TRANSFORM 2019

UNICREDIT PRESENTS 2016-2019 STRATEGIC PLAN

ONE BANK, ONE UNICREDIT

A SIMPLE PAN-EUROPEAN BANK DELIVERING A UNIQUE WESTERN, CENTRAL AND EASTERN EUROPEAN NETWORK TO ITS EXTENSIVE CLIENT FRANCHISE

DECISIVE ACTIONS ON LEGACY ISSUES, TRANSFORMING THE BANK AND BUILDING ON EXISTING COMPETITIVE ADVANTAGES TO CAPTURE OPPORTUNITIES AND ACHIEVE FUTURE LONG-TERM PROFITABILITY

Considerably strengthened capital position in line with best in class G-SIFIs[1]

- 13 billion euro rights issue fully underwritten by volume[2] subject to customary conditions
- Bold actions taken on business portfolio: Fineco, Pekao and Pioneer
- 2019 fully loaded CET1 ratio above 12.5 per cent

Active balance sheet de-risking resulting in boosted coverage levels to address the asset quality legacy

- A total of 12.2[3] billion euro one offs expected to be taken in Q4 2016 including Loan Loss Provisions of 8.1[4] billion euro and net restructuring charges equal to 1.7 billion euro
- De-risking of 17.7 billion euro of gross bad loans through a securitized portfolio
- Targeting NPE[5] portfolio coverage above 54 per cent in 2019

Further enhanced risk discipline to improve quality of future origination

- 2019 Group cost of risk 49bps, down by 40bps vs 2015

Cost discipline and efficiency measures to significantly reduce cost income ratio and transform business model

- 1.7 billion euro net annual recurring cost savings as of 2019
- 2019 Group cost income ratio below 52 per cent

Improved profitability and new cash dividend pay-out policy

- 2019 RoTE above 9 per cent
- 20-50 per cent cash dividend pay-out policy[6]

Lean but strong steering Corporate Center to drive Group-wide performance and ensure accountability through strictly monitored KPIs

- Creation of a strong steering center in charge of monitoring key performance indicators (KPIs) cascaded down to divisions

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Note: all 2015 and 9M 2016 figures are Restated assuming disposals of Pekao, Pioneer, 30% of Fineco, Ukraine and Immo Holding.
Throughout the document: **Stated figures** are the ones previously communicated; **Restated figures** include variations related to disposals of Pekao, Pioneer, 30% of Fineco, Ukraine and Immo Holding; **Adjusted** (or Adj.) **figures** are restated figures including expected Loan Loss Provisions of 8.1 billion euro.

[1] Global Systemically Important Financial Institutions.

[2] Pre underwriting commitment, in line with market practice for similar transactions, of a consortium of primary financial institutions.

[3] Current estimates subject to final approval, actual results may vary. One- offs mainly refer to one-off LLPs, net restructuring charges and further impairments of Group participations and other general provisions.

[4] Based on current assessment and subject to final terms of FINO transaction.

[5] Non Performing Exposures.

[6] Financial figures in the plan assume a dividend pay-out of 20%.

Milan / London, 13 December 2016: The Board of Directors of UniCredit S.p.A chaired by Giuseppe Vita, has approved the 2016-2019 Strategic Plan, *Transform 2019*, which will be presented to analysts and investors at the Capital Markets Day today in London.

As announced on 11 July 2016, the strategic review encompassed all major areas of the Bank with specific focus on how to reinforce and optimize the Group's capital position, reduce balance sheet risk profile, improve profitability, ensure continuous transformation of operations to allow additional cost reduction and cross selling across Group entities, whilst maintaining flexibility to seize value creating opportunities, as well as further improved risk discipline.

The Transform 2019 plan targets are pragmatic, tangible and achievable and are based on conservative assumptions resting on five well-defined strategic pillars:

- **Strengthen and optimize capital**, to align capital ratios with the best in class G-SIFIs.
- **Improve the asset quality**, decisive actions to address the Italian legacies via a proactive balance sheet de-risking, an increase of the NPE coverage, and by tightening risk management policies to further improve the quality of new loans origination.
- **Transform the operating model**, increase client focus whilst simplifying and streamlining products and services to reduce the cost to serve customers.
- **Maximize commercial bank value**, capitalize on Retail client relationship potential and the "go to" bank status for Corporate clients in Western Europe, further strengthen the leadership[7] position in Central and Eastern Europe and enhance cross selling across business lines and countries.
- **Adopt a lean but strong steering Group Corporate Center**, consistent Group-wide KPIs to drive performance, ensure accountability, leaner support functions and transparent cost allocation.

Jean Pierre Mustier, Chief Executive Officer, UniCredit S.p.A. said:
"We have developed a pragmatic plan based on conservative assumptions, with tangible and achievable targets, dependent on cost and risk management, levers which are firmly under our own control.

"We are taking decisive actions to deal with our NPE legacy issues to improve and support recurring future profitability to become one of Europe's most attractive banks. We are going to build on our existing competitive advantages such as our unique Western, Central and Eastern European network as well as boosting the benefit of our simple commercial banking model with a fully plugged in CIB, by transforming it further. And, we shall capture opportunities whilst keeping a tight rein on risk, execution and costs. All these actions will allow us to generate a return on tangible equity of above 9 per cent in 2019 and allow for a cash dividend pay-out policy of between 20 to 50 per cent.

"Since July we have already taken bold actions. Thanks to the disposal of our holdings in Pekao and Pioneer and a 30 per cent stake in Fineco, coupled with cost savings and organic capital generation over the plan period and a fully underwritten by volume 13 billion euro rights issue we will in 2019 have a fully loaded CET1 ratio above 12.5 per cent, well in line with other best in class G-SIFIs."

[7] Ranking #1 of market share in terms of total assets (2,500 billion euro). Source Central banks statistics.

2019 GROUP KEY FINANCIAL TARGETS[8]

- **Revenues:** CAGR 2015-2019 at +0.6 per cent
- **Total Costs:** 10.6 billion euro with **Cost/Income** below 52 per cent
- **Cost of Risk:** 49bps
- **Net Income:** 4.7 billion euro
- **RoTE:** above 9 per cent
- **Fully loaded CET1 Ratio:** above 12.5 per cent assuming 20% cash dividend pay-out
- **Asset Quality:**
  - **RWA:** 404 billion euro
  - **NPE coverage:** above 54 per cent
  - **UTP[9] coverage:** above 38 per cent
  - **Bad loans coverage:** above 63 per cent

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1. Strengthen and optimize capital

Among the key objectives of the Transform 2019 plan is to materially strengthen the Group's capital structure, and to increase the capital ratios in line with the best in class G-SIFIs.

The fully loaded CET1 ratio will increase from 10.8[10] per cent at 30 September 2016 to above 12.5[11] per cent at 31 December 2019.

The main Transform 2019 actions aimed at strengthening the capital base are:

- a 13 billion euro rights issue, to be submitted for approval to the Extraordinary Shareholders' Meeting to be held on 12 January 2017, fully underwritten by volume by a consortium of leading international banks which entered into a pre-underwriting agreement pursuant to which they undertook – subject to conditions in line with market practice for similar transactions – to enter into an underwriting agreement relating to the subscription of the new shares remained unsubscribed at the end of the auction of the unexercised rights, up to 13 billion euro.
- No payment of dividends for 2016, thereafter a 20-50 per cent cash dividend pay-out policy.
- The agreed disposals of the whole interest in Pekao and Pioneer as well as the already finalised disposal of Ukraine and rightsizing of shareholding in Fineco altogether contributing by 164bps to the fully loaded CET1 ratio, calculated on restated risk-weighted assets as at 30 September 2016.

[8] Figures are Restated assuming disposals of Pekao, Pioneer, 30% of Fineco, Ukraine and Immo Holding.
[9] Unlikely to pay.
[10] Stated figures as of 3Q16.
[11] Perimeter variations related to disposals of Pekao, Pioneer, 30% of Fineco, Ukraine and Immo Holding.

- **Fineco**: opportunity to sell 30 per cent (10 per cent in July and 20 per cent in October) at attractive trading multiples allows the Group to still retain management control, creating synergies with the rest of the Group, and its innovative approach will form an integral part of best practice sharing throughout the Group;
- **Pekao**: UniCredit sold the majority of its stake to PZU whilst signing a commercial agreement which means that customers, current and future, will see no difference in service from Pekao. The Group decided to take advantage of the attractive trading multiples and exit Poland where local regulation limited Group synergies;
- **Pioneer**: the sale to Amundi released value for the Group and with a signed strategic partnership for the distribution in place, UniCredit's customers will have access to a wider range of quality products and the Group will reap the benefit of additional fees from increased network sales.

With regard to funding and liquidity management, the Strategic Plan ensures full compliance with the TLAC, LCR and NSFR target ratios, maintaining adequate buffers.

2. Improve asset quality

In addition to the above mentioned actions, the strengthening of the capital structure will be implemented together with measures specifically aimed at improving asset quality:

- Additional loan loss provisions of 8.1 billion euro to be booked in Q4 in order to address the legacy of the Italian credit portfolio, resulting in an acceleration of the run-down of the Non Core portfolio, targeting a 8.1 billion euro net exposure by 2019.
- Execution of project FINO; a two-phased de-risking of 17.7 billion euro of gross bad loans through a securitized portfolio of which UniCredit will sell at least a 20 per cent vertical tranche to third party investors in phase 1 during 2017. The full disposal of FINO (phase 2) will take place during the period of the Strategic Plan.
- Further impairments of Group participations and other general provisions for a total amount of 4.1 billion euro leading to a total one-off charge in Q4 2016 of 12.2[12] billion euro.

As a result, the Group asset quality KPIs are expected to materially improve:

- Group gross NPE ratio decreasing from 15.1[13] per cent at 30 September 2016 to 8.4 per cent at the end of 2019 and Group net NPE ratio decreasing from 7.9[14] per cent at 30 September 2016 to 4.0 per cent at the end of 2019.
- Increasing coverage ratio – "positioned to sell" – of bad loans and unlikely to pay above 63 per cent and above 38 per cent respectively.

[12] Current estimates subject to final approval, actual results may vary.
[13] Stated figures as of 3Q16.
[14] Stated figures as of 3Q16.

The Italian credit portfolio legacy was originated mainly before 2011 while today the risk profile of the core portfolio origination is sound and improving further, with the first 12 months default rates steadily declining in the last three years. The current Group gross NPE ratio is affected by the Non Core portfolio, which drives an increase of the ratio from 5.7 per cent for the Group Core, while the latter is in line with the EBA average (5.4 per cent), to 15.1 per cent for the Group overall.

In addition to the above, the bank is strengthening its processes in order to further reduce the risk profile of the NPE portfolio from origination and monitoring to workout. For example, with regard to Commercial Banking in Italy, the underwriting process has been centralized for selected portfolios (real estate, project finance), an increasing focus is assigned to investment grade customers (increased from 59 per cent of total in 2013 to 71 per cent[15] in 2016) and in certain business segments the share of loans granted based on automated processes increased significantly (e.g. from 0 per cent to 84 per cent automatic decisions on overdraft between 2013 to 2016).

3. Transforming the operating model

The transformation of the operating model aims to increase customer focus whilst simplifying and improving the efficiency of the Group, to achieve a lower sustainable cost base using digitalization as an enabler to support the transformation. The main initiatives include:

- Redesigning end-to-end processes and lowering the “run the bank” costs by leveraging on the global operations footprint and the development of economies of scale;
- Increasing client focus through strong attention to the customer experience, product standardization and the increase of client facing activities;
- 1.6 billion euro IT investments to support the business transformation and strengthen IT infrastructure through digitalization activities, technological development of core systems and the continuous updating of the infrastructure, while ensuring compliance with regulatory requirements.

The Group’s business model transformation is also expected to bring a further FTE reduction compared to the previous plan. Transform 2019 includes an additional 6,500 net redundancies by 2019 for a total net FTE reduction of c. 14,000 units by 2019, resulting in a decrease of personnel costs by 1.1 billion euro.
A reduction of other operating costs by 600 million euro allows the Group to achieve total net annual recurring cost savings of 1.7 billion euro and a cost base of around 10.6 billion euro in 2019, down from 12.2 billion euro in 2015, the majority of which will be achieved in the first 24 months.

[15] Current estimates subject to final approval, actual results may vary.

4. Maximize commercial bank value

To maximize the profitability of the Group's simple commercial banking business model, and to strengthen its leading position in several European markets whilst leveraging on the Corporate & Investment Banking (CIB) operations and on synergies across business lines and across countries UniCredit has set four priorities:

- Evolution of the Western Europe Commercial Banking offering to anticipate and meet changing client behaviours;
- Further strengthen the Group's leadership[16] in CEE through organic growth via innovation and digitalization;
- An efficient client-focused CIB which is fully plugged into commercial banking, further delivering and creating synergies;
- Enhance cross selling across business lines and countries.

In terms of the initiatives to evolve the Western Europe Commercial Banking model, the following strategic guidelines have been determined:

- Boosting asset gathering through the expected increase of the asset management component of clients' financial assets, cross selling to corporate clients as well as enhancement of advisory processes and product innovation;
- Further developing consumer finance through the introduction of pre-approved overdrafts and cross selling initiatives for corporate and small business customers;
- Strengthening the Group's position as the reference bank for local corporate customers and for the top Small and Medium enterprises (SME) customers;
- Increasing activities and initiatives with customers to "bring the whole bank to the customers", developing the customer approach towards the offer specialization and product innovation, leveraging on the whole Group's offerings.

In the CEE, the Transform 2019 plan specifically aims at organic growth of the customer base. It will also focus on further developing its innovative digitalization processes throughout the region.

CIB will leverage on being fully plugged into the commercial banking activities and through organizational joint ventures to offer CIB products to corporate and retail customers. The Group will strengthen its leadership[17] in Global Transaction Banking, leveraging on the Group's international customers base, and developing distinctive activities in Markets for the benefit of corporate customers and financial institutions. In addition, CIB initiatives include further optimization of the administrative costs and an even stronger attention both to risk management and to the quality of the new loan origination.

Finally, UniCredit intends to further develop synergies from the integration between the CIB activities and commercial banking activities, from the services offering to the corporate, retail and private banking segments, and from a widespread network in several European and global markets. In particular, initiatives include:

- Further cooperation between CIB and Commercial Banking: a new management organization and definition of common targets;

[16]Ranking #1 of market share in terms of total assets (2,500 billion euro). Source Central banks statistics.
[17]Ranking between #1 and #3 in 8 league tables in 9M2016.

- Identifying and leveraging on synergies across corporate and retail/private segments: joint customers acquisition, cross customers referral and single entry point to the Bank for customers;
- Support for international customers: mapping of customers operating in several markets, through reporting activity and access to international centers will allow these customers to benefit from an integrated 360° service;
- Continuous sharing of best practices across the different divisions and markets.

5. Adopt a lean but strong steering Group Corporate Center

The fifth pillar of Transform 2019 concerns the creation of a lean holding model, but with a strong steering of the Group. The key actions include:

- Creation of a strong steering center in charge of monitoring key performance indicators cascaded down to divisions;
- One General Manager in charge of all business activities;
- One single Executive Management Committee;
- Transparent cost allocation to divisions to drive accountability;
- Right-sizing of support functions centrally and locally.

The weight of the Corporate Center, in terms of costs, is to decrease from 5.1 per cent in 2015 to 2.9 per cent in 2019 and in terms of gross operating profit its weight is expected to decrease from -16.9 per cent in 2015 to -2.6 per cent of total, in 2019.

GROUP – KEY FINANCIAL TARGETS

Restated Figures[1]	2015	9M 2016 Adj.[2]	2017	2019
Revenues CAGR 2015-2019				+0.6%
Costs (€ bn)	12.2		11.7	10.6
Net Income (€ bn)	1.5			4.7
Cost/Income	61.6%			< 52%
Cost of risk (bps)	89	254[3]	65	49
RoTE	4%			> 9%
CET1 Ratio Fully Loaded	10.4% [4]	10.8% [4]	12.0%	> 12.5%
RWA (€ bn)	361	362 [5]	389	404
Group NPE Coverage	50.8%	63.0%	> 54%	> 54%
Group UTP Coverage	34.2%	40.8%	> 38%	> 38%
Group Bad loan Coverage	60.6%	74.5%	> 65%	> 63%
Non-Core Net NPE (€ bn)	24.8	15.8	11.4	8.1
Non-Core NPE coverage	52.4%	68.2%	> 56%	> 57%

(1) Restated figures assume disposals of Pekao, Pioneer, 30% of Fineco, Ukraine and Immo Holding.
(2) Adjusted (or Adj.) figures: Restated figures are adjusted including expected Loan Loss Provisions of 8.1 billion euro
(3) Including one-off LLPs, if excluding LLP in 9M2016 cost of risk equals to 77bps
(4) Stated figures
(5) Restated figures

2015 and 9M2016 RESTATED FIGURES

Restated figures assume disposals of Pekao, Pioneer, 30% of Fineco, Ukraine and Immo Holding.

	2015		9M2016	
	Stated	**Restated**	**Stated**	**Restated**
Net Income (€ bn)	1.7	1.5	1.8	1.4
CET1 Ratio Fully Loaded	10.4%		10.8%	12.5%
RWA (€bn)	391	361	391	362
FTE (# '000)	125.5	101.3	123.0	99.5

BASE OR CALCULATION OF PROFIT PROJECTIONS

The Data Projections related to the period of the Transform 2019 plan are compliant with the Accounting Standards used to prepare UniCredit Group Consolidated Financial Statement for the year ended 31 December 2015, and in accordance with International Accounting Standards. When calculating Data Projections, the results of the first nine months of 2016 were also taken into account.

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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 10:00am GMT / 11:00am CET, at https://www.unicreditgroup.eu/en/investors.html.

Milan, 13th December 2016

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This press release contains certain forward-looking statement, projections, objectives, estimates and forecasts reflecting management's current views with respect to certain future events. Forward-looking statements, projections, objectives, estimates and forecasts are generally identifiable by the use of the words "may," "will," "should," "plan," "expect," "anticipate," "estimate," "believe," "intend," "project," "goal" or "target" or the negative of these words or other variations on these words or comparable terminology. These forward-looking statements include, but are not limited to, all statements other than statements of historical facts, including, without limitation, those regarding the Company's future financial position and results of operations, strategy, plans, objectives, goals and targets and future developments in the markets where the Company or any Group company participates or is seeking to participate.

Due to such uncertainties and risks, readers are cautioned not to place undue reliance on such forward-looking statements as a prediction of actual results. The Group's ability to achieve its projected objectives or results is dependent on many factors which are outside management's control. Actual results may differ materially from (and be more negative than) those projected or implied in the forward-looking statements. Such forward-looking information involves risks and uncertainties that could significantly affect expected results and is based on certain key assumptions.

All forward-looking statements included herein are based on information available to the Group as of the date hereof. No Group company undertakes any obligation to update publicly or revise any forward-looking statement, whether as a result of new information, future events or otherwise, except as may be required by applicable law. All subsequent written and oral forward-looking statements attributable to any Group company or persons acting on its behalf are expressly qualified in their entirety by these cautionary statements.

Pursuant to the Consolidated Financial Act, Legislative decree No. 58 of 24 February 1998 (article 154-bis, paragraph 2) Mr. Francesco Giordano, in his capacity as manager responsible for the preparation of the company's financial reports declares that the accounting information contained in this document reflects the Group's documented results, financial accounts and accounting records.