LONDON, 12 DECEMBER 2017

# UNICREDIT - A PAN EUROPEAN WINNER

## TRANSFORM 2019 FULLY ON TRACK, YIELDING TANGIBLE RESULTS UNDERPINNED BY GROUP-WIDE BUSINESS MOMENTUM

**2019 KEY TARGETS CONFIRMED, INCLUDING ROTE TARGET ABOVE 9 PER CENT WITH IMPROVED RISK PROFILE**

**2019 FULLY LOADED CET1 RATIO TARGET CONFIRMED ABOVE 12.5 PER CENT**

**SREP PILLAR 2 REQUIREMENT[1] LOWERED BY 50 BASIS POINTS TO 200 BASIS POINTS, CET1 MDA[2] BUFFER ABOVE 250 BASIS POINTS AFTER 2019**

**GROUP GROSS NPES DOWN BY A FURTHER EUR 4.0BN[3] BY END 2019, BETTER THAN INITIAL TRANSFORM 2019 TARGET**

**SELF-FUNDED FULL RUNDOWN OF NON CORE BY 2025**

**FULL YEAR 2019 DIVIDEND[4] PAYOUT INCREASED FROM 20 PER CENT TO 30 PER CENT**

**POST 2019, ORGANIC CAPITAL GENERATION FULLY ABSORBS EXPECTED REGULATORY HEADWINDS**

**POST 2019 DIVIDEND PAYOUT RATIO TO INCREASE FROM 30 PER CENT TO UP TO 50 PER CENT ONCE UPCOMING REGULATORY IMPACTS ARE CONFIRMED WITH CET1 RATIO[5] ABOVE 12.5 PER CENT**

London, 12 December 2017 – Jean Pierre Mustier, Chief Executive Officer of UniCredit S.p.A. commented:

*"UniCredit's Transform 2019 plan is fully on track and is yielding early positive results underpinned by renewed commercial dynamics throughout the Group. We confirm all our initial key targets, in particular our RoTE target of above 9 per cent, whilst further improving our risk profile and reducing the Group gross NPEs target by an additional 4.0 billion. We have decided to increase our dividend for the 2019 financial year to 30 per cent whilst maintaining our CET1 ratio[6] target of above 12.5 per cent. Today, we are also announcing the self-funded full rundown of our Non Core NPEs portfolio by the end of 2025.*

*Our SREP Pillar 2 Requirement has been lowered by 50 basis points to 200 basis points, a clear recognition of the progress made on our plan, allowing the CET1 MDA buffer to be above 250 basis points after 2019. In addition, we have decided to give the market a complete and transparent view of how we see the regulatory environment evolving and its impact on UniCredit up to and beyond 2019. Based on our solid capital position, we have chosen to anticipate the implementation of some of the recently announced European Banking Authority (EBA) guidelines. Thanks to our positive and consistent organic capital generation, expected upcoming regulatory impacts beyond 2019 will be absorbed as a matter of course without changing our CET1 ratio target of above 12.5 per cent. We intend to increase our dividend payout target from 30 per cent up to 50 per cent once upcoming regulatory impacts are confirmed.*

[1] The capital requirement set by the ECB for each individual bank based on a qualitative assessment of four areas: (i) business model (ii) governance (iii) risk management (iv) capital and liquidity. A decreased requirement is an indication of a lowered risk profile, increased business model sustainability, strengthened governance, capital and liquidity position.
[2] Maximum distributable amount according to CRDIV.
[3] Of which Non Core down by EUR 2.0bn from EUR 19.2bn to EUR 17.2bn and Group Core down by EUR 2.0bn to EUR 23.1bn.
[4] To be paid in 2020.
[5] Refers to CET1 ratio phasing-in regulatory headwinds post 2019 (managerial estimates).
[6] CET1 ratio fully loaded unless otherwise stated.

*Transform 2019 is the basis of a long term strategy, which reaches well into the future to seize opportunities and take advantage of the changing banking landscape and customer behaviour. With the commitment of all UniCredit colleagues, we are confident we will meet our Transform 2019 targets, and together make UniCredit a winning Pan European bank."*

## CONFIRMED TRANSFORM 2019 TARGETS

| Group Key Financial Targets | | | | |
|---|---|---|---|---|
| | **2015** | **9M17** | **2019** | |
| Revenues, *€bn* | 20.4[1] | | 20.6[1] | Confirmed |
| Cost, *€bn* | -12.2 | | -10.6 | Confirmed |
| Net Income, *€bn* | 1.5 | | 4.7 | Confirmed |
| Cost/Income, *%* | 60.0[1] | 57.9 | <52[1] | Confirmed |
| Cost of Risk, *bps* | 103[1] | 54 | 55[1] | Confirmed |
| RoTE, *%* | 4 | 8[2] | >9 | Confirmed |
| CET1 Ratio, *%* | 10.4[3] | 13.8 | >12.5 | Confirmed |
| Gross NPEs, *€bn* | 77.8 | 51.3 | 40.3 | **Improved** |
| Gross NPEs ratio, *%* | 16.0 | 10.6 | 7.8 | **Improved** |
| Net NPEs, *€bn* | 38.3 | 22.3 | 17.7 | **Improved** |

1. Including line adjustments outlined in Notes to Editors.
2. Adjusted to exclude net income from Pekao and Pioneer disposals and a one-off charge booked in Non Core; RoTE calculated considering also the capital increase and Pekao and Pioneer disposals as at 1 January 2017.
3. 2015 CET1 ratio as stated.
Note: Figures assume the same perimeter as announced at the Capital Markets Day on 13 December 2016, prior to recasting from line adjustments.

## TRANSFORM 2019 UPDATE[7]

The implementation of Transform 2019 is fully on track, delivering tangible results supporting the successful execution of the five pillars of the plan.

### 1. Transform the operating model

The overall RoTE target of above 9 per cent and revenues target of EUR 20.6bn by the end of 2019 is confirmed. However, the revenue mix has changed, with fees expected to increase by EUR 0.1bn to EUR 7.1bn, thanks to higher Assets under Management (AuM) and strong transactional fees, offsetting a EUR 0.1bn reduction in Net Interest Income (NII) to EUR 11.0bn by the end of 2019. This is due to a combination of interest rates expected to stay lower for longer and less dynamic loan growth, partially compensated by a lower cost of funding.

The 2019 cost target of EUR 10.6bn is confirmed, with FTE reductions and branch closures progressing ahead of plan. More specifically, since the end of 2015 UniCredit has:

- Completed 51 per cent of the planned FTE reductions, with an additional 9 per cent agreed in 4Q17;

[7] All figures include line adjustments due to technical changes outlined in Notes to Editors.

- Closed 557 branches in Western Europe as of 9M17. Additional branch closures have occurred since then, taking the total to 72 per cent of the target;

- Achieved additional HR savings across the business, allowing further investments in the transformation of the Group's core IT infrastructure and digital capabilities.

In the past twelve months, the Group's IT systems were significantly simplified through the decommissioning of 830 applications, representing 75 per cent of the 2019 target. New applications to support business development and staff are scheduled to go live in 2018 and 2019.

Over the same period, the Group launched a new multichannel platform which streamlines and simplifies online and mobile banking. In addition, UniCredit became the first bank in Italy to successfully launch payments via Apple Pay and on Alipay.

## 2. Maximise commercial bank value

The ongoing transformation has resulted in higher productivity, with increased fees and commissions across all divisions. Cost reductions are progressing according to plan. In the twelve months leading up to 9M17, fees increased by 5.5 per cent to EUR 5.0bn, driven by a rise in investment fees and transactional fees. This increase is thanks to the implementation of new service models for retail and SME customers as well as the multichannel strategy. Increased productivity has led to higher RoAC throughout all divisions, underpinned by an improved cost of risk in Italy and Austria[8] and a very low level in Germany.

Activities in Western Europe continued to benefit from the revamped network, with fees and commissions rising between 4 per cent in Commercial Banking Italy and 9.7 per cent in Commercial Banking Germany over the twelve months to 9M17. RoAC improvement ranged from 1.3 percentage points in Commercial Banking Italy to 11.3 percentage points in Commercial Banking Austria over the same period.

The CEE division continued to be an important growth engine for the Group, leading the way in terms of innovation and digitalisation as evidenced by the increase in mobile users. The continued client growth has strengthened the Group's regional leadership position. RoAC improved by 0.9 per cent to 14.4 per cent.

Finally, on maximising commercial bank value, CIB delivered resilient results, despite an increasingly competitive environment, with client driven revenues up 0.9 percentage point. Strict cost management and risk discipline resulted in lower cost of risk, down 5bps to 15bps and a RoAC of 15.1 per cent as at 9M17.

## 3. Strengthen and optimise capital

Thanks to the decisive actions taken by the Group to strengthen its capital position and de-risk the balance sheet, the European Central Bank (ECB) has lowered UniCredit's SREP Pillar 2 Requirement[9] by 50bps to 200bps, resulting in a CET1 MDA Buffer of above 250bps after 2019. The actions taken are also supported by S&P's recent decision to upgrade UniCredit S.p.A's rating to BBB with a stable outlook.

The total expected impact stemming from regulation, model changes, procyclicality and IFRS9 guidelines on the fully loaded CET1 ratio is confirmed at minus 1.5 per cent over the plan period. New EBA guidelines were published at the end of November. Based on the strength of the Group's capital ratio, together with the

[8] Cost of risk in Austria includes write backs.
[9] As announced on 11 December 2017.

expected organic capital generation, UniCredit has decided to partially anticipate some of the new guidelines, mainly on Italian models, during Transform 2019. The expected impact is minus 0.9 per cent between 2018 and 2019, and it is within the confirmed CET1 ratio target of above 12.5 per cent. Based on managerial estimates and assuming capital generation in line with the 2019 target, the Group will be able to well absorb the estimated impacts of expected regulations post 2019.

Post 2019 annual CET1 ratio target[10] to remain above 12.5 per cent and dividend payout ratio to increase from 30 per cent to up to 50 per cent once upcoming regulatory impacts are confirmed.

**4. Improve asset quality**

Since the Capital Markets Day in 2016, UniCredit has continuously taken decisive actions to improve asset quality and further de-risk the balance sheet. It successfully closed phase 1 of Project FINO in July 2017, achieving all objectives. On 12 December, UniCredit announced it had signed binding agreements to reduce its stake in FINO to below 20 per cent, at a price when taking into account the structure of the agreement, slighter higher than phase 1. The closing of phase 2 is expected to take place in 1Q18.

Group gross NPEs will decrease by a further EUR 4.0bn by the end of 2019, with the 2019 Non Core gross NPEs target going from EUR 19.2bn to EUR 17.2bn.

The full rundown of the Non Core which will occur by end 2025 is entirely self-funded.

In addition to these actions, in the past twelve months, UniCredit has implemented a more disciplined risk management strategy and underwriting processes which is driving significant improvements in all Group asset quality metrics, such as a decrease in default rates[11] from 1.6 per cent to 1.3 per cent.

**5. Adopt a lean but steering Group Corporate Centre**

The Group has taken decisive actions to strengthen its corporate governance and align it to international best practices. In particular, during the Extraordinary General Meeting held on 4 December, resolutions have been adopted to:

- Empower the Board of Directors to present its own list of candidates for the renewal of the Board for the period 2018 to 2021[12];
- Allow for one additional appointment from the minority list, in the context of the recommendation by the Board of Directors to reduce the number of Board members from 17 to 15[13];
- Remove the 5 per cent voting rights limits, subject to a stop loss condition related to the amount of withdrawal rights exercised by the shareholders;
- Simplify the equity base by converting saving shares into ordinary shares.

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[10]Refers to CET1 ratio phasing-in regulatory headwinds post 2019 (managerial estimates).
[11]Group Core.
[12]On 4 December 2017 at an Extraordinary General Meeting shareholders approved a motion to allow the Board of Directors to present its own list of candidates for the renewal of the Board for the 2018-2021 period.
[13]In December 2016 the Board of Directors approved to disclose a recommendation for Shareholders to consider the reduction of Board members for the next Board renewal in 2018.

## NOTES TO EDITORS

### LINE ADJUSTMENTS

From 2018 onwards, a number of new accounting rules will result in an adjustment of some of the lines of the consolidated financial statements. They will have no net effect on net income or RoTE. The impacts deriving from these technical changes are mainly related to Italy as it converges towards European standards. More specifically:

- The Time Value release[14] of NPEs will be considered as NII and no longer as Loans Loss Provisions (LLPs) write back. This adjustment will have no net effect on the net income, as the increase in NII will be in line with the increase in LLPs.
- The accrued interest on some NPEs categories[15] will be calculated on net book value rather than gross book value, resulting in lower NII and lower associated LLPs. As previous, impact on NII will be in line with the impact on LLPs.

In addition, customer debt securities currently classified in customer loans will be included in financial assets. The net impact of this adjustment on the balance sheet is nil.

**Line adjustments**

| | **2015** | | **2019** | |
|---|---|---|---|---|
| P&L, *€bn* | Previous[1] | Restated | Previous[1] | Restated |
| Revenues | 19.9 | 20.4 | 20.4 | 20.6 |
| *Of which NII* | 10.9 | 11.5 | 10.9 | 11.1 |
| LLPs | -4.0 | -4.5 | -2.4 | -2.6 |
| Net Income | 1.5 | 1.5 | 4.7 | 4.7 |
| Other | | | | |
| Loans[2] | 418 | 409 | 467 | 455 |
| Cost of Risk | 89 | 103 | 49 | 55 |
| Cost/Income | 61.6% | 60.0% | <52% | <52% |

1. Numbers assume the perimeter as announced at Capital Markets Day on 13 December 2016, before the recasting of line adjustment impacts.
2. Excluding repos.

[14] Time Value release equals the difference between (i) the sum of expected recoverable cashflows of NPEs and (ii) its net present value.
[15] Past Due and Unlikely To Pay (UTP).

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For further information concerning the Transform 2019 plan, please see the information on the Company's website www.unicreditgroup.eu.

You can access to our Capital Markets Day via live webcast starting at 09:00am GMT / 10:00am CET, at https://www.unicreditgroup.eu/en/investors/capital-markets-day-2017.html

**DIAL IN**
UK: +44 20 3003 2666
Italy: +39 02 36269665
USA: +1 212 999 6659
PIN: 367980#

**CONTACT DETAILS**

***Media Relations:***
Tel. +39 02 88623569; e-mail: MediaRelations@unicredit.eu.
***Investor Relations***:
Tel. + 39 02 88621872; e-mail: InvestorRelations@unicredit.eu.