BAML Annual Financials CEO Conference

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Welcome to UniCredit

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Agenda

1. Transform 2019 update
2. Group Quarterly Highlights
3. NPE evolution in the Italian banking sector
4. UniCredit's NPE strategy
5. Conclusions

Transform 2019 achievements in 1H17 (1/2)

STRENGTHEN AND OPTIMIZE CAPITAL	**Pekao & Pioneer disposals finalization**	• Pekao disposal successfully completed, resulting in a capital benefit for CET1 ratio fully loaded of 72bp in 2Q17 • Additional 84bp benefit in 3Q17 from Pioneer disposal, expected to be largely offset by higher RWA(1) in 2H17 and IFRS9 from Jan-18
IMPROVE ASSET QUALITY	**Balance sheet de-risking**	• Reduced gross NPE to 53.0bn, with solid coverage ratio to 56.3% in 2Q17 • Disposals of 1.5bn(2) gross NPE portfolios in 2Q17 at Group level • Improved expected loss on performing stock(3), from 0.43% in 4Q16 to 0.39% in 2Q17, 0.35% on new production • Disposal of majority stake of Fino closed in 3Q17
TRANSFORM OPERATING MODEL	**Branch reduction** **FTE reduction** **IT reorganization**	• 464 branch closures since Dec-15 in Western Europe, 49% of 944 closures target. Branches down by 154 Q/Q, further 90 branches closed in Italy in July • c.6,000 FTEs reduction since Dec-15, 42% of c.14,000 target. FTEs down by 1,135 Q/Q • New IT organization in place from January 2017 with key external hires, focused on upgrading and strengthening IT systems and infrastructures

(1) Due to business growth, model changes and procyclicality.

(2) 0.9bn in the Non Core and 0.6bn in the Group excluding Non Core (o.w. 0.4bn already classified under held for sale in 1Q17).

(3) Impact of procyclicality and model changes in 2H17 envisaged at c.4bp for the Group and c.12bp for CBK Italy (preliminary estimates based on 30 June figures).

Transform 2019 achievements in 1H17 (2/2)

1 2 3 4 5

MAXIMIZE COMMERCIAL BANK VALUE

- **Strategic partnership**
- **Multichannel offer/ customer experience**
- **E2E redesign and streamlining**
- **Capital markets**

- Increased AuM with net sales of c.10bn in 1H17 also thanks to Amundi partnership
- New partnership with Apple Pay, first bank in Italy to allow its 6m cardholders to make payments via app and online with Apple Pay
- Continued focus on multichannel approach to clients across the Group:
  - Number of remote sales increased in Italy by c.50% Y/Y reaching 16.9% of targeted sales in 2Q17(1)
  - Number of online and mobile users, increased in CEE to 38.2% and 25.8% respectively
- E2E process/ product redesign in progress, exceeding expectations: first stage release for Receivable Financing, Current Accounts and Credit Cards
- Ranking #1 in “Syndicated Loans” in Italy, Germany and Austria”, #2 in “Syndicate Loans in CEE” and #1 in “EMEA All Bonds in Euro” by number of deals(2)

ADOPT LEAN BUT STEERING CENTER

- **Group CC streamlining**
- **Governance**

- Group CC continued to progress in 1H17:
  - FTEs down by 7.6% vs. 1H16
  - Costs down by 8.8% vs. 1H16, leading to a weight on Group costs of 4.0% (2015 actual: 5.1%, 2019 target: 2.9%)
- Simplified governance between Group CC and corresponding local functions, improving organizational effectiveness (e.g. decision making, time to market)

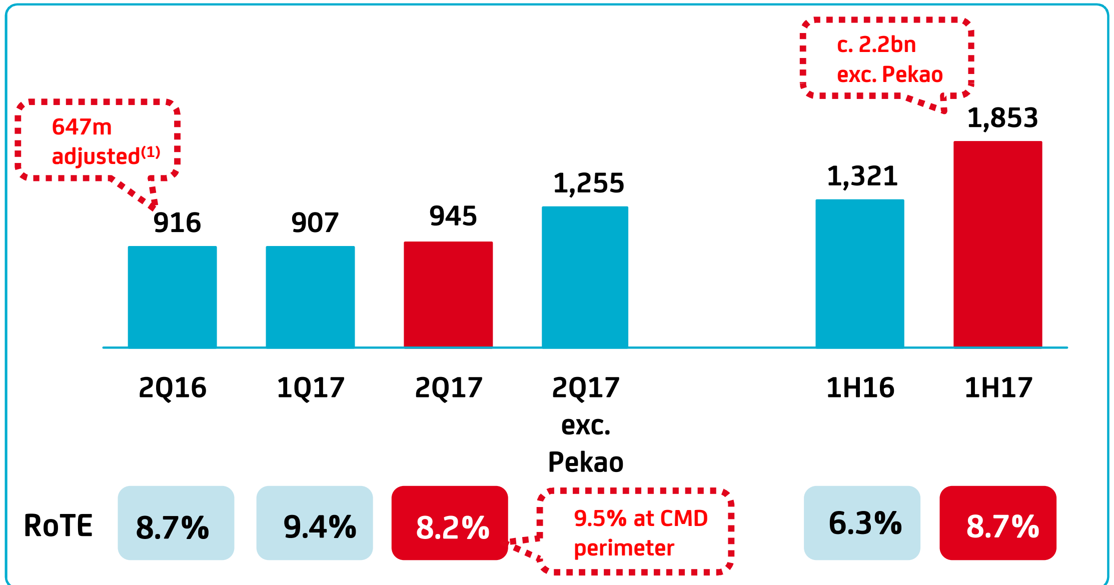
(1) Percentage of remote sales (transactions concluded through ATM, online, mobile or Contact Center) calculated on total bank products that have a direct selling process.

(2) Source: Dealogic, as of 30 June.

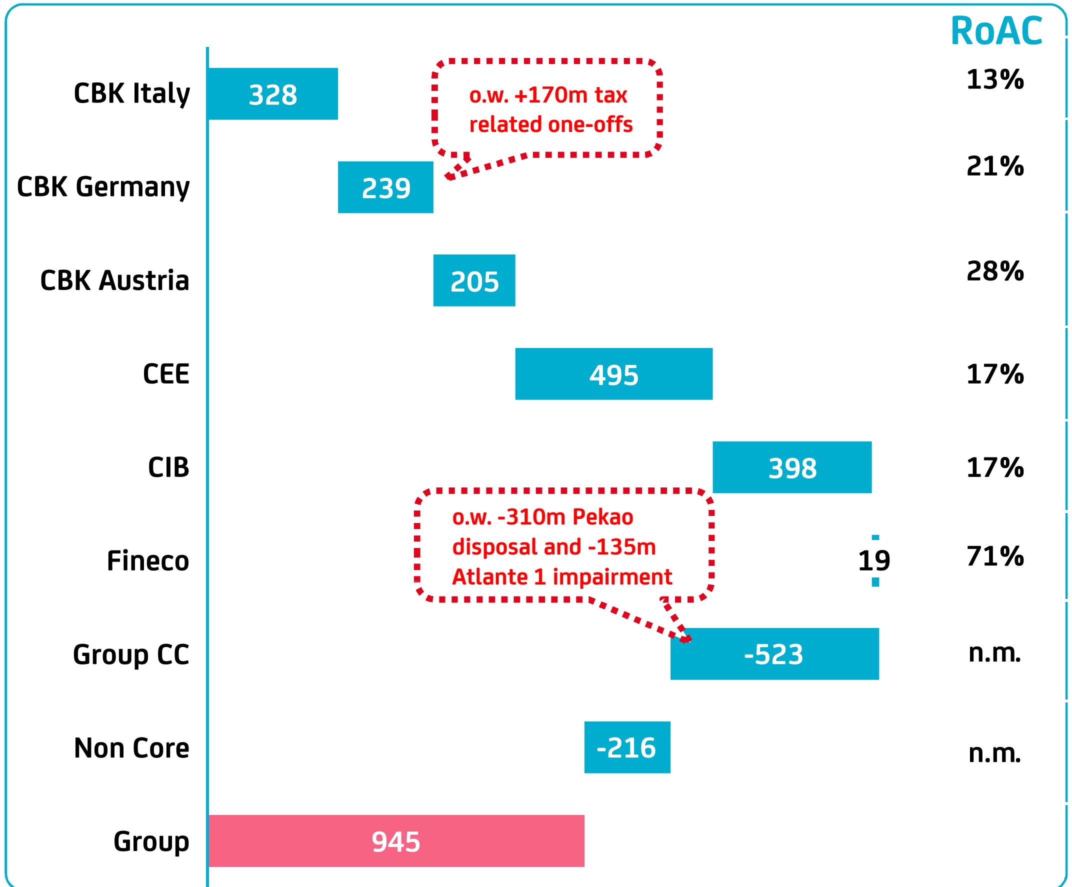
Agenda

Group – Net profit at 1.3bn in 2Q17 exc. the negative currency effects of Pekao disposal. Stated net profit at 945m with CEE, CIB and CBK Italy top contributors to Group results

Stated net profit, m



Net profit divisional breakdown 2Q17, m

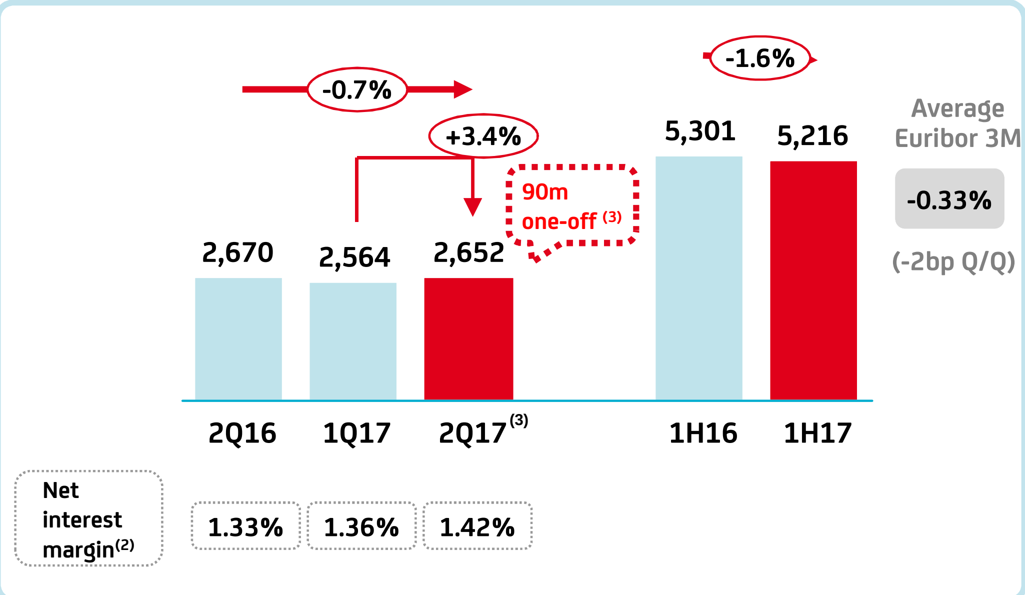


- Sustained operating performance in 2Q17 across all divisions
- Net profit of 2.2bn in 1H17 exc. Pekao, underpinned by strong fee generation, low LLPs & costs, more than offsetting net interest
- RoTE at 9.5% (vs. 7% in 1Q17) at Capital Markets Day perimeter

(1) Adjustments to 2Q16 post taxes: one-off trading gain from security disposal (96m), Capital gain from the disposal of Visa Europe stake (216m), LLP release (100m), Restructuring charges (-55m), Guarantee fees for DTA conversion (-88m).

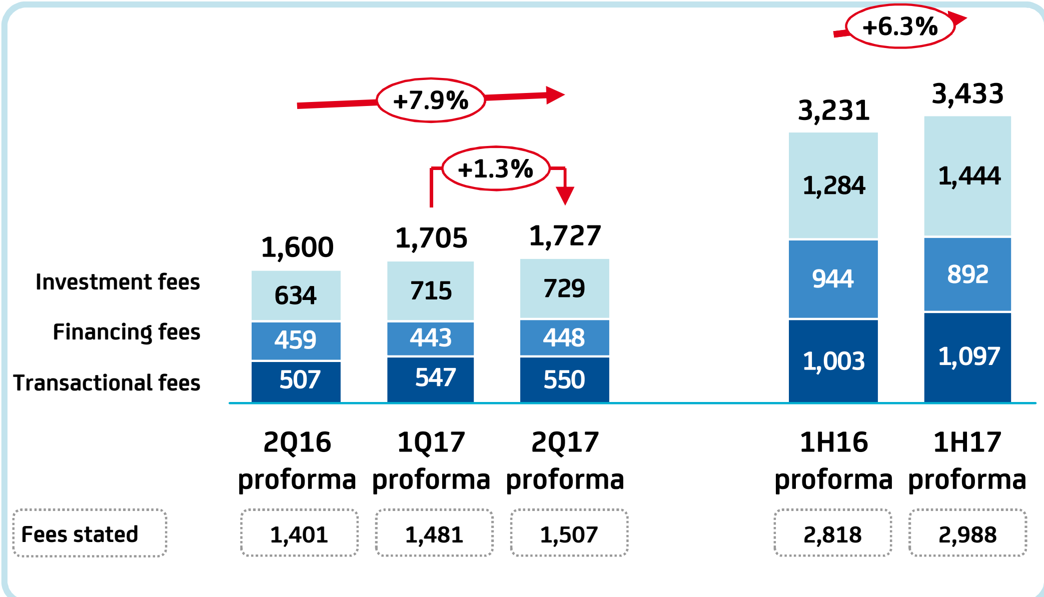
Group – Resilient recurring revenues underpinned by solid NII and strong fee generation

Net Interest[1], m



- Commercial trend of net interest impacted by loan dynamics in a competitive environment
- Guidance of underlying net interest for 2017 confirmed at around 10.2bn

Fees & commissions proforma[4], m

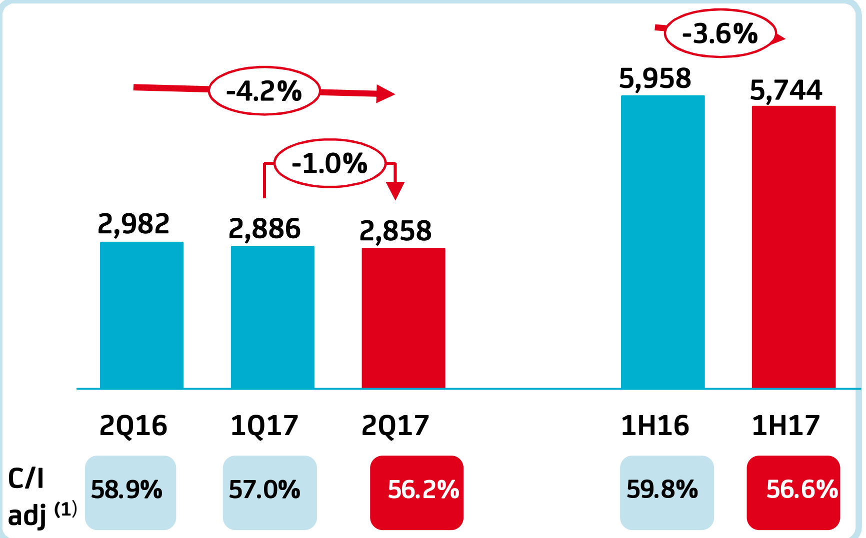


- Strong fee generation in 2Q17, with all categories improving

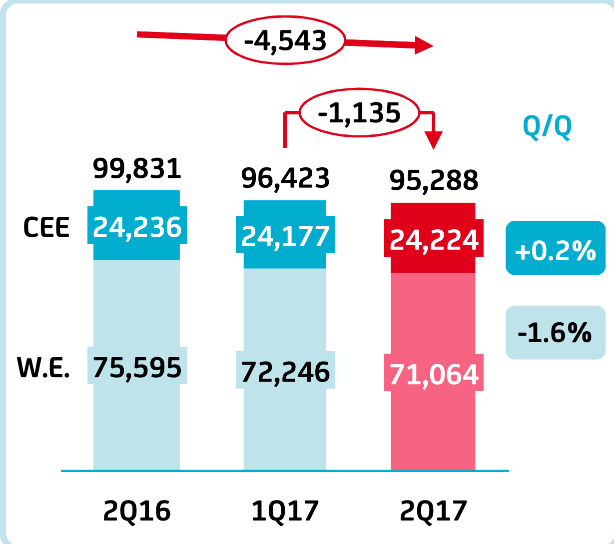
1. Contribution from macro hedging strategy on non naturally hedged sight deposits in 2Q17 at 378m, -2m Q/Q and -15m Y/Y 2. Net interest margin calculated as interest income divided by earning assets minus interest expenses divided by earning liabilities 3. Considering one-off of net interest on tax refund in CBK Germany 4. Managerial figures. Proforma data excluding the temporary effect of Pioneer & Pekao classified under IFRS5. Baseline proforma data excluding the temporary effect of Pioneer & Pekao classified under IFRS5 and non commercial items fees

Group – 4,543 FTE reduction and 398 branch closures Y/Y supporting lower costs

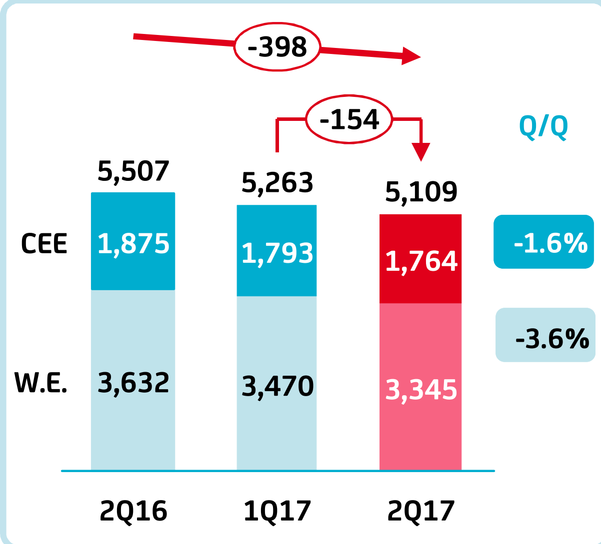
Costs, m



FTEs



Branches(2)



- Costs down Y/Y and Q/Q, confirming 2017 guidance of 11.7bn

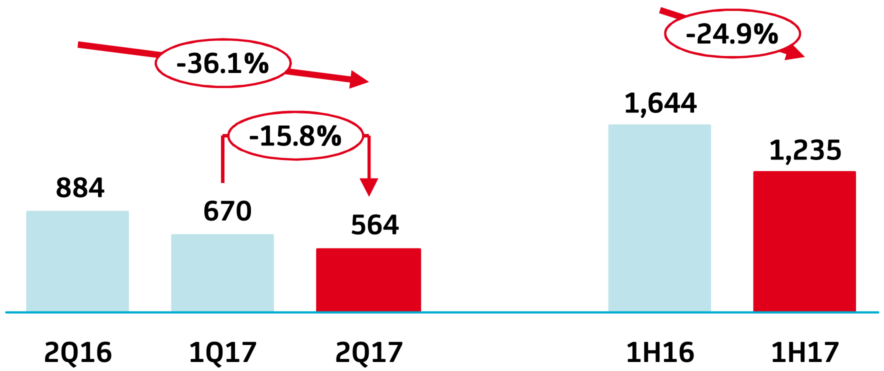
- FTEs reduced by 1,135 Q/Q, c.6,000 since Dec-15 (42% of 14,000 target)

- Branches down by 154 Q/Q, 464 since Dec-15 (49% of 944 target closures in Western Europe)

1. C/I adjusted for the temporary effects of reclassification of Pekao and Pioneer under IFRS5 and for 405m non recurring revenues in 2Q16. C/I stated at 58.9% in 2Q17, 59.7% in 1Q17, 56.7% in 2Q16, 59.3% in 1H17 and 60% in 1H16 2. Branch figures consistent with CMD perimeter

Group – LLPs at 564m in 2Q17, with low cost of risk at 50bp. Revised guidance of cost of risk to low 60s bp for 2017

Loan loss provisions, m



	2Q16	1Q17	2Q17	1H16	1H17
Cost of risk	77 bp	60 bp	50 bp	72 bp	55 bp
Cov. ratio gross NPE(1)	52.1%	56.3%	56.3%		
Gross NPE ratio(1)	14.9%	11.4%	11.0%		

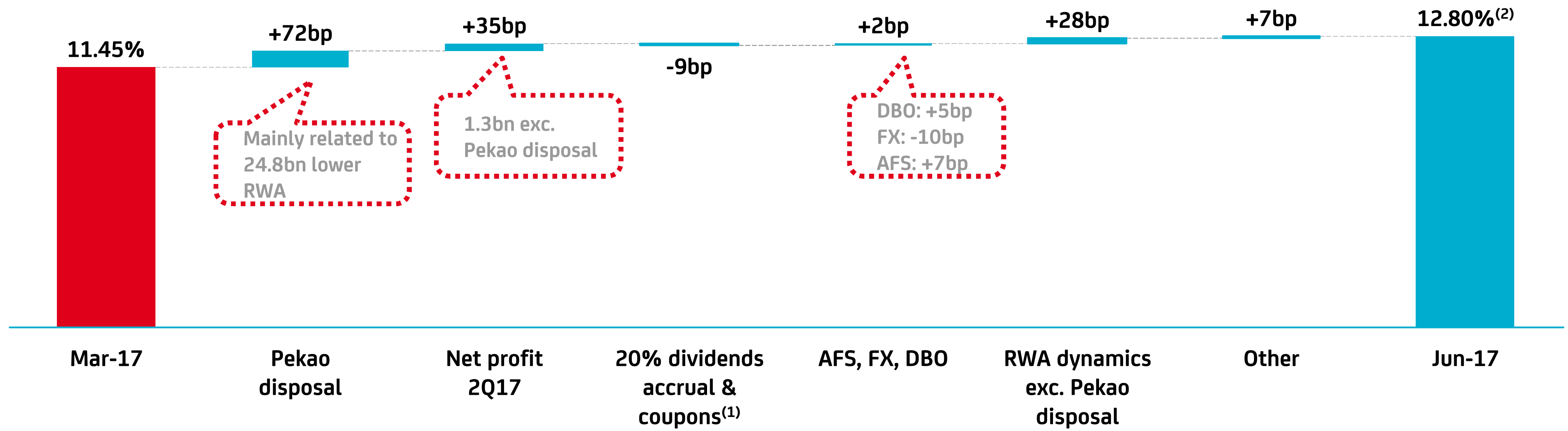
CoR breakdown, bp

	CoR, bp	q/q	y/y
CBK Italy	66	-5bp	-4bp
CBK Germany	16	+6bp	+19bp
CBK Austria	-25	+18bp	-17bp
CEE	53	-69bp	-75bp
CIB	-1	-28bp	-26bp
Fineco	30	+10bp	-34bp
Group CC	n.m.	n.m.	n.m.
Non Core	580	+154bp	+78bp
Group	50	-10bp	-27bp

(1) Fino portfolio has been classified as Held for Sale (16.2bn gross loans, 1.8bn net loans in 2Q17). Group asset quality ratios as at 30th June 17, including the Fino portfolio: gross NPE ratio of 13.9% (14.3% in 1Q17); net NPE ratio of 5.5% (5.8% in 1Q17); NPE coverage ratio of 64.0% (63.5% in 1Q17); gross bad loans ratio of 9.3% (9.5% in 1Q17); net bad loans ratio of 2.6% (2.8% in 1Q17); bad loans coverage ratio of 74.4% (73.8 in 1Q17).

Group – Solid CET1 ratio fully loaded at 12.80%

Fully loaded Common Equity Tier 1 ratio

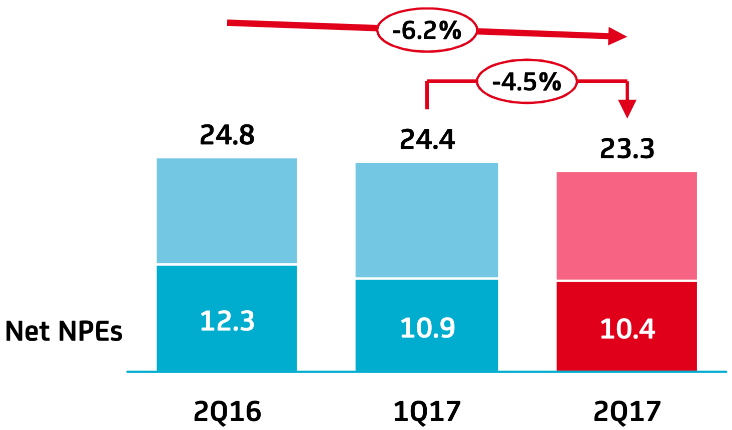


- CET 1 ratio fully loaded up by 135bp mainly thanks to Pekao disposal in Jun-17 (+72bp), earning generation and RWA dynamics
- Additional 84bp in 3Q17 from Pioneer disposal, expected to be largely offset by higher RWA from business growth, model changes & procyclicality in 2H17 and IFRS9 from Jan-18
- Dividend accrual for full year 2017 will be based on 20% payout ratio on normalized earnings, excluding the net impact from the disposals of Pioneer and Pekao

(1) Coupons on AT1 instruments paid in 2Q17 equal to 65m before tax.
(2) CET 1 ratio fully loaded proforma for the disposal of Pioneer at 13.64%.

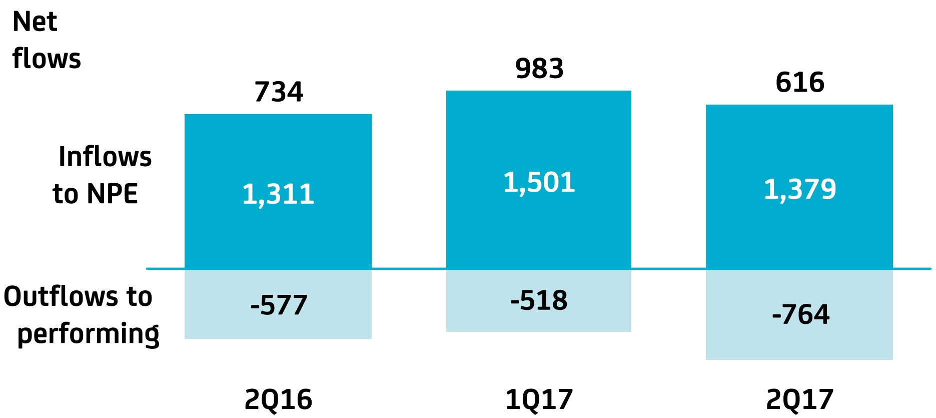
Group exc. Non Core – Asset quality further improved in the quarter with lower NPEs and stronger coverage ratio

Non performing exposures(1), bn



	2Q16	1Q17	2Q17
Gross NPE ratio	5.6%	5.4%	5.2%
Net NPE ratio	2.9%	2.5%	2.4%
Coverage ratio	50.3%	55.2%	55.4%

Net flows to NPEs, m

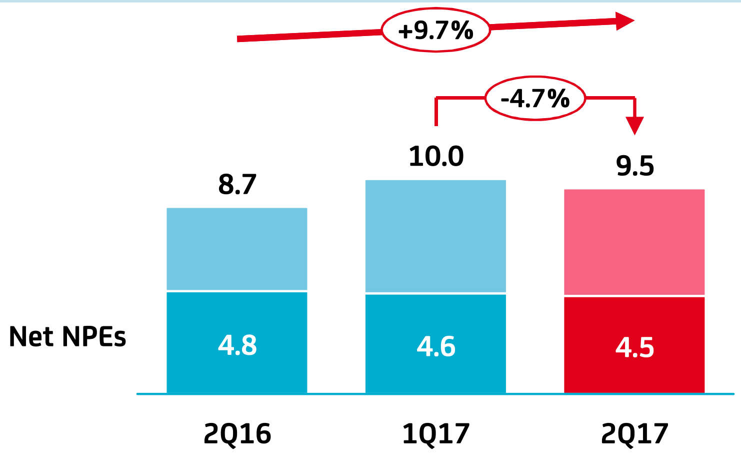


	2Q16	1Q17	2Q17
Default rate	1.3%	1.4%	1.3%
Cure rate	8.9%	8.3%	12.3%
Migration rate	19.4%	15.5%	14.6%

(1) Gross NPEs including gross bad loans, gross unlikely-to-pay and gross Past due. Gross past due at 1.1bn in 2Q17 (-1.1% and -25% Y/Y).
Note: default rate: net inflows to NPEs for UC spa + gross inflows to NPEs for Factoring/Leasing on performing previous year; Cure Rate: back to performing on stock of gross non performing of previous year. 2Q17 perimeter including private portfolio; 2Q16 and 1Q17 figures restated accordingly.

CBK Italy – Lower NPEs in 2Q17 and gross NPE ratio down to 6.6%

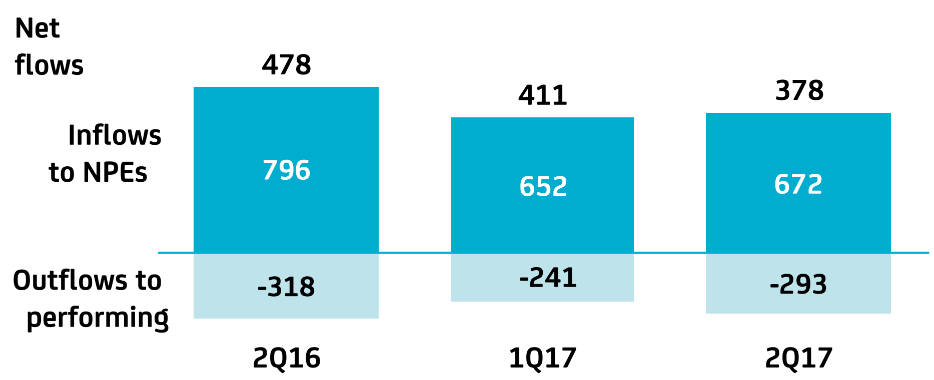
Non performing exposures[1], bn



	2Q16	1Q17	2Q17
Gross NPE ratio	6.1%	7.0%	6.6%
Net NPE ratio	3.5%	3.4%	3.3%
Coverage ratio	44.8%	53.5%	52.3%

54.6% including write-offs and disposals

Net flows to NPEs, m



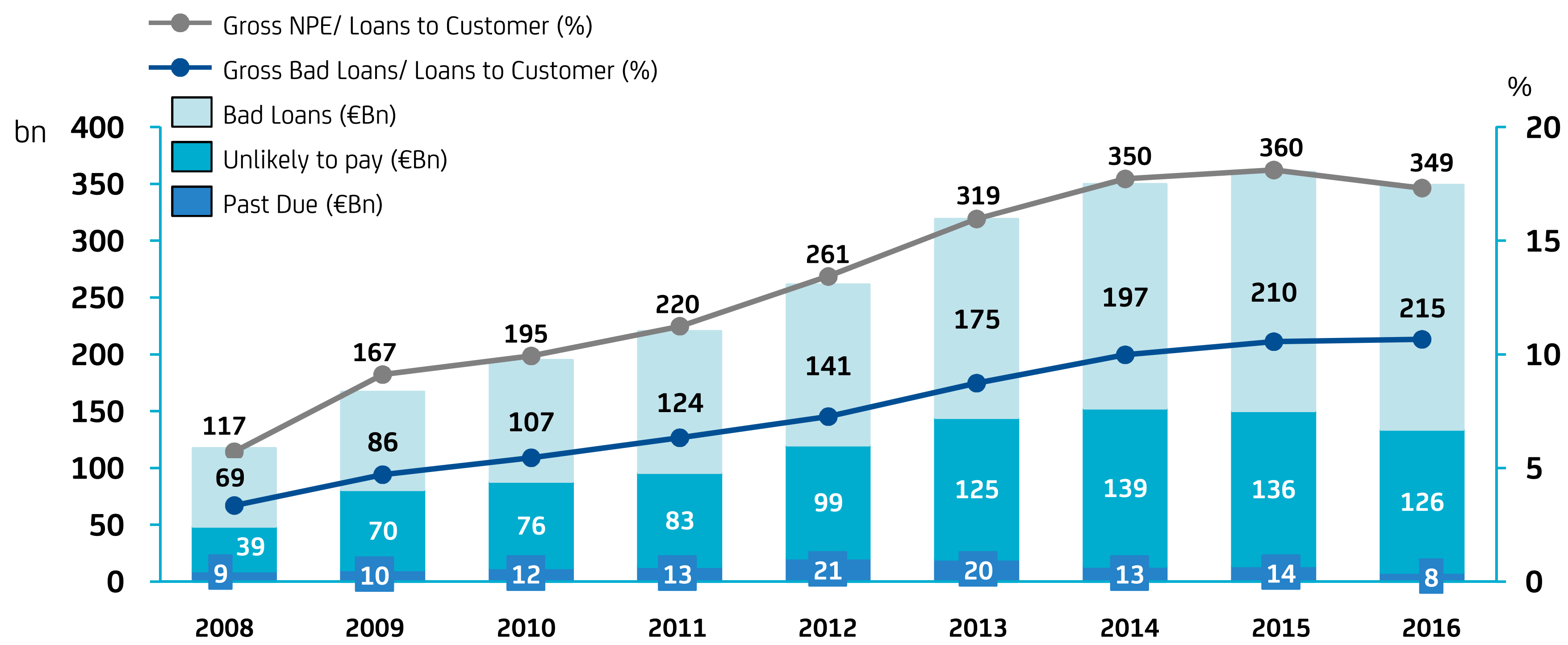
	2Q16	1Q17	2Q17
Default rate	2.5%	2.0%	2.0%
Cure rate	16.1%	10.0%	12.2%
Migration rate	45.7%	28.3%	23.6%

(1) Gross NPEs including gross bad loans, gross unlikely-to-pay and gross Past due. Gross past due at 614m in 2Q17 (-7.9% Q/Q and 35.5% Y/Y).

NB: default rate: net inflows to NPEs for UC spa + gross inflows to NPEs for Factoring/Leasing on performing previous year; Cure Rate: back to performing on stock of gross non performing of previous year. 2Q17 perimeter including private portfolio; 2Q16 and 1Q17 figures restated accordingly.

Agenda

NPE stock showing first signals of decrease after 2015 peak



Gross NPE/ Loans to Customer (%)	5.7%	9.1%	9.9%	11.2%	13.4%	16.0%	17.7%	18.1%	17.3%
Gross Bad Loans/ Loans to Customer (%)	3.4%	4.7%	5.4%	6.3%	7.3%	8.7%	10.0%	10.6%	10.7%

Note: Source: Banca d'Italia "Financial Stability report" April 2017

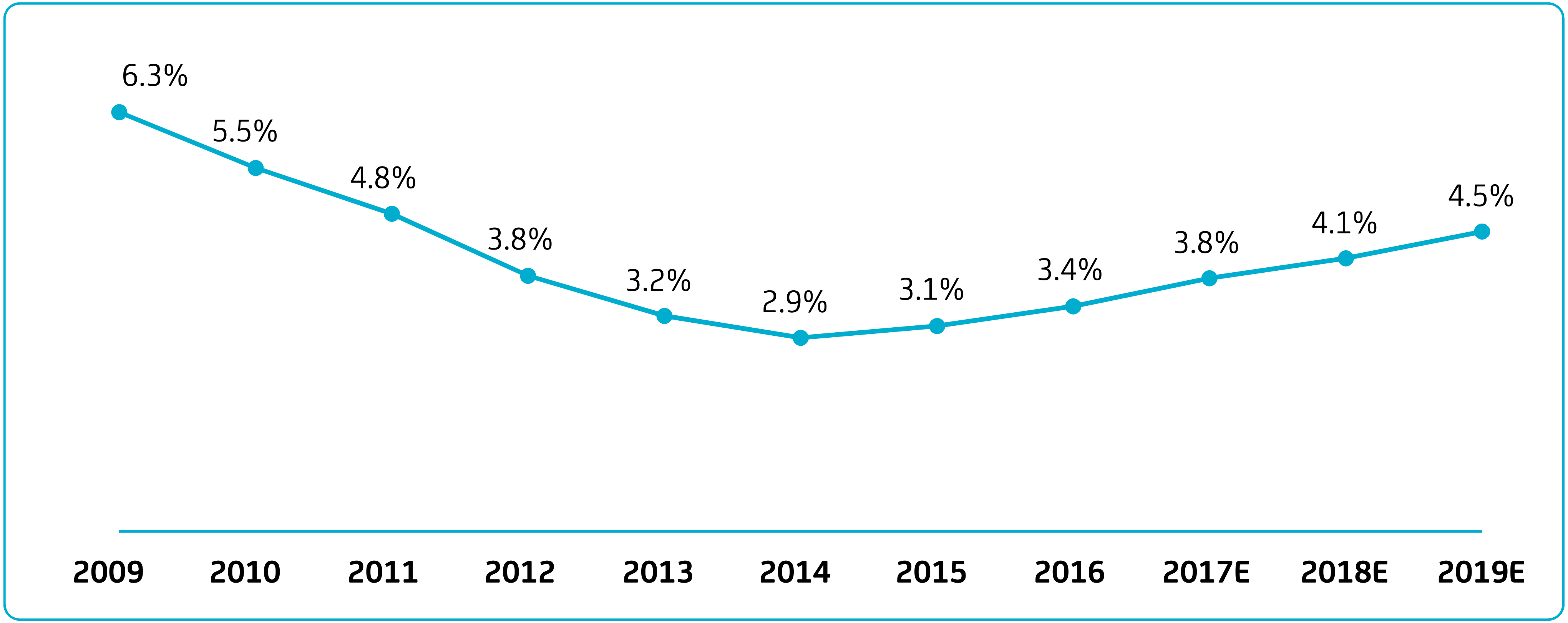
NPE dynamics show net improvement over the last three years in terms of average default rate and recovery rate

	2014	2015	2016
Inflows to NPE (m)	55,392	37,482	26,478
Outflows to performing (m)	-13,024	-10,084	-7,867
Default Rate[1] (%)	5.2	3.7	2.6
Cure Rate (%)[2]	5.8	4.0	2.9
Outflows/inflows (%)[3]	23.5	26.6	29.7
Recovery rate (%)	2.9	3.1	3.4

Note: 1. Default rate calculated on outstanding stock and inflows to NPE: ratio of inflows to NPE in year t vs outstanding performing stock at the end of year t-1; 2. Cure rate calculated as ratio of outflows to performing vs NPE stock at t-1; 3. calculated as ratio of outflows to performing vs inflows to NPE;

Source: Bain, banks included in the sample: UCI, ISP, UBI, MPS, Banco Popolare, BPM, BPER, Gruppo Cariparma, BNL, Credem, Pop Vicenza, Veneto Banca, Carige, Creval, Sondrio

Recovery rate hit bottom in 2014 and is expected to further improve in coming three years



Source: Bain, average of top 15 Italian banks, i.e., ISP, UCG, UBI, MPS, Banco Popolare, BNL, BPER, Popolare Vicenza, Veneto Banca, Carige, BPM, Cariparma CA, Creval, Popolare Sondrio, Credem

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4. **UniCredit's NPE strategy**
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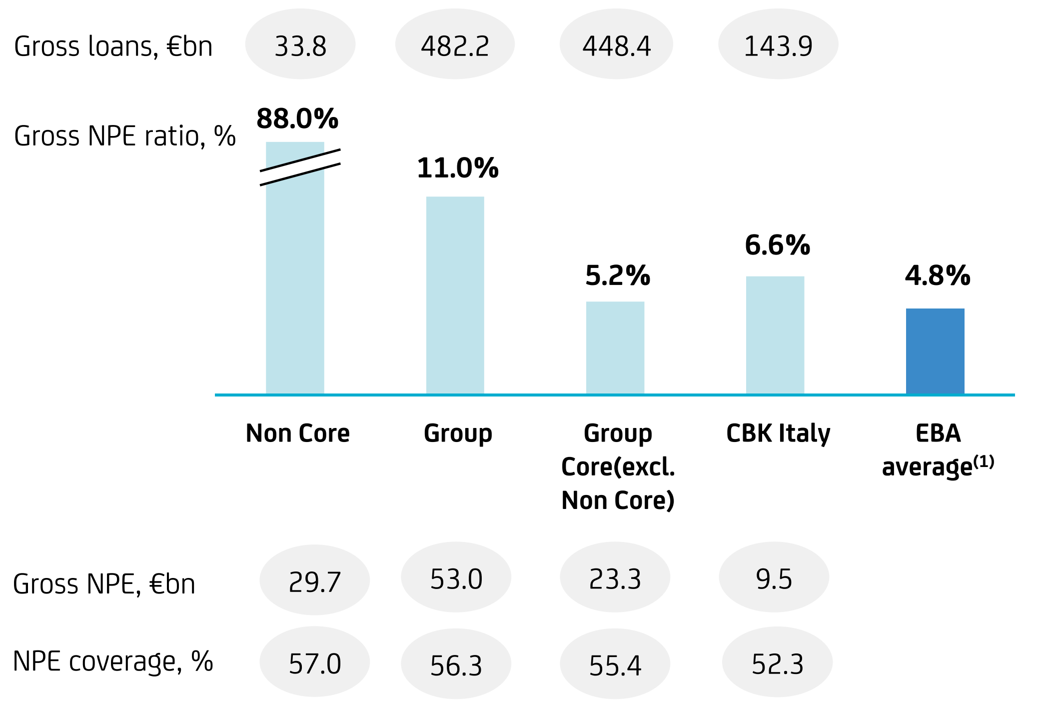
De-risking of the balance sheet key to reduce the cost of capital of the Group… (1/2)

Comments

- At end of June 2017, Group NPE Ratio of 11.0%, while the lowest of Italian banks, was well above EBA average of 4.8%
- NPE Portfolios provisioned to sell thanks to Transform 2019 additional 8.1bn provisions in 2016
- NPE operational plan finalised to ensure reduction of NPE stock
- FINO, 17.7bn [2] disposal validated provisioning levels and de-risked the balance sheet by lowering NPE ratio
- A lower risk profile should lead to a lower cost of capital

Group, 1H17



1. Data as of March 2017
2. Note: FINO, as communicated during the Capital Markets Day, originally amounted to 17.7bn gross loans, which decreased to 17bn as at 31.12.16 thanks to work out activity

...supported by a NPE operational plan with 5 key objectives (2/2)

5 objectives of NPE operational plan

NPE stock reduction by 30bn until 2019 (1)	Non-core recovery up to 5% in 2019	Implement recovery framework	Proactive migration management	Optimize repossesed assets

Governance

- **Guidance and monitoring** at Group level with strengthened Group set up
- Effective end-to-end process ensuring continuous interaction between **Group Risk Management (Holding) and NPE Operational units (Legal entities)** for target setting, cascading, monitoring &reporting

Portfolio Management and KPIs

- **Portfolio analysis and segmentation** (Debtor, Product, Insolvency Status, etc.)
- **Monitoring performance** (coverage ratios, recovery rates, % of portfolio being worked-out)

Operational framework

- Identification of **key workout strategies** per cluster (rescheduling, restructuring, legal action, settlement, etc.)
- Strategic approach to external servicers' management

Key Enablers

- **IT management platform** to support workout and monitoring evolution of portfolios, collections, expenses, collateral and recovery performance
- **Data model/feeding in line with ECB guidance** and portfolio management needs

1. Group gross NPE targeted to reduce from 74.8 bn (9M2016 adjusted) to 44.3 bn as per CRO CMD presentation

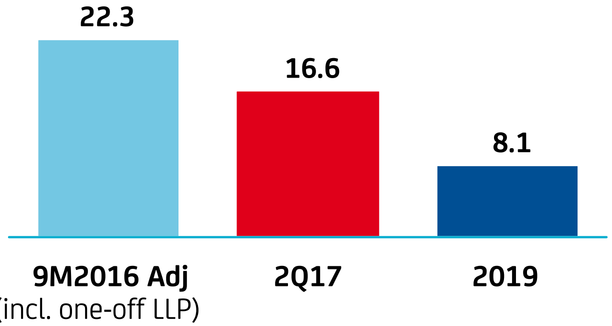
Clear plan of actions for the Non Core run-down: Our proactive disposal process is on track. In particular FINO majority stake sold in July and starting of phase 2 in 2H17

Non Core evolution, bn

-€37.2(1)

	9M2016 Adj (incl. one-off LLP)	2Q17	2019
Gross loans	56.4	33.8	19.2(2)
o/w gross NPE	49.7	29.7	19.2

Net loans



	9M2016 Adj	2Q17	2019
NPE coverage ratio	68.2%	57.0%	>57%
UTP coverage ratio	42.8%	45.2%	>38%
Bad loans cov ratio	77.1%	64.4%	>63%

Actions of Non Core run down, bn

		target by 2019	achieved in 1H17
	Gross loans, €bn	-€37.2	
FINO	Disposal of majority stake completed in July. Further reduction below 20% in 2H17	-€17.7	completed
"Back" to Core	1bn performing loans transferred to CBK Italy	-€2.5	-€1.0(3)
Repayments	Mainly driven by Corporate, Small business, Real estate and Mortgages	-€1.6	-€0.1(4)
Disposals	0.9bn in 2Q17, 1bn in 1H17	-€5.5	-€1.0(5)
Recoveries	Cash recoveries on workout and on UTP (to 5% recovery in 2019)	-€5.0	-€0.6(6)
Write-offs	Active portfolio management and cost optimization	-€4.8	-€0.5(7)

1. The FINO portfolio, as communicated during the Capital Markets Day, originally amounted to 17.7bn gross loans, which decreased to 17bn as at 31.12.16 thanks to work out activity 2. 15.0bn Bad Loans (32% Corporate, 10% Small business, 1% Old Vintage, 1% Individuals, 29% Mortgages, 27% Leasing), €4.0bn UTP (72% Corporate, <1% Small business, 0% Old Vintage, <1% Individuals, 7% Mortgages, 20% Leasing), and €0.2bn Past Due 3. o/w 1.0bn in 2Q17 4. o/w -0.1bn in 1Q17 5. o/w €0.1bn in 1Q17 and €0.9bn in 2Q17. In 4Q16 additional €1.0bn 6. o/w €0.3bn in 1Q17 and €0.3bn in 2Q17 7. o/w €0.2bn in 1Q17 and €0.3bn in 2Q17

Agenda

Concluding remarks

Active balance sheet de-risking with Transform 2019 on track

Transform 2019 execution on track, delivering tangible results

Revenues benefitted from strong business focus, with resilient net interest, strong fee generation and trading above normalized level

Operating costs reduction confirmed thanks to Transform 2019 actions

LLPs at 564m and guidance of CoR revised for 2017 to low 60s bp

Solid fully loaded CET1 ratio at 12.80%

NPEs in Italy showing positive developments in terms of reducing NPEs, lower default rates and higher recovery rates