

**2018 STRATEGIC PLAN FINANCIAL TARGETS:**

**CET1 RATIO AT 12.6% THANKS TO ORGANIC CAPITAL GENERATION ALLOWING FOR  
SUBSTANTIAL DIVIDEND POOL**

**HIGHER SUSTAINABLE RETURN TO SHAREHOLDERS WITH ROTE AT 11%**

**NET PROFIT OF €5.3 BN**

**SIGNIFICANT COST CONTAINMENT MEASURES OF €1.6 BN**

**FURTHER UPSIDE FROM DISCONTINUITY ACTIONS**

**MAIN STRATEGIC ACTIONS TO REACH TARGETS:**

**C.18,200 FTE REDUCTION INCLUDING SALE OF UKRAINE AND PIONEER JV**

**EXIT OR RESTRUCTURING OF POORLY PERFORMING ASSETS BY END 2016**

**SIMPLER AND MORE INTEGRATED GROUP: ELIMINATION OF THE AUSTRIAN SUB-HOLDING WITH DIRECT  
CONTROL OF CEE SUBSIDIARIES BY UNICREDIT HOLDING; STRONGER CENTRAL GOVERNING FUNCTIONS  
AND LEANER MANAGERIAL LAYERS**

**STRONG FOCUS ON HIGH GROWTH AND CAPITAL LIGHT BUSINESSES: WEALTH  
MANAGEMENT, CEE & POLAND AND CIB TRANSACTIONAL AND ADVISORY SERVICES**

**€1.2 BN INVESTMENTS IN DIGITAL EVOLUTION**

**OUR MISSION IS CONFIRMED:**

**A LEADING, WELL-DIVERSIFIED PAN-EUROPEAN COMMERCIAL BANKING FRANCHISE**

**ACCELERATION ON EXECUTION TO BECOME MORE EFFICIENT AND MORE PROFITABLE**

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Today, the Board of Directors of UniCredit approved the Strategic Plan and Group 3Q15 results. Federico Ghizzoni, CEO of UniCredit, commented:

*“Today we approved a Plan envisaging ambitious goals for 2018, both in terms of profitability and capital, thus confirming the Group’s capability to generate capital organically and distribute dividends. We aim at these goals in a persistently tough macroeconomic environment, marked by historically low interest rates and decelerating worldwide economic growth. The plan is rigorous and at the same time ambitious. Above all, it is a realistic Plan, as it is based on our managerial decisions and it is a totally self-financed Plan. Therefore, we are fully confident of its successful execution. We can now concentrate on reinforcing our European commercial bank franchise with significant cost containment measures and further discontinuity actions, and by exiting or restructuring poorly performing businesses. We are planning a considerable level of investments for the future, including €1.2 billion only in our Group’s digital evolution.”*

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As a result of the macro-economic scenario characterized by interest rates at historical lows and regulatory changes, which are impacting the European banking sector, the Board of Directors of UniCredit at its meeting on November 11<sup>th</sup>, 2015 resolved to set out a new Strategic Plan outlining the business direction, structure and organization of UniCredit to ensure sustainable return to shareholders. The 2018 key targets are summarized below:

- A solid capital base, with a **12.6% CET1** ratio fully loaded pre-dividend distribution, above UniCredit's internal target of 11.5%;
- Reduction in **operating expenses** of €1.6 bn;
- A **return on tangible capital of 11%**, in excess of UniCredit's cost of equity;
- A substantial dividend pool available for distribution, corresponding to an **average pay-out of c. 40% over the Strategic Plan**.

UniCredit's Top Management execution will be focused on five key actions:

- Acceleration of **cost cutting** measures in staff and other administrative expenses as well as streamlining corporate centres, aimed at staff cuts of c.18,200 FTEs by 2018;
- **Exit or restructuring of poorly performing businesses** such as retail banking in Austria and leasing in Italy, on top of the ongoing rundown of the Non Core Division;
- **Strong focus on the new digital agenda**, underpinned by €1.2 bn investments over the 2016-18 horizon, which will accelerate the Group's retail and corporate multi-channel transformation and create further discontinuity from traditional banking;
- **Becoming a simpler and more integrated Group**, with the elimination of the Austrian sub-holding with direct shareholding control of CEE subsidiaries by UniCredit Holding (while preserving CEE Division know-how) by the end of 2016, strengthening central governing functions and focusing on commercial synergies between global platforms (CIB) and the Commercial Banks networks;
- **Leverage on growth businesses in CEE Region, Asset Management and Asset Gathering**, increasing capital allocation towards CEE whilst increasing and rebalancing the revenue stream towards capital light businesses.

Unicredit confirms its mission as a well-diversified Pan-European commercial bank with a leading position across Western and Central European countries.

## 2018 KEY FINANCIAL TARGETS

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### GROUP

- **Net profit:** €5.3 bn and **RoTE** at 11%
- **Total costs:** €12.9 bn, with cost/income ratio of 50%
- **Cost of risk:** 67bps
- **Capital:** CET1 ratio fully loaded at 12.6%, higher than internal target of 11.5%, allowing for substantial dividend distribution
- **Loans to customers:** €503 bn, with RWA at €425 bn

### CORE BANK

- **Net profit:** €6.3 bn and **RoAC** at 14%
- **Total costs:** €12.8 bn, with cost/income ratio of 50%
- **Cost of risk:** 53bps



## UNICREDIT STRATEGIC PLAN

### CAPITAL & PROFITABILITY

CET1 ratio fully loaded will reach 12.6% in 2018, pre-dividend distribution, above our internal target of 11.5%, a level which is consistent with regulatory requirements and the competitive landscape and will include a substantial managerial buffer compared to our minimum regulatory requirement. This solid capital base will allow the distribution of a substantial dividend, implying an average pay-out of c. 40% across the Plan. Further capital strengthening is expected upon completion of the exit from or restructuring of poorly performing businesses.

UniCredit is firmly focused on profitability, which is expected to materially increase from a RoTE of 5% in 2014 to 11% in 2018. Profitability enhancement will be achieved via significant cost cutting actions, focus on the potential of assets and wealth management in Western Europe, acceleration of growth in CEE Region, de-risking actions as well as the efficient and effective run-down of Non Core Division.

### STRATEGIC ACTIONS

#### SIGNIFICANT COST REDUCTION

The Strategic Plan embeds a strong acceleration of cost reductions across UniCredit's geographies and divisions aimed at delivering a cost base of €12.9 bn in 2018 (-5% vs FY14), with a cost/income ratio target at 50% (-11p.p. vs FY14).

Target cost savings of €1.6 bn are a result of the reduction of both staff and other administrative expenses. In particular, staff expenses will be cut by €0.8 bn and other administrative expenses will be downsized by €0.8 bn, mainly in Commercial Banks in Germany (-46%) and Austria (-13%).

FTEs will be reduced by c.18,200 within the Plan horizon (-14% vs FY14), including the reduction of c.6,000 FTE related to the disposal of Ukraine and the JV between Pioneer and Santander AM. FTEs reduction will take place both in local and global Corporate Centres (-17% vs FY14) as well as in Commercial Banks in Italy, Germany and Austria and CEE Region (-9% vs FY14). As such, in 2018, the workforce will amount to c. 111.000 FTEs.

In addition, Commercial Banks in Italy, Germany and Austria will continue to right size the number of branches by c. 800 units by 2018, having already completed a reduction of 928 from Jan-14 to Sep-15.

Integration costs related to HR initiatives amount to approximately €1 bn, gross of tax and will be booked mostly in 2015.

#### EXIT OR RESTRUCTURING OF POORLY PERFORMING ASSETS

The execution of the Plan envisages a thorough monitoring of UniCredit's banking portfolio with the commitment to exit or restructure low performing assets.

Recently poorly performing assets have been divested, such as Kazakhstan and are in the process of being sold or restructured, such as Ukrspotsbank in Ukraine.

In this context, the Austrian retail activities and the Italian leasing business are under management assessment. UniCredit anticipates to exit or restructure these businesses by the end of 2016.

UniCredit will continue to monitor its portfolio of assets and remain committed to take further decisive actions in respect of underperforming businesses.



### A DIGITAL STRATEGY AIMED AT SUPPORTING PROCESS EFFICIENCIES AND INCREASE SALES

UniCredit's digital strategy will be supported by €1.2 bn cumulated investments by 2018 and will be based on two key pillars. Firstly, an acceleration of the digital transformation of the retail multichannel and, secondly, building a future digital business model.

UniCredit aims at delivering a service model upgrade which will increase quality, speed of service and customer experience. Over 90% of transactions will be carried out on remote channels by 2018. As a result, approximately 1,500 branches will be affected between closures and new flexible formats.

In addition, the simplification of internal processes, such as back-end process and paperless transformation, will translate into FTE efficiencies equal to c.5,800.

As a result of the ongoing investments in digitalization, UniCredit will improve time-to-market and customer services, allow cost-to-serve optimization and higher execution effectiveness as well as supporting commercial actions across the board, extending end-to-end and multichannel sales on all basic banking products from currently 15% to 25% in 2018.

In this context, UniCredit is launching a new initiative, the set-up of UniCredit "buddybank", a capital-light and mobile-only bank with 24/7 live caring service. The implementation has already started and launch will take place in early 2017.

### A SIMPLER AND MORE INTEGRATED GROUP

Top Management actions will be focused on reducing the complexity of the Group in order to simplify the structure and strengthen central steering functions.

In this respect, all CEE subsidiaries are intended to be transferred from Bank Austria to Unicredit Holding by the end of 2016, via elimination of the Austrian sub-holding and the subsequent direct shareholding ownership of CEE subsidiaries by UniCredit Holding, while preserving CEE Division know how.

In addition, UniCredit has already reduced governance layers regrouping CIB and most foreign banks under one managerial responsibility as well as bringing digital and the information & communication technology activities under one roof.

UniCredit is committed to be a more integrated banking group with strong central governing functions and more effective capital allocation and liquidity management. Several initiatives and organisational changes to enhance integration across divisions and to fully exploit commercial synergies have already been launched such as the joint ventures between Commercial Banks and CIB.

### INVESTING IN CAPITAL-LIGHT AND HIGH GROWTH BUSINESSES TO FOSTER PROFITABILITY AND CAPITAL EFFICIENCY

#### *Continued focus on high growth potential of assets and wealth management*

UniCredit continues to focus on the high growth potential of assets and wealth management where it expects a contribution of additional fees of €2 bn, on total fees and commissions of €9.6 bn in 2018.

The Group expects growth in Total Financial Assets (TFA) to continue as well as client's asset reallocation, which will enable a substitution effect of other TFAs into asset under management.

In Italy, TFA are planned to increase by €78 bn and the penetration of AuM will grow from 30% in 2014 to 40% in 2018, in line with pre-crisis levels. Such growth will be achieved mainly thanks to the strengthening of our private banking service model and to the broadening of the existing customer base.



In Asset Management, UniCredit is planning to leverage on the JV with Santander AM which will give access to a much broader distribution network on a global scale, as well as further developing of the non-captive business.

In Asset Gathering, Fineco will keep growing the stock of guided products on the back of the increasing clients' demand for investment advisory services. Fineco's market shares are expected to increase thanks to its superior technological platform and skilled financial advisors' network.

In Private Banking, UniCredit will continue to focus on ultra-high net worth individuals. Recently a dedicated company was set up in order to offer a full package of investment management and consulting services for customers with over €5 m in financial assets.

#### *Continued focus on CIB Division*

A key priority for the Group is the consolidation of CIB's role as enabler for client access to international infrastructure (6,000 customers in Western Europe) and superior product capabilities. The new management has launched a new strategy focused on four pillars: rebalancing the revenue mix towards capital light income, exploiting flow businesses and extracting cross-border and cross-divisional synergies.

CIB revenue target stands at €4 bn in 2018; on top of that, revenues generated by CIB in the other divisions of the Group will amount to €3 bn in 2018.

#### *Continued focus on CEE Region*

UniCredit Strategic Plan encompasses a higher capital allocation towards CEE & Poland with a target increase of customer loans of €22 bn within 2018. The strategy will be focused on selective customer acquisition both in retail and corporate segments, at a pace of 1 million new clients a year within the Plan.

Similarly to Western Europe, CEE Region will focus on capital light revenues and cross-selling, simplifying and digitalising of customer facing as well as back-office processes.



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**CONFERENCE CALL DIAL IN****ITALY: +39 02 805 88 11****UK: +44 1 212818003****USA: +1 718 7058794**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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*Pursuant the consolidated law on financial intermediation of 24 February 1998 (article 154-bis, paragraph 2) Marina Natale, in her capacity as manager responsible for the preparation of the Company’s financial reports declares that the accounting information contained in this Press Release reflects the UniCredit Group’s documented results, financial accounts and accounting records.*

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