



TEAM 23

UNICREDIT 2020-2023 STRATEGIC PLAN

A CLEAR COMMITMENT TO DELIVER

€16BN¹ OF VALUE CREATION FOR SHAREHOLDERS OVER THE 2020-2023 PLAN
2019 CAPITAL DISTRIBUTION² INCREASED TO 40 PER CENT

EXECUTION AND DELIVERY

Transform 2019 showed UniCredit successfully executes and favours long-term sustainable outcomes

SUSTAINABLE RETURNS

UniCredit is committed to generating sustainable returns by leveraging on its extensive and growing pan European client franchise, maximising productivity through continuous cost optimisation and more efficient business processes

CAPITAL DISTRIBUTION

Thanks to proven discipline in risk management and capital allocation, UniCredit will keep a high level of capital to absorb regulatory headwinds, while maximising shareholder distribution

TEAM 23 BASED ON FOUR PILLARS

GROW AND STRENGTHEN CLIENT FRANCHISE

- Grow the franchise by reinforcing leadership as the “go-to” bank for European SMEs, leveraging growth engines in CEE and CIB, and expanding the client base of individuals through improved distribution and service models, while enhancing customer experience
- 2023 revenues €19.3bn, +0.8 per cent CAGR 2018-2023
- Revenues based on more conservative interest rate assumptions than the market. Plan assumes 3M end of period Euribor at about -50bps between 2019 and 2022, rising to -40bps in 2023

TRANSFORM AND MAXIMISE PRODUCTIVITY

- Adopt new ways of working to continuously optimise processes, enhance customer experience and deliver further efficiency gains. Paperless retail bank to be rolled out in Italy in mid 2020, Germany and Austria in 2021 and CEE by 2023
- 2023 costs €10.2bn, -0.2 per cent CAGR 2018-2023
- €1bn of gross savings in Western Europe³, equivalent to 12 per cent of 2018 cost base

DISCIPLINED RISK MANAGEMENT & CONTROLS

- Further strengthen monitoring and management of credit and financial risk, and targeted actions on compliance and operational risk
- Non Core rundown by end 2021 confirmed, with Non Core NPEs below €9bn by end 2019 and below €5bn by end 2020

¹ Based on Team 23 macroeconomic assumptions.

² Proposed capital distribution based on percentage of underlying net profit and comprises 30 per cent cash dividend and 10 per cent proposed share buyback. Share buyback subject to regulatory approval and AGM authorisation. Underlying net profit based on stated net profit adjusted for non-operating items. For details see Annex.

³ Commercial Banking Western Europe, CIB, Group Corporate Centre and Non Core.



- 2023 cost of risk 40bps
- 2023 gross NPE ratio below 3.8 per cent

CAPITAL AND BALANCE SHEET MANAGEMENT

- Proactive capital allocation, gradual alignment of domestic sovereign bond portfolios and evolution of Group structure, including working on a project to create a subholding, incorporated in Italy and not listed, for international operations
- Capital distribution equal to 40 per cent of underlying net profit⁴ in 2020-2022 rising to 50 per cent in 2023, a combination of cash dividends and share buybacks⁵
- €8bn¹ capital to be returned to shareholders 2020-2023, including €2bn of share buybacks⁵
- €8bn¹ growth in tangible equity⁶
- 2019 capital distribution² doubled from initial 20 per cent proposal⁷ to 40 per cent of underlying net profit⁴, including 10 per cent share buyback⁵
- Maintain 200-250bps CET1 MDA buffer at all times⁸
- SREP Pillar 2 Capital Requirement (P2R) lowered by 25bps to 175bps⁹
- Unwinding of Koç Financial Services JV and disposal of an approximately 9 per cent stake in Yapi ve Kredi Bankasi A.Ş. creating flexibility for management of remaining stake

TEAM 23 TO DELIVER RESILIENT PROFITABILITY

- RoTE¹⁰ at or above 8 per cent throughout plan
- 2023 underlying net profit⁴ €5bn
- EPS¹¹ growth of about +12 per cent CAGR 2018-2023

UNICREDIT: A PAN EUROPEAN WINNER

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

Jean Pierre Mustier, Chief Executive Officer, UniCredit S.p.A said: *“Thanks to the unwavering commitment of all UniCredit colleagues, we have successfully delivered Transform 2019, exceeding our key targets and laying a solid foundation for our 2020-23 strategic plan, Team 23. This proves that we know how to execute in any macro environment.*

“As a result of our decisive actions and our relentless focus on de-risking and balance sheet strengthening, today UniCredit has a solid capital base. Based on the success of Transform 2019, we are looking to increase our 2019 capital distribution to 40 per cent, double the initial plan target, including a proposed 10 per cent share buyback.

“Team 23 is about maximising stakeholder value creation, including a renewed focus on customer satisfaction thanks to streamlined processes and innovative products, as well as

⁴ Underlying net profit based on stated net profit adjusted for non-operating items. For details see Annex.

⁵ Proposed share buybacks subject to regulatory approval and AGM authorisation.

⁶ 9M19 to 2023.

⁷ As communicated at 2016 Capital Markets Day. Subsequently revised to 30 per cent in 2017.

⁸ For 2023 including estimated impact of CRD5 (article 104a) and Basel 4, FRTB and CVA fully loaded.

⁹ Based on SREP letter received 2 December 2019.

¹⁰ RoTE based on underlying net profit, for details see Annex.

¹¹ EPS based on underlying net profit, for details see Annex. FY18 EPS recast according to 2023 assumptions.



increased shareholder returns. During the plan we estimate we will create a total of 16 billion of value for investors through a combination of dividends and share buybacks as well as by growing tangible equity. We will continue to draw on our competitive advantages: our unique Western, Central and Eastern European network, our position as the go-to bank for SMEs in Europe and our extensive and growing client franchise. Throughout Team 23 we will continue to capture commercial opportunities whilst keeping a tight rein on risk, execution discipline and cost control.

“Meanwhile, more than ever, sustainability forms a central part of everything we do and is fully integrated into our business and decision-making progress, as announced on 26 November.

“I am very proud of the whole UniCredit team and what we have achieved over the last three years. I am also very thankful for everyone’s commitment and dedication. Together we are One Team, One UniCredit and we are committed to doing the right thing and to successfully deliver Team 23.”

Milan/London, 3 December 2019: The Board of Directors of UniCredit S.p.A. has approved the 2020-2023 strategic plan, Team 23, which will be presented to analysts and investors at a Capital Markets Day in London today.

The successful delivery of Transform 2019 demonstrated UniCredit’s clear commitment to deliver and its proven ability to execute a strategic plan despite a worse than expected macroeconomic environment. Key targets including the de-risking of the balance sheet, cost reduction and capital distribution were exceeded. UniCredit is transparent in what it does, it aims to do the right thing for all stakeholders, and it favours sustainable long-term outcomes over short-term solutions.

In the same spirit, Team 23’s targets are pragmatic and achievable. They are based on a realistic set of macroeconomic assumptions, being more conservative than those assumed by the market. The plan itself is based on four, clearly defined strategic pillars:

- Grow and strengthen client franchise
- Transform and maximise productivity
- Disciplined risk management & controls
- Capital and balance sheet management

1. Grow and strengthen client franchise

Whereas Transform 2019 focused on making the Group more efficient and de-risking the balance sheet, the new strategic plan’s key priority is to grow and strengthen the pan European franchise, both by widening and deepening relationships with customers. Examples of initiatives underway include:

- Building on UniCredit’s position as the “go-to” bank for European SMEs. Key success factors include the bank’s long established, local presence in its markets, a single group-wide service model across the Group’s unique pan European network, and the full range



of corporate products and services delivered by a fully plugged-in CIB. Revenues from SMEs of €2.3bn in 2023, a +3 per cent CAGR in Western Europe¹² and in CEE¹³.

- Redesigning the product and service offering for individuals through enhancements to the service and distribution models, including a continued migration of transactions towards direct channels. The use of digital channels is expected to increase during the plan from 45 per cent of all customers¹⁴ in 2018 to 60 per cent in 2023. Over time, the customer's experience in the branch will improve and will increasingly converge towards the digital one.
- Fully exploiting the CEE leadership position and economic potential with a strengthened commercial strategy, driven by a clear customer focus and leveraging on the enhanced digital processes and international franchise. CEE is expected to deliver growth of core revenues¹⁵ of +2 per cent CAGR 2018 to 2023.
- Delivering the fully plugged-in CIB's complete product offering to all customers across the Group's pan European network including SMEs, Corporates, Private Banking, Wealth Management and Financial Institutions. CIB client-driven revenues will grow by +3 per cent CAGR 2018 to 2023.

Complementing this clear commitment to grow and strengthen the pan European client franchise, is a strong focus on improving the customer experience in the new plan. This involves a multi-faceted approach including:

- Digitalisation to streamline processes and simplify the customer journey. Examples include a significant reduction in the number of signatures required and time taken to open a current account.
- Leverage on customer insights (via net promoter scores) to better prioritise initiatives to enhance dedicated customer journeys. In addition, client feedback and data analytics will be used to address customer needs and expectations proactively.
- New, flexible ways of working to reduce time to market.

The growth in and strengthening of the pan European client franchise is expected to deliver resilient revenues despite a negative interest rate environment, with revenues of €19.3bn in 2023, a CAGR of +0.8 per cent 2018 to 2023. Within Western Europe³, revenues are expected to grow with a CAGR of +0.5 per cent while in Central and Eastern Europe, revenues will grow with a CAGR of +2.0 per cent 2018 to 2023.

Team 23's revenue targets are based on pragmatic assumptions including more conservative interest rate assumptions than the market. The plan assumes a 3-month end of period Euribor rate at about -50bps between 2019 and 2022, rising to -40bps in 2023.

¹² Commercial Banking Italy, Germany and Austria.

¹³ 2018-2023 for Western Europe. 2019-2023 for CEE to neutralise methodological changes.

¹⁴ Clients with at least one log-in in online or via mobile applications in the last three months.

¹⁵ Revenues excluding trading.



2. Transform and maximise productivity

Reducing costs formed a core part of Transform 2019's success. Operating costs were reduced from €12.2bn¹⁶ in 2015 to €10.1bn¹⁷ in 2019, the latter comparing to an initial target of €10.6bn at the 2016 Capital Markets Day.

Controlling costs combined with improving the customer experience remains a key focus in Team 23. Building on the work begun in Transform 2019, the bank is launching a permanent optimisation of work processes across six customer journeys: current accounts, investment products, residential mortgages, consumer finance, cards and SME banking. Teams drawn from different functions within the Group, including business, IT and support, will work together in so called "end-to-end rooms" in order to deliver new products and services to our customers in a faster and leaner manner.

Through this continuous transformation and simplification of processes, the Group will meet three key objectives:

- Enhanced customer experience
- Improved productivity across the value chain
- Reduced operational risks

Dematerialising processes, the paperless retail bank, will deliver cost savings for the Group in excess of €150m¹⁸ annually by 2023. Eliminating paper will allow the bank to implement straight-through processing, resulting in faster transactions, enable the exchange of digital documents between the bank and its customers, and provide a wider set of digital-ready contracts facilitating the increased use of digital signatures. The roll out of the paperless retail bank begins in Italy in mid 2020, to be followed by Germany and Austria in 2021 for core products, and CEE by 2023.

Significantly exceeding the original cost targets within Transform 2019 has allowed the Group to increase its investment in IT. Under the new plan, total IT investments will increase by 17 per cent compared to the prior plan, with an average annual investment of €900m, on a cash-out basis. The mix of IT spend will also pivot in the new plan with an increased share allocated to investment in cost and productivity initiatives¹⁹ such as the redesign of work processes in the permanent end-to-end rooms. The total cash spend on all IT over the four year plan is €9.4bn including the IT investments as well as HR, maintenance and cyber security costs, and consultancy spend²⁰.

Under the new plan, total costs will be €10.2bn in 2023, a CAGR of -0.2 per cent 2018 to 2023. Continuous process optimisation supported by the increased IT investments will allow the bank to deliver gross savings in Western Europe³ of €1bn, representing 12 per cent of the 2018 cost base. These cost savings will in part be achieved through further FTE reductions of around 8,000²¹ over the plan period while the ongoing optimisation of the branch network will see

¹⁶ Figures for 2015 as per 2016 Capital Markets Day, not recast.

¹⁷ FY19 guidance.

¹⁸ 2023 run rate, cost equivalent of HR and non-HR efficiency.

¹⁹ Based on the currently estimated mix, subject to change.

²⁰ Total cash spend includes change costs (IT investments), HR related costs and other administrative expenses (software and hardware maintenance costs, IT consultancies etc.).

²¹ End 2019 to end 2023.



additional closures of about 500 at a Group level between 2019 and 2023. The associated integration costs for Western Europe³ total €1.4bn, net of tax, to be booked in 2019 and 2020²².

With the revenue initiatives in place and the continuous optimisation of costs, the bank expects to deliver positive operating leverage²³ of 5.2 p.p. between 2018 and 2023.

3. Disciplined risk management & controls

A strict focus on credit risk and asset quality was another core part of Transform 2019's success and remains a key focus in Team 23. The Group will maintain its discipline in origination, targeting the best rated clients. The monitoring and management of credit risk will be further strengthened through the use of new technologies and data sources. Automatic risk approval will be used for selected segments and products using enhanced data analytics during the pre-evaluation phase. Building on the experience gained in Transform 2019, the bank will continue to manage NPEs proactively to optimise value and capital.

Group gross NPEs are expected to be below €20bn at the end of 2023, representing a substantial reduction of almost €60bn from the end of 2015²⁴. The full rundown of the Non Core by end 2021 is confirmed with gross NPEs below €9bn by the end of 2019, significantly beating the original €19.2bn Transform 2019 target, and below €5bn by the end of 2020. The Group gross NPE ratio target is to be below 3.8 per cent by the end of 2023 while the cost of risk is expected to be 40bps in 2023.

Operational risk remains a significant focus for the Group, with reinforced controls of business and governance processes across all legal entities. An enhanced focus on Anti Financial Crime controls and KYC includes improving oversight through strengthened, centralised compliance requirements, as well as rotating people between business and control functions. Employees remain the first line of defence against operational risk. The Group therefore continues to invest in and promote its strong culture, defined by the "Do the right thing!" principle.

4. Capital and balance sheet management

Transform 2019 delivered a significant strengthening of the Group's balance sheet, with €21bn²⁵ of CET1 capital raised, resulting in a CET1 ratio of 12.6 per cent as at 3Q 2019, an increase of 2.2 p.p. from the end of 2015²⁶. A CET1 MDA buffer of 200-250bps will be maintained in every year of the Team 23 plan²⁷ regardless of the environment while the TLAC/MREL MDA buffers will be at the upper end of the 50-100bps range. The SREP Pillar 2 Capital Requirement (P2R) has been lowered by 25bps to 175bps⁹.

Capital allocation is an important part of how the Group manages its balance sheet. Capital is allocated proactively based on financial performance at a country²⁸, segment²⁸ and individual client²⁹ level. This approach was demonstrated with the recently announced unwinding of Koç Financial Services, the joint venture with Koç Group through which the stake in Yapi ve Kredi Bankasi A.Ş (Yapi) was held. By dissolving the joint venture and selling an approximately 9 per

²² Integration costs net of tax comprise €0.3bn in 4Q19 for Germany and Austria and €1.1bn in 2020 for Italy.

²³ Operating leverage defined as revenue growth (percentage change) minus cost growth (percentage change).

²⁴ €77.8bn gross NPEs 2015 (figures for 2015 not recast).

²⁵ Cash equivalent.

²⁶ Figures for 2015 as per 2016 Capital Markets Day, not recast.

²⁷ For 2023 including estimated impact of CRD5 (article 104a) and Basel 4, FRTB and CVA fully loaded.

²⁸ In terms of RoAC vs. cost of equity.

²⁹ In terms of EVA.



cent stake in Yapi, UniCredit has created flexibility to manage the remaining, directly held stake in Yapi.

The strengthening of the balance sheet will continue with the ongoing, gradual alignment of the domestic sovereign bond portfolio with those of Italian and European peers, and the reduction in intragroup exposures. The tangible benefit of these actions was acknowledged with the upgrade of UniCredit S.p.A's ratings by S&P and Moody's announced in July earlier this year.

With a significantly strengthened balance sheet and continued disciplined risk management, the new plan will deliver enhanced capital returns for shareholders:

- capital distribution equal to 40 per cent of underlying net profit⁴ for 2020 to 2022 comprising 30 per cent cash dividend and 10 per cent share buyback⁵
- capital distribution equal to 50 per cent of underlying net profit⁴ in 2023 comprising 40 per cent cash dividend and 10 per cent share buyback⁵

The new plan will therefore generate significant value for shareholders, a total of €16bn¹ for the plan, comprising:

- €6bn of cash dividends
- €2bn of share buybacks⁵
- €8bn increase in tangible equity⁶

In addition, the proposed capital distribution² for 2019 is increased to 40 per cent of underlying net profit⁴, including 10 per cent via a share buyback⁵. The revised distribution is double the initial target of a 20 per cent cash dividend⁷ communicated at the 2016 Capital Markets Day.

In order to optimise its MREL requirement in the medium term, UniCredit keeps working on a project to create a subholding, incorporated in Italy but not listed, for UniCredit Bank AG, UniCredit Bank Austria AG and the legal entities of the CEE banks. UniCredit S.p.A. remains the operating holding and the resolution strategy remains Single Point of Entry, which is the basis for the multi-year funding plan.

Team 23 to deliver resilient profitability

Transform 2019 delivered a sustained improvement in profitability, with Group RoTE¹⁰ more than doubling from 4 per cent in 2015¹⁶ to above 9 per cent³⁰ in 2019. Team 23 builds on this foundation with a commitment to deliver resilient underlying profitability. Despite the material increase in capital required by regulators, the new plan will deliver sustainable returns, with a RoTE¹⁰ at or above 8 per cent throughout the plan period. The underlying net profit⁴ will be €4.3bn in 2020 increasing to €5bn in 2023 based on an underlying tax rate between 18 and 20 per cent throughout the plan.

³⁰ FY19 guidance.



GROUP KEY FINANCIAL TARGETS

	2018	2019	2020	2023
RoTE ¹ , %	8	>9	8	>8
Costs, bn	10.3	10.1	10.2	10.2
CoR, bps	58	55 ²	46	40
Gross NPE, bn	38.2	28.8 ³	<25	<20
Gross NPE ratio, %	7.7	<5.5	5.0	<3.8
Tangible equity, EoP bn	47.7	51.6 ³	53	60
CET1r MDA buffer ⁴ , bps	between 200 and 250			
Underlying net profit ⁵ , bn	3.0	4.7	4.3	5
Capital distribution ⁶ , %	20	40	40	50
		Guidance		

1. Based on underlying net profit, for details see Annex. RoTE for 2018 based on stated net profit adjusted for Yapi impairment (-0.8bn) and IFRS9 FTA tax effect (+0.9bn).
2. For 2019 CoR excludes -1.0bn Non Core LLPs, for details see Annex.
3. 9M19 actual.
4. For 2023 including estimated impact of CRD5 (article 104a) and Basel 4, FRTB and CVA fully loaded.
5. Underlying net profit adjusted for non-operating items, for details see Annex. Adjustments neutral for coupon payments of AT1 and CASHES. Underlying tax rate between 18% and 20% throughout the plan.
6. Based on underlying net profit and Capital distribution for FY19-FY22: 30% cash dividend and 10% share buyback; for FY23: 40% cash dividend and 10% share buyback. Proposal of share buyback subject to regulatory approval and AGM authorisation.



ANNEX

MATERIAL NON-OPERATING ITEMS

Offering shareholders consistent and predictable returns is an important part of Team 23. As such, capital distribution in the new plan is based on the concept of underlying net profit. Underlying net profit adjusts stated net profit for certain non-operating items to better demonstrate the recurring, sustainable profit base of the bank. Note that the adjustments are neutral for coupon payments of AT1 and CASHES. The adjustments include:

- Sale of non-strategic assets such as Fineco, Ocean Breeze and selected real estate
- Non-operating, non-recurring charges including, but not limited to, integration costs and extraordinary IT write-offs
- Non-operating items in loan loss provisions, for example the updated rundown strategy for Non Core and the regulatory headwinds

The table below provides details of the material non-operating items expected in the new plan:

4Q19	Net P&L impact, bn	CET1, %	2020 and beyond	Net P&L impact, bn	CET1, %
Unwinding of Yapi joint venture ¹	-0.4	-0.1	Yapi deconsolidation ³	-3.1	+0.7
Integration costs in Germany & Austria	-0.3	-0.1	Integration costs in Italy	-1.1	-0.3
Revaluation of Real Estate and effects of disposals ²	-0.2	+0.5	Additional Real Estate disposals	+0.3	+0.1
Non Core LLPs for updated rundown strategy	-1.0	-0.3	Regulatory headwinds impact on CoR ⁴	-0.6	n.a.
Impairment of intangible and other	-0.6	-0.1			

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 about +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.



FURTHER INFORMATION

For further information related to the Team 23 plan, please refer to the Group's investor relations webpage <https://www.unicreditgroup.eu/en/investors.html>

You can follow the Capital Markets Day presentations live via webcast starting at 9:00am GMT (10:00am CET) via the webpage above or via conference call, the dial-in details for which are:

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