRIBUTABLE TO THE GROUP BEFORE PPA	**1,855**	**2,138**	***+15.3%***	**946**	**1,113**	**1,025**	***+8.3%***	***-7.9%***
Purchase Price Allocation effect	(2)	(2)	*-14.1%*	(1)	(1)	(1)	*+2.0%*	*-2.4%*
Goodwill impairment	-	-	*n.m.*	-	-	-	*n.m.*	*n.m.*
NET PROFIT (LOSS) ATTRIBUTABLE TO THE GROUP	**1,853**	**2,136**	***+15.3%***	**945**	**1,112**	**1,024**	***+8.3%***	***-7.9%***

Note: 2017 figures were restated:

- starting from 30 September 2017 following the reclassifications:
    - of the consolidation effects arising from the intercompany commissions versus Bank Pekao S.A., Pioneer Global Asset Management S.p.A. and their subgroups' companies from item "Net fees and commissions" and "Income tax for the period" in item "Profit (Loss) from non-current assets held for sale, after tax";
    - of the indemnities recognised for resolution of non-performing loans management from item "Net fees and commissions" to item "Net other expenses/income";
- starting from 2018 following the reclassification of interests from item "Net write-downs on loans and provisions for guarantees and commitments" to item "Net interest" considering:
    - the component linked to the interests due to time value unwinding, determined in the valuation of non-performing financial assets;
    - the identification of interests income on the non-performing financial assets calculated on their net balance sheet exposure based on the related interest rates.

UNICREDIT GROUP: RECLASSIFIED BALANCE SHEET

(€ million)	2Q17	1Q18	2Q18	Y/Y	Q/Q
ASSETS					
Cash and cash balances	48,428	49,944	21,238	-56.1%	-57.5%
Financial assets held for trading	79,529	80,324	83,262	+4.7%	+3.7%
Loans to banks	65,225	70,324	73,004	+11.9%	+3.8%
Loans to customers	440,821	441,783	458,787	+4.1%	+3.8%
Other financial assets	147,686	142,917	148,841	+0.8%	+4.1%
Hedging instruments	5,975	5,688	5,700	-4.6%	+0.2%
Property, plant and equipment	8,947	9,115	9,077	+1.5%	-0.4%
Goodwill	1,484	1,484	1,484	+0.0%	+0.0%
Other intangible assets	1,763	1,872	1,864	+5.7%	-0.4%
Tax assets	14,252	12,110	11,998	-15.8%	-0.9%
Non-current assets and disposal groups classified as held for sale	4,052	955	915	-77.4%	-4.2%
Other assets	8,966	7,461	7,740	-13.7%	+3.7%
Total assets	**827,128**	**823,978**	**823,908**	***-0.4%***	***-0.0%***
LIABILITIES AND SHAREHOLDERS' EQUITY					
Deposits from banks	129,844	125,177	129,747	-0.1%	+3.7%
Deposits from customers	433,017	456,959	456,094	+5.3%	-0.2%
Debt securities issued	110,664	93,369	87,567	-20.9%	-6.2%
Financial liabilities held for trading	55,505	48,685	52,454	-5.5%	+7.7%
Financial liabilities designated at fair value	3,045	8,575	8,524	n.m.	-0.6%
Hedging instruments	7,245	5,881	6,254	-13.7%	+6.3%
Tax liabilities	1,188	1,140	1,066	-10.3%	-6.5%
Liabilities included in disposal groups classified as held for sale	618	196	79	-87.3%	-59.8%
Other liabilities	30,019	26,104	25,825	-14.0%	-1.1%
Minorities	822	941	837	+1.7%	-11.1%
Group Shareholders' Equity:	55,161	56,950	55,462	+0.5%	-2.6%
- Capital and reserves	53,308	55,838	53,325	+0.0%	-4.5%
- Net profit (loss)	1,853	1,112	2,136	+15.3%	+92.1%
Total liabilities and Shareholders' Equity	**827,128**	**823,978**	**823,908**	***-0.4%***	***-0.0%***

Note: the format of the Reclassified Balance Sheet is different from the one used in the previous financial year following the reclassification/aggregation of "Provisions for risks and charges" from a separate item to "Other liabilities" and of "Revaluation Reserves" from a separate item to "Capital and Reserves". "Financial investments" has also been renamed in "Other financial assets". The comparative periods were restated accordingly.

2017 figures were also restated following the reclassification of the component relating to debt securities from "Loans to customers" to "Other financial assets".

UNICREDIT GROUP: STAFF AND BRANCHES

(units)	2Q17	1Q18	2Q18	*Y/Y Δ*	*Q/Q Δ*
Employees(*)	95,288	90,365	88,640	*-6,649*	*-1,725*
Branches (**)	5,115	4,759	4,698	*-417*	*-61*
- o/w CB Italy, CB Germany, CB Austria	*3,345*	*3,077*	*3,019*	*-326*	*-58*
- o/w CEE	*1,770*	*1,682*	*1,679*	*-91*	*-3*

Note: (*) FTE data: number of employees counted for the rate of presence. Please consider that Group FTEs are shown excluding all companies that have been classified as "discontinued operations" under IFRS5 and Ocean Breeze. (**) Figures do not include the branches of Yapi.

UNICREDIT GROUP: RATINGS

	SHORT-TERM DEBT	MEDIUM AND LONG-TERM	OUTLOOK	STANDALONE RATING
Standard & Poor's	A-2	BBB	STABLE	bbb
Moody's	P-2	Baa1	POSITIVE	ba1
Fitch Ratings	F2	BBB	STABLE	bbb

Note: S&P: following the upgrade at end of October 2017, S&P affirmed UniCredit S.p.A's medium and long term ratings to 'BBB' with stable outlook on 16 April 2018.

Moody's: following the update on Transform 2019, Moody's changed UniCredit S.p.A's outlook to positive from stable on 8 January 2018.

Fitch Ratings: on 15 December 2017, Fitch affirmed UniCredit SpA's medium and long term ratings to 'BBB' with existing stable outlook.

<u>*Declaration by the Manager charged with preparing the financial reports*</u>

The undersigned, Stefano Porro, in his capacity as the Manager charged with preparing UniCredit S.p.A.'s financial reports

DECLARES

That, pursuant to Article 154 bis, paragraph 2, of the "Consolidated Law on Financial Intermediation" the information disclosed in this document corresponds to the accounting documents, books and records.

Milan, 6 August 2018

Manager charged with
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UNICREDIT 2Q18 GROUP RESULTS – DETAILS OF CONFERENCE CALL

MILAN, 7 AUGUST 2018 – 10.00 CET

CONFERENCE CALL DIAL IN

ITALY: +39 02 805 88 11
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THE **CONFERENCE CALL** WILL ALSO BE **AVAILABLE** VIA **LIVE AUDIO WEBCAST** AT https://www.unicreditgroup.eu/en/investors/group-results.html, WHERE THE SLIDES WILL BE DOWNLOADABLE

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