One Bank One Team One UniCredit

Capital Markets Day 2019

Team 23

J. P. Mustier

London, 3 December 2019

One Bank, One UniCredit

A simple successful Pan European Commercial Bank, with a fully plugged in CIB, delivering

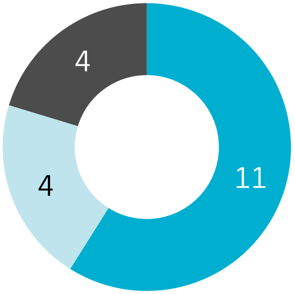
a unique Western, Central and Eastern European network to its extensive and growing client franchise

UniCredit: a Pan European winner

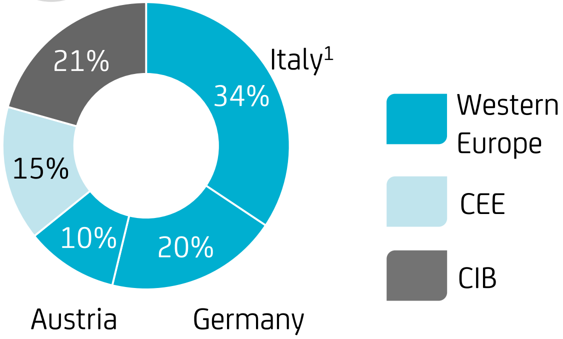
A simple successful Pan European Commercial Bank

Commercial focus

19 Revenues, bn



>430 Commercial loans, bn



16 clients, m

#2 for loans to corporates in Europe

#1 by total assets in CEE

Pan European footprint

A trusted partner for individuals, "go-to" bank for SMEs and corporates delivering a unique Western, Central and Eastern European network with a fully plugged in CIB

Note: This presentation includes rounded figures
Figures restated assuming new Group perimeter. New Group perimeter assumes full deconsolidation of Turkey and disposal of Fineco, Mediobanca and Ocean Breeze.

For ranking methodologies see annex.

1. Italy including Non Core and Group Corporate Centre.
2. Including UC Luxembourg and UC Ireland. Other International branches and representative offices In Asia and Oceania, North and South America, Middle East and Africa.

Confirmed track record of execution and delivery of targets

Transform 2019 showed that: we execute, we are transparent, we do the right thing for all stakeholders and we favour long-term sustainable outcomes over short-term solutions.

We are committed to generating sustainable returns by leveraging on our extensive and growing pan European client franchise, maximising productivity through continuous cost optimisation and more efficient business processes.

Thanks to proven discipline in risk management and capital allocation – at all times – we keep a high level of capital to absorb regulatory headwinds, delivering recurring growth of tangible equity, while maximising distribution to shareholders.

Transform 2019 success confirms ability to execute and deliver Team 23 plan

Transform 2019

Targets successfully delivered in worse-than-expected macro environment

2016-2019 headwinds

- Interest rate impact
- Slowdown of economic growth
- BTP-Bund spread volatility
- Deterioration of economic environment in Turkey
- Regulatory headwinds
- US sanctions

Decisive actions

Acceleration of balance sheet de-risking

- Acceleration of Non Core run-off
- BTP portfolio reduction
- Intragroup exposure decrease

Additional cost optimisation

- Further cost reduction vs initial 2019 target

Strong capital position

- Transparent disclosure of regulatory impacts
- Disposal of non-strategic assets[1]

1. Fineco, Mediobanca, Ocean Breeze, selected real estate.

Transform 2019
Focused execution resulted in key targets being exceeded

Strengthened corporate governance	In line with best-in-class EU companies
Significant de-risking	-50bn gross NPE reduction since 2015 down to 29bn, reaching by year-end a gross NPE ratio below 5.5% and a net NPE ratio below 2.3%
Material cost reduction	-2.1bn net cost reduction[1], -21% FTEs and -25% branches in mature markets
Improved RoTE[2]	From 4% in 2015 to above 9%[1] at Group level
Strong capital position	21bn of CET1 capital equivalent raised, CET1 MDA buffer at the upper end of the 200 to 250bps range
Regulatory requirement	**SREP Pillar 2 requirement lowered from 200bps to 175bps[3], 75bps lower than 2016**
Shareholder return	**FY19 capital distribution at 40%[4] double the initial target[5]**

Figures as of 9M19, unless otherwise stated.
1. FY19 guidance.
2. On adjusted basis.
3. Based on SREP letter received on 2 December 2019.
4. 30% cash dividend and a proposal of 10% share buyback subject to regulatory approval and AGM authorisation.
5. Initial target communicated at CMD16: 20% cash dividend; target revised at CMD17: 30% cash dividend.

Team 23

Plan based on four Pillars

Grow and strengthen client franchise

Transform and maximise productivity

Disciplined risk management & controls

Capital and balance sheet management

Team 23

Key targets

	2018	2019	2020	2023
RoTE[1], %	8	>9	8	>8
Costs, bn	10.3	10.1	10.2	10.2
Gross NPE ratio, %	7.7	<5.5	5.0	<3.8
Tangible equity, EoP bn	47.7	51.6[2]	53	60
CET1 MDA buffer[3], bps	between 200 and 250			
Underlying net profit[4], bn	3.0	4.7	4.3	5
Capital distribution[5], %	20	40	40	50

1bn gross cost savings including:
- c. 8,000 FTE reductions[6]
- c. 500 branch closures[6]

30% cash dividend
10% share buyback

Guidance

1. Based on underlying net profit adjusted for non-operating items, see annex for details. RoTE for 2018 based on stated net profit adjusted for Yapi impairment (-0.8 bn) and IFRS9 FTA tax effect (+0.9bn).
2. 9M19 actual.
3. For 2023 including estimated impact of CRD5 (article 104a) and Basel 4, FRTB and CVA fully loaded.
4. Adjusted for non-operating items, see annex for details. Adjustments neutral for coupon payments of AT1 and CASHES.
5. Based on underlying net profit. Capital distribution for FY19-FY22: 30% cash dividend and 10% share buyback; for FY23: 40% cash dividend and 10% share buyback. Proposal of share buybacks subject to regulatory approval and AGM authorisation.
6. Between end of 2019 and 2023.

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Tangible actions to deliver targets

Grow and strengthen client franchise

Transform and maximise productivity

Disciplined risk management & controls

Capital and balance sheet management

Selected examples

- Customer experience
- "Go-to" bank for SMEs
- Enhanced service model for individuals
- Growth engines

Grow and strengthen client franchise – customer experience

Renewed focus on customer satisfaction and service quality

Transform 2019

From a strong cost efficiency and de-risking effort

Team 2023

to a focus on strengthening and growing customer base

- Customer experience as key driver for all strategic initiatives
- Client satisfaction measured at channel and touchpoint levels within customer journeys to drive process optimisation
- Commitment to improve competitive position for Strategic NPS[1] at group level

1. Strategic Net Promoter Score, definition in glossary.

Grow and strengthen client franchise – SME

"Go-to" bank for SMEs thanks to enhanced service model

Key success factors

- Incumbent advantage thanks to long established presence
- Single group-wide client model leveraging on unique pan-European commercial network
- Full range of corporate offering, with a fully plugged-in CIB
- Enhanced customer experience thanks to value added services

2023 goals - SME

	WEU[1]	CEE
Revenues, bn	1.7	0.6
CAGR 18-23 [2]	+3%	+3%
o/w fees	47%	24%
CAGR 18-23 [2]	+5%	+4%
Loans, bn	40	13
CAGR 18-23	+4%	+3%
Number of active clients, k	155	55
CAGR 18-23	+2%	+3%
RoAC, %	9	12
Customer journey NPS increase[3], points	>5	>5

Confirm position as "go to" bank for small and mid-sized corporates

Managerial figures.

1. Commercial Banking Italy, Germany and Austria.

2. For CEE, CAGR is calculated 19–23 to neutralise methodological changes.

3. Net Promoter Score, definition in glossary.

Grow and strengthen client franchise – individuals

Redesign customer service for individuals thanks to a mix of integrated channels

Improved customer service model

Distribution model enhancement

- Focus on transaction migration towards direct channels across the Group, including mobile channel
- Network footprint redesign in Western Europe
- Targeted retail growth in selected CEE countries

Evolution of service model, ranging from mass market to wealth management

- Renewed focus on conversion of deposits into AuM
- Grow Private Banking and Wealth Management through enhanced coverage and leveraging on group-wide platform
- Targeted growth in selected segments by using data analytics

2023 goals - individuals

	WEU[1]	CEE
Revenues, bn	5.7	1.4
CAGR 18-23 [2]	+1%	+4%
o/w fees	62%	26%
CAGR 18-23 [2]	+2%	+5%
Loans, bn	113	24
CAGR 18-23	+3%	+6%
Number of active clients, m	10	6
CAGR 18-23	+1%	+3%
AuM, bn	226	4
CAGR 18-23	+6%	+9%
Digital users, %	60	60
Customer journey NPS increase[3], points	>5	>5

Managerial figures. Individuals includes retail, private banking and wealth management.
1. Commercial Banking Italy, Germany and Austria.
2. For CEE, CAGR is calculated 19–23 to neutralise methodological changes.
3. Net Promoter Score, definition in glossary.

Grow and strengthen client franchise – growth engines

CEE and fully plugged-in CIB as profitable growth engines

Key initiatives		2023 goals
Reinforce CEE leadership	▪ Fully exploit CEE leadership position and economic potential, delivering sustainable returns and further improvement in cost efficiency ▪ Reinforce commercial strategy driven by customer focus, and leveraging on digitalisation and international franchise	2% Core revenues[1] CAGR
CIB fully plugged-in	▪ Deliver the full CIB product offer to SME, Corporate, Private Banking, Wealth Management and Financial Institution customers across the Group ▪ Confirm market leadership and further grow in loans, debt capital markets and trade finance in Europe	3% Client driven revenues CAGR

Reinforce market leadership in CEE and strengthen CIB and Commercial Banking cooperation

CAGRs refer to 2018-2023 period.
1. Revenues excluding Trading.

Team 23
Tangible actions to deliver targets

Grow and strengthen client franchise

Transform and maximise productivity

Selected examples

- Paperless bank
- Process optimisation

Disciplined risk management & controls

Capital and balance sheet management

Transform and maximise productivity – paperless bank

Dematerialised processes to reduce costs and operational risk

Key priorities

- Enhancement of customer experience in branches
- Decrease of operational risk
- Reduction of cost to serve
- Fully dematerialised processes

Main actions

- Converge to a digital experience in the branch
- Implement straight-through processing leading to faster transactions
- Enable exchange of digital documents between bank and customers
- Provide a wider set of digital-ready contracts, increasing use of client digital signature

2023 goals

- >150m Cost saving[1]
- >5 Customer journey NPS[2] increase, points

Digital product roll out in Italy by early 2H20, in Austria and in Germany by 2021 and in CEE by 2023

1. 2023 run rate, cost equivalent of HR and non-HR efficiency.
2. Net Promoter Score, definition in glossary.

Transform and maximise productivity – process optimisation

Continuous process optimisation leading to a new way of working

Customer journey[1]

- Current accounts
- Investment products
- Residential mortgages
- Consumer finance
- Cards
- SME banking

Main objectives

- Transform and streamline processes to enhance customer experience and grow client business
- Maximise productivity across the value chain
- Improve processes and products to minimise operational risk

2023 goals

- >60m Cost saving[2]
- >5 Customer journey NPS[3] increase, points

Seamless cooperation between business, support functions and IT to drive product innovation across dedicated customer journeys

1. E2E permanent rooms: working on process redesign of identified customer journeys, requiring involvement of representatives of all functions (e.g., Business, IT and support functions).
2. 2023 run rate.
3. Net Promoter Score, definition in glossary.

Team 23
Tangible actions to deliver targets

Grow and strengthen client franchise

Transform and maximise productivity

Disciplined risk management & controls

Capital and balance sheet management

- Credit and financial risk
- Operational risk and compliance

Disciplined risk management & controls - credit and financial risk

Strengthened monitoring and management

2023 targets

Credit risk	Disciplined origination targeting best rated clients Automatic risk approval by segments and products with enhanced data analytics during pre-evaluation phase Strengthened monitoring with new technologies and data sources, operating model based on client risk level Proactive NPE management to optimise value and capital	40 CoR, bps <3.8 Gross NPE ratio, %
Financial risk	Prudent liquidity policies embedded in decision making and business activities	

Enhanced business accountability and in-depth monitoring by control functions

Disciplined risk management & controls – compliance and operational risk

Targeted actions on Compliance and Operational risk

Reinforced governance and steering

Anti Financial Crime controls, AML and KYC
- Rotation of people between business and control functions
- Improved oversight through strengthened centralised compliance requirements
- Further enhancement in controls, processes and overall risk culture[1]

Cyber security
- Continuous strong focus on data protection and security
- Secured Cloud usage and stricter protocol for third parties engagement

Operational risk
- Reinforced controls of business and governance processes across legal entities
- Continued focus on operational and reputational risk culture and control

Group culture driven by "Do the right thing!" principle
Each employee is part of the first line of defense

1. Including "OFAC Program" , i.e., set of initiatives resulting from settlement with US Authorities in April 2019.

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Tangible actions to deliver targets

Grow and strengthen client franchise

Transform and maximise productivity

Disciplined risk management & controls

Capital and balance sheet management

Capital and balance sheet management
Decisive actions to increase flexibility

	Main actions	2023 target
Capital allocation	▪ Preference for share buybacks over M&A ▪ Only small bolt-on acquisitions might be considered to accelerate capital allocation ▪ Proactive capital allocation based on financial performance at country[1], segment[1] and individual client[2] level	200 - 250 CET1 MDA buffer[3], bps
Domestic sovereign portfolio	▪ Gradual alignment of domestic sovereign bond portfolios with those of European peers	
Group structure	▪ UC SpA to remain as operating holding ▪ Project of subholding – including UCB AG, UCBA AG and CEE countries – incorporated in Italy and not listed ▪ Subholding to optimise MREL requirement in the medium term ▪ Reduction of intragroup exposures and improvement of Group resolvability as pre-conditions for Group structure evolution	

1. In terms of RoAC vs. cost of equity.
2. In terms of EVA.
3. For 2023 including estimated impact of CRD5 (article 104a) and Basel 4, FRTB and CVA fully loaded.

Team 23

The way in which results are achieved is as important as the actual results

Grow and strengthen client franchise

Transform and maximise productivity

Disciplined risk management & controls

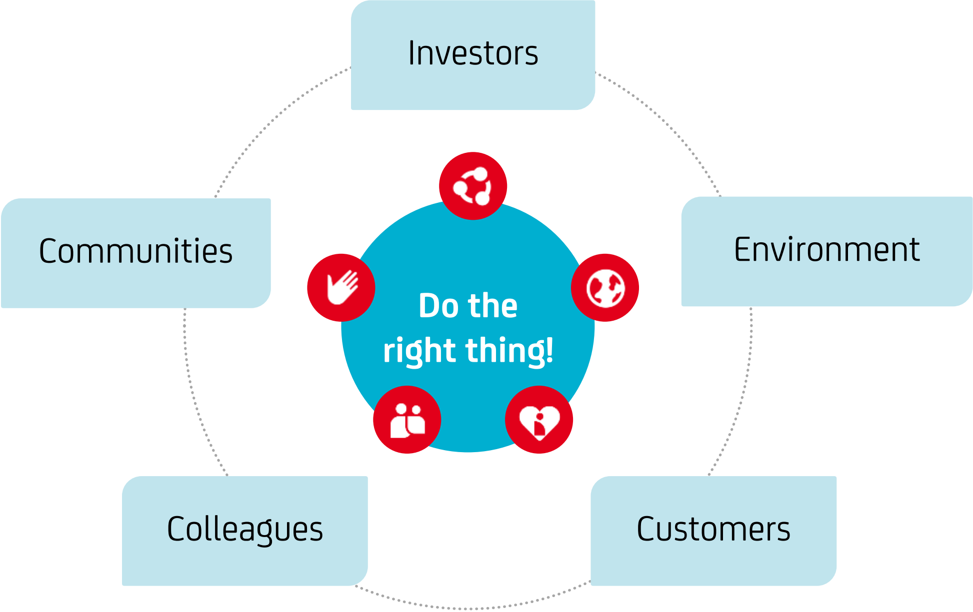
Capital and balance sheet management

Ethics & Respect

Do the right thing!

Ethics & Respect: Do the right thing!

Guiding principle for all stakeholder interactions



"Do the right thing" to generate sustainable results

See annex for details

Team 23
Key financials

Grow and strengthen client franchise

Transform and maximise productivity

Disciplined risk management & controls

Capital and balance sheet management

Team 23

A clear commitment to deliver whatever the environment

- Team 23 plan based on pragmatic macro assumptions, more conservative than market expectations
- Two sensitivities to capture uncertainty in a volatile environment:
  - "Lagarde" - interest rate policy normalisation
  - "Draghi" - maintaining the current policy

Resilient underlying net profit,
adjusted for non-operating items[1], the basis for increasing capital distribution

Capital distribution of 40% for FY19-FY22, and 50% for FY23,
a combination of cash dividends and share buybacks[2]

200 – 250bps CET1 MDA buffer[3]

1. Adjustments neutral for coupon payments of AT1 and CASHES.
2. Based on underlying net profit. Capital distribution for FY19-FY22: 30% cash dividend and 10% share buyback; for FY23: 40% cash dividend and 10% share buyback. Proposal of share buybacks subject to regulatory approval and AGM authorisation.
3. For 2023 including estimated impact of CRD5 (article 104a) and Basel 4, FRTB and CVA fully loaded.

Team 23 – Key targets

16bn value creation, 8bn capital distribution and 8bn tangible equity increase[1]

	2018	2019	2020	2023
RoTE[2]**,%**	8	>9	8	>8
Costs, bn	10.3	10.1	10.2	10.2
Gross NPE ratio, %	7.7	<5.5	5.0	<3.8
Tangible equity, EoP bn	47.7	51.6[3]	53	60
CET1 MDA buffer[4], bps	between 200 and 250			
Underlying net profit[5], bn	3.0	4.7	4.3	5
Capital distribution[2], %	20	40	40	50

8bn increase[1]

30% cash dividend
10% share buyback

8bn capital distribution[1]

Guidance

1. Based on Team 23 economic assumptions.
For Tangible Equity period is 9M19 – 2023, for Capital distribution period is FY20 – FY23.
Capital distribution for FY19-FY22: 30% cash dividend and 10% share buyback; for FY23: 40% cash dividend and 10% share buyback. Proposal of share buybacks subject to regulatory approval and AGM authorisation.
2. Based on underlying net profit adjusted for non-operating items, see annex for details. Adjustments neutral for coupon payments of AT1 and CASHES. RoTE for 2018 based on stated net profit adjusted for Yapi impairment (-0.8bn) and IFRS9 FTA tax effect (+0.9bn).
3. 9M19 actual.
4. For 2023 including estimated impact of CRD5 (article 104a) and Basel 4, FRTB and CVA fully loaded.
5. Adjusted for non-operating items, see annex for details. Adjustments neutral for coupon payments of AT1 and CASHES.

Team 23: a clear commitment to deliver

Proven ability to execute as confirmed by Transform 2019 success

16bn value creation,
8bn capital distribution and 8bn tangible equity increase[1]

"Do the right thing!"

1. Based on Team 23 economic assumptions.

Annex

Notes and methodology

All figures in this presentation are in Euros unless otherwise stated; Figures might not add up due to rounding reasons.

Page 3

- Revenues refer to Business Divisions, excluding Group Corporate Centre and Non Core
- Ranking by corporate loans in Europe
  - Peers including BNP Paribas, BBVA, Crédit Agricole SA, Commerzbank, Deutsche Bank, HSBC, ING, Intesa Sanpaolo, Santander, Société Générale
  - Data as of 3Q19 based on publicly available information
  - Referring to Europe as geographic area

- Ranking by total assets in CEE
  - Peers including Erste, Intesa Sanpaolo, KBC, OTP, RBI, Société Générale
  - Data as of 3Q19 based on publicly available information for all peers besides KBC and Société Générale for which data as of 2Q19 (based on Local Accounting Standards except for Slovenia and Slovakia on IFRS)
  - UC data exclude Turkey and include Profit Center in Holding

Ethics & respect: do the right thing!

2023 targets: a firm commitment to sustainability with tangible initiatives

Policy and principles

Adhere to the highest standards

- Endorsement of Task Force on Climate Related Financial Disclosures (TCFD)[1] recommendations as clear signal of UniCredit environmental commitment
- Adhesion to Principles for Responsible Banking[1]
- Participation in the development of PACTA[2] methodology for lending portfolio
- Further improvement of policies for climate-related sectors

Social impact banking

Support financial access and inclusion

Support projects with a positive social impact, bn	1

Climate actions

Be a partner in the shift towards a low carbon economy

Exposure to renewable energy sector[3], % increase	25
Exposure to thermal coal mining and coal fired power plants projects, m	0
Position in EMEA combined Green Bonds & ESG-linked loans[4]	Top 5
Energy efficiency loans to WEU SME, % increase	+34
Energy efficiency loans to WEU Individuals, % increase	+25
New origination of energy efficiency loans in CEE[5], % total loan	>6

Keep working on our direct impacts

Reduction of our Green house gas emissions by 2020[6], %	60
Usage of renewable energy in UniCredit buildings in WEU, %	100

1. United Nations Environment Programme Finance Initiative.
2. Paris Agreement Capital Transition Assessment.
3. Including: biomass, hydro, photovoltaic , wind, CHP, battery storage, energy from waste and other renewables as well as corporates predominantly operating renewable energy assets.
4. ESG-linked include: green Loans, KPI-linked loans, ESG-score linked loans. Green Bonds: include Green, Social and Sustainability bonds. Positioning based on Loan Radar and Dealogic League Tables.
5. Including Individuals and SME.
6. Vs. base year 2008. Long term target: 80% by 2030.

Material non-operating items basis for underlying net profit adjustment

Non-operating items

4Q19	Net P&L impact, bn	CET1, %
Unwinding of Yapi joint venture[1]	-0.4	-0.1
Integration costs in Germany & Austria	-0.3	-0.1
Revaluation of Real Estate and effects of disposals[2]	-0.2	+0.5
Non Core LLPs brought forward for updated rundown strategy	-1.0	-0.3
Impairment of intangible and other	-0.6	-0.1

2020 and beyond	Net P&L impact, bn	CET1, %
Yapi deconsolidation[3]	-3.1	+0.7
Integration costs in Italy	-1.1	-0.3
Additional Real Estate disposals	+0.3	+0.1
Regulatory headwinds impact on CoR[4]	-0.6	n.a.

Underlying net profit is adjusted for non-operating items, resulting in resilient recurring earnings delivering consistent growth over the plan

Managerial estimates based on latest available information.

1. P&L impact from the signing of the unwinding of Yapi Joint Venture and Yapi stake revaluation as per specific Press Release published on 30 November 2019.
2. According to both the accounting adoption of the current value model for the evaluation of the held for investments (IAS 40) and used in business (IAS 16) Group real estate portfolio following its active management, and the disposal of real estate assets in 4Q19. The P&L and CET1 impacts are calculated as FY19 impact minus 9M19 actual. The positive CET1 ratio impact (+0.5p.p.) is mainly generated by c.+2bn Net Equity increase, in addition to -0.2bn negative P&L impact and other positive regulatory effects.
3. Assuming full accounting and regulatory deconsolidation. Including -0.6bn P&L impact following the closing of the transaction as per specific Press Release published on 30 November 2019. The overall P&L impact includes the effect deriving from the negative FX reserve release, which it is neutral on CET1 being already considered.
4. LLPs related to regulatory headwinds.

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