

## UNICREDIT: SECOND QUARTER 2017 RESULTS CONFIRM EARLY PROGRESS OF TRANSFORM 2019

### 2Q17 AND 1H17 GROUP RESULTS

**NET PROFIT AT €1.3 BN IN 2Q17 AND €2.2 BN IN 1H17 EXCLUDING CURRENCY EFFECTS OF BANK PEKAO DISPOSAL. STATED NET PROFIT AT €945 M IN 2Q17 AND AT €1.9 BN IN 1H17**

**NET INTEREST RESILIENT AT €2.7 BN IN 2Q17, WITH COMMERCIAL TRENDS IMPACTED BY LOWER CUSTOMER RATES, IN LINE WITH EXPECTATIONS**

**FULLY LOADED CET1 RATIO AT 12.80 PER CENT, BENEFITTING FROM 72 BP OF BANK PEKAO DISPOSAL SUCCESSFULLY COMPLETED IN 2Q17**

**SALE OF THE MAJORITY STAKE OF FINO COMPLETED IN JULY 2017**

**TRANSFORM 2019 EXECUTION ON TRACK, DELIVERING TANGIBLE RESULTS**

| UNICREDIT GROUP        |  |
|------------------------|--|
| <b>2Q17 HIGHLIGHTS</b> | <ul style="list-style-type: none"> <li>■ REVENUES AT €4.9 BN (+0.4 PER CENT Q/Q, -7.8 PER CENT Y/Y) THANKS TO RESILIENT NII AND STRONG FEES GENERATION</li> <li>■ FEES AT €1.5 BN, ON TRACK TO REACH 2019 TARGET</li> <li>■ OPERATING EXPENSES FURTHER DOWN TO €2.9 BN (-1.0 PER CENT Q/Q, -4.2 PER CENT Y/Y) AND COST/INCOME RATIO IMPROVED TO 56.2 PER CENT FROM 57.0 PER CENT IN 1Q17 AT CAPITAL MARKETS DAY (CMD) PERIMETER<sup>1</sup>. STATED COST/INCOME AT 58.9 PER CENT IN 2Q17</li> <li>■ IMPROVED LLP AT €564 M (-15.8 PER CENT Q/Q, -36.1 PER CENT Y/Y). LOW COST OF RISK AT 50 BP WITH GUIDANCE REVISED FOR 2017 TO LOW 60S WHILE CONFIRMED FOR TRANSFORM 2019 AT 49 BP</li> <li>■ STATED NET PROFIT AT €945 M AND €1.3 BN EXCLUDING THE CURRENCY EFFECTS OF BANK PEKAO DISPOSAL. 2Q RESULTS IMPACTED BY (i) +€170 M OF ONE-OFFS IN GERMANY AND (ii) -€135 M OF WRITE-DOWN ON THE ATLANTE FUND. CEE, CIB AND COMMERCIAL BANK ITALY MAIN CONTRIBUTORS TO NET PROFIT</li> <li>■ STATED RoTE AT 8.2 PER CENT. RoTE AT CMD PERIMETER AT 9.5 PER CENT<sup>2</sup></li> </ul> |
| <b>1H17 HIGHLIGHTS</b> | <ul style="list-style-type: none"> <li>■ REVENUES AT €9.7 BN (-2.5 PER CENT H/H) WITH NII SLIGHTLY DOWN DUE TO LOW INTEREST RATES ENVIRONMENT. FEES INCREASED IN BOTH QUARTERS DUE TO UNDERLYING STRONG SALES. TRADING PROFIT BENEFITTED FROM LARGE CLIENT DRIVEN TRANSACTIONS IN 1Q17</li> <li>■ STRONG FOCUS ON OPERATING EXPENSES, DOWN TO €5.7 BN (-3.6 PER CENT H/H) AND LOWER</li> </ul>   |

<sup>1</sup>Cost/Income adjusted for (i) temporary effects of reclassification of Bank Pekao and Pioneer under IFRS5 and (ii) €405 m non-recurring revenues in 2Q16. Stated Cost/Income at 59.7 per cent in 1Q17 and 56.7 per cent in 2Q16. CMD perimeter hereby mentioned considers capital increase and Pekao & Pioneer disposals as at 31 Dec. 2016.

<sup>2</sup>Return on Tangible Equity: annualized net income / average tangible equity (excluding AT1 and intangible assets related also to companies classified under IFRS5).

|                              |   |
|------------------------------|---|
|                              | <p>COST/INCOME RATIO AT 56.6 PER CENT FROM 59.8 PER CENT IN 1H16 AT CMD PERIMETER. STATED COST/INCOME AT 59.3 PER CENT IN 1H17</p> <ul style="list-style-type: none"> <li>■ IMPROVED LLP AT €1.2 BN (-24.9 PER CENT H/H) WITH LOW COST OF RISK AT 55 BP</li> <li>■ REPORTED NET PROFIT OF €1.9 BN WITH SOUND OPERATING PERFORMANCE FROM ALL DIVISIONS. NET PROFIT OF CA. €2.2 BN EXCLUDING THE EFFECTS FROM BANK PEKAO DISPOSAL</li> <li>■ STATED RoTE IMPROVED AT 8.7 PER CENT. RoTE AT CMD PERIMETER AT 8.3 PER CENT</li> </ul>   |
| <b>CAPITAL</b>               | <ul style="list-style-type: none"> <li>■ FULLY LOADED CET1 RATIO AT 12.80 PER CENT IN 2Q17</li> <li>■ FULLY LOADED LEVERAGE RATIO AT 5.09 PER CENT IN 2Q17</li> </ul>   |
| <b>ASSET QUALITY</b>         | <ul style="list-style-type: none"> <li>■ LOWER RISK PROFILE, WITH GROSS NPE<sup>3</sup> FURTHER REDUCED TO €53.0 BN IN 2Q17, DOWN BY CA. 30 PER CENT Y/Y</li> <li>■ GROSS NPE RATIO OF 11.0 PER CENT AND NET NPE RATIO OF 5.1 PER CENT IN 2Q17</li> <li>■ NPE COVERAGE RATIO FLAT AT 56.3 PER CENT IN 2Q17</li> <li>■ CONTINUED FOCUS ON ASSET QUALITY WITH EXPECTED LOSS IMPROVED TO 0.39 PER CENT IN 2Q17 FROM 0.43 PER CENT IN 4Q16</li> </ul>   |
| <b>TRANSFORM 2019 UPDATE</b> | <ul style="list-style-type: none"> <li>■ BANK PEKAO DISPOSAL SUCCESSFULLY COMPLETED IN JUNE, WITH A CAPITAL BENEFIT FOR FULLY LOADED CET1 RATIO OF 72 BP IN 2017.</li> <li>■ AN ADDITIONAL 84 BP WILL COME FROM PIONEER DISPOSAL WHICH CLOSED IN JULY, EXPECTED TO BE LARGELY OFFSET BY HIGHER RWA DUE TO BUSINESS GROWTH AND MODEL CHANGES &amp; PROCYCLICALITY IN 2H17 AND BY IFRS9 FIRST TIME ADOPTION STARTING FROM JANUARY 2018</li> <li>■ CONTINUOUS BALANCE SHEET DE-RISKING WITH FURTHER NPE REDUCTION THROUGH CA. €1.5 BN OF NPE SALES IN 2Q17. THE DISPOSAL OF THE MAJORITY STAKE OF FINO WAS SUCCESSFULLY CLOSED IN JULY</li> <li>■ COST CUTTING INITIATIVES ARE PROGRESSING (ACHIEVED 49 PER CENT OF BRANCH CLOSURES PLANNED AND 42 PER CENT OF FTE REDUCTION TARGET)</li> <li>■ A SIMPLIFIED GOVERNANCE BETWEEN GROUP CORPORATE CENTER (GCC) AND THE CORRESPONDING LOCAL FUNCTIONS LED TO AN IMPROVEMENT IN THE ORGANIZATIONAL EFFECTIVENESS WITH SWIFTER DECISION MAKING AND EXECUTION</li> </ul> |

Milan, 3 August 2017: yesterday, the Board of Directors of UniCredit S.p.A. approved 1H17 results. After the Board of Directors, Jean Pierre Mustier, Chief Executive Officer of UniCredit S.p.A. commented:

*“UniCredit’s good 2017 second quarter results confirm the early positive impact of Transform 2019 already seen in Q1. All our teams remain focused on the execution and the successful delivery of the plan. In Q2, as scheduled, we closed the sale of Pekao and in July we finalised the first phase of FINO by divesting a majority stake in a 17.7 billion portfolio of Non Performing Exposures<sup>4</sup>. In particular, Pekao disposal, in addition to our organic earnings generation, had a positive impact of 72 bps on our fully loaded CET1 ratio, which in Q2 stands at 12.80 per cent. We also saw encouraging signs of the roll out of the plan throughout the Group with strengthened commercial activity in all key divisions, resulting in resilient Net Interest Income at 2.7 billion euro, up 3.4 per cent quarter on quarter. Adding strong fee performance up 1.8 per cent quarter on quarter, cost containment and risk discipline, we report a net profit of 1.3 billion euro, excluding Pekao, up 38.4 per cent quarter on quarter”.*

<sup>3</sup>NPE: Non Performing Exposures. The perimeter of NPE as per definition of EBA is substantially equivalent to perimeter of impaired exposures as per BankIT Circular 272. NPE are broken down in bad exposures, unlikely-to-pay and past due.

<sup>4</sup>Equal to €16.2 bn as at 30-Jun-17.

## TRANSFORM 2019 UPDATE

Transform 2019 implementation is on track and delivering tangible results:

- **Strengthen and optimize capital:** the disposals of Bank Pekao and Pioneer were successfully completed, contributing 72 bp and 84 bp of CET1 ratio in 2Q17 and 3Q17, respectively.

Fully loaded CET1 ratio stood at 12.80 per cent in 2Q17<sup>5</sup>. CET1 ratio is expected to be negatively affected by higher RWA due to business growth and model changes & procyclicality in 2H17 and IFRS9 first time adoption starting in 2018.

Consistently with Transform 2019, the basis of calculation of the dividend payout ratio is net profit excluding the effects of Bank Pekao and Pioneer.

- **Improve asset quality:** ongoing balance sheet de-risking with gross NPE down to €53.0 bn in 2Q17 from €55.3 bn in 1Q17. The risk profile of the Group improved, with the NPE ratio reduced from 11.4 per cent in 1Q17 to 11.0 per cent at the end of June 2017. The coverage ratio remained flat at 56.3 per cent in 2Q17<sup>6</sup>.

Gross NPE disposals progressed, amounting to ca. €1.5 bn in 2Q17 and reaching around €1.8 bn in 1H17. Higher sales of NPE are expected in 2H17.

Project FINO is progressing according to plan. UniCredit completed the sale of the majority stake of the FINO portfolio in July 2017. In 2H17 UniCredit will consider the sale of the remaining stake of FINO portfolio, to take it below 20 percent.

Moreover, the expected loss on performing stock is improving from 0.43 per cent in 4Q16 to 0.39 per cent in 2Q17, confirming UniCredit's continuous focus on high quality business. The expected loss on new production reached 0.35 per cent in 2Q17.

- **Transform operating model:** cost cutting initiatives are on track supporting further operating efficiencies.

In 2Q17, the branch closures program progressed and 464 branches were closed since December 2015, corresponding to 49 per cent of 944 branch closures<sup>7</sup> targeted by 2019. Additional 186 branch closures are planned by year end 2017, ahead of plan in Western Europe, of which 90 already achieved in July in Italy.

The push on a sustainable lower cost structure is supported by a further reduction of 1,135 FTE<sup>8</sup> during the quarter, amounting to ca. 6,000 lower FTE since December 2015, corresponding to 42 per cent of the 14,000 planned reductions by 2019.

A new IT organisation has been in place since the beginning of 2017, focused on strengthening and upgrading the IT systems infrastructures with key external hires.

- **Maximize commercial bank value:** commercial initiatives are ongoing in all geographies:
  - the strategic partnership with Amundi has shown the first positive effects supporting higher Asset under Management sales;
  - the new partnership with Apple Pay in Italy, allowing 6 m of UniCredit's cardholders to make payments via the "app" and online, confirming a persistent focus in digitalisation;
  - the continued focus on multichannel approach with clients, was underpinned by:

<sup>5</sup>Fully loaded CET 1 ratio pro-forma for the disposal of Pioneer at 13.64 per cent.

<sup>6</sup>Fino portfolio has been classified as Held for Sale in 4Q16. As communicated during the Capital Markets Day, the FINO portfolio originally amounted to €17.7 bn gross loans and decreased to €16.2 bn (€1.8 bn net amount) as at 30 June 2017, thanks to work out activities. Group asset quality ratios including FINO as at 30 June 17: gross NPE ratio of 13.9 per cent (14.3 per cent in 1Q17); net NPE ratio of 5.5 per cent (5.8 per cent in 1Q17); NPE coverage ratio of 64.0 per cent (63.5 per cent in 1Q17); gross bad loans ratio of 9.3 per cent (9.5 per cent in 1Q17); net bad loans ratio of 2.6 per cent (2.8 per cent in 1Q17); bad loans coverage ratio of 74.4 per cent (73.8 per cent in 1Q17).

<sup>7</sup>Retail branches in Italy, Germany and Austria as indicated during the Capital Markets Day.

<sup>8</sup>Full Time Equivalent. Please consider that Group FTE are shown excluding i) all companies that are classified under IFRS5 and ii) Ocean Breeze.

- number of remote sales on targeted sales<sup>9</sup> increased in Italy to 16.9 per cent in 2Q17, up by ca. 50 per cent Y/Y,
  - number of online users in CEE increased from 35.9 per cent as of December 2016 to 38.2 per cent as of June 2017, and
  - number of mobile users in CEE increased from 20.4 per cent as of December 2016 to 25.8 per cent as of June 2017;
- the end-to-end process redesign is in progress with the release of process reviews on financing receivables, current accounts and credit cards.

UniCredit's fully plugged-in CIB confirmed its strengths as a debt financing house ranking #1 in "Syndicated loans" in Italy, Germany and Austria<sup>10</sup>, #2 in "Syndicated Loans in CEE"<sup>11</sup> and #1 in "EMEA All Bonds in Euro"<sup>12</sup> by numbers of deals. In addition synergies have been realised within the Joint Venture CIB-Commercial banking with two Equity Capital Markets deals (IPOs<sup>13</sup>) in Germany.

- **Adopt a lean but steering Group Corporate Center:** operating expenses of GCC decreased by ca. 9 per cent H/H, combined with a reduction of almost 8 per cent of FTE H/H as consequence of ongoing restructuring initiatives. The ratio of GCC costs to Group total costs<sup>14</sup> reduced to 4.0 per cent in 1H17 (4.2 per cent in 1H16) versus a target of 2.9 per cent by 2019.

Moreover, a simplified governance between GCC and the corresponding local functions led to an improvement in the organizational effectiveness with swifter decision making and execution.

\* \* \*

The Group has received several awards by Euromoney Magazine. In particular, UniCredit won five awards including "Best Bank in Italy", "Best Bank in Croatia", "Best Bank for Wealth in Central & Eastern Europe" and "Best Bank for Transaction Services in Central & Eastern Europe". Moreover, Jean Pierre Mustier, CEO, was named "Banker of the Year 2017".

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<sup>9</sup>Calculated as remote sales (transactions made through ATM, online, mobile or Contact Center) on total Bank products with a direct selling process.

<sup>10</sup>Source: Dealogic Analytics, per 5<sup>th</sup> July 2017, Italy per 18<sup>th</sup> July 2017. Period: 1 Jan – 30 June 2017.

<sup>11</sup>Source: Dealogic Analytics, per 5<sup>th</sup> July 2017. Period: 1 Jan – 30 June 2017.

<sup>12</sup>Source: Dealogic Analytics, per 5<sup>th</sup> July 2017. Period: 1 Jan – 30 June 2017.

<sup>13</sup>Initial Public Offerings.

<sup>14</sup>Adjusted for the temporary effects of reclassification of Bank Pekao and Pioneer under IFRS5.

## UNICREDIT GROUP CONSOLIDATED RESULTS

| Euro (m)                   | 1H16   | 1H17   | H/H %  | 2Q16   | 1Q17   | 2Q17   | Y/Y %  | Q/Q %  |
|----------------------------|--------|--------|--------|--------|--------|--------|--------|--------|
| Total Revenues             | 9,937  | 9,688  | -2.5%  | 5,262  | 4,833  | 4,855  | -7.8%  | +0.4%  |
| Operating costs            | -5,958 | -5,744 | -3.6%  | -2,982 | -2,886 | -2,858 | -4.2%  | -1.0%  |
| LLP                        | -1,644 | -1,235 | -24.9% | -884   | -670   | -564   | -36.1% | -15.8% |
| Net Profit                 | 1,321  | 1,853  | +40.2% | 916    | 907    | 945    | +3.3%  | +4.2%  |
| Fully Loaded CET1 ratio    | 10.33% | 12.80% | +2.5pp | 10.33% | 11.45% | 12.80% | +2.5pp | +1.4pp |
| RoTE                       | 6.3%   | 8.7%   | +2.5pp | 8.7%   | 9.4%   | 8.2%   | -0.5pp | -1.3pp |
| Loans (excl. repos) - bn   | 428    | 421    | -1.8%  | 428    | 419    | 421    | -1.8%  | +0.3%  |
| Gross NPE - bn             | 75     | 53     | -29.6% | 75     | 55     | 53     | -29.6% | -4.2%  |
| Deposits (excl. repos)- bn | 380    | 395    | +3.8%  | 380    | 392    | 395    | +3.8%  | +0.8%  |
| Cost/income                | 60.0%  | 59.3%  | -0.7pp | 56.7%  | 59.7%  | 58.9%  | +2.2pp | -0.9pp |
| Cost of risk (bp)          | 72     | 55     | -17    | 77     | 60     | 50     | -27    | -10    |

**Revenues** increased to €4.9 bn in 2Q17 (+0.4 per cent Q/Q, -7.8 per cent Y/Y) thanks to the positive progression in core revenues: (i) net interest income resilient at €2.7 bn (+3.4 per cent Q/Q, -0.7 per cent Y/Y), impacted by positive one-off items in Commercial Banking Germany, and (ii) strong fee generation at €1.5bn (+1.8 per cent Q/Q, +7.6 per cent Y/Y). Main contributions to revenues came from Commercial Banking Italy, CIB and CEE. In 1H17, total revenues amounted to €9.7 bn (-2.5 per cent H/H).

**Net interest income (NII)**<sup>15</sup> totalled €2.7 bn in 2Q17 (+3.4 per cent Q/Q, -0.7 per cent Y/Y) and €5.2 bn in 1H17 (-1.6 per cent H/H). NII excluding the positive one-off item in Commercial Bank Germany of €90 m was almost flat in 2Q17. Net of days and FX effects, the negative commercial trend of €36 m Q/Q was affected by lower loans dynamics (-€20 m from reduced volumes and -€56 m from the compression on customer rates) and negative deposits dynamics (-€1 m from higher volumes and -5m from re-pricing of deposit rates), more than offsetting lower cost of term funding (+€24 m) and the recognition of TLTRO benefit (+€22 m). On a yearly basis the commercial dynamics contributed ca. €20 m to NII mainly sustained by term funding and reduced deposit rates. The non-commercial evolution was partially affected by the negative dynamics of the investment portfolio and treasury activities (-€7 m Q/Q, -€136 m Y/Y). Guidance of underlying NII confirmed for 2017 at €10.2 bn.

**Net interest margin** remained flat at 1.37 per cent in 2Q17<sup>16</sup>.

**Customer loans**<sup>17</sup> amounted to €420.7 bn in 2Q17 (+0.3 per cent Q/Q, -1.8 per cent Y/Y). Excluding loans reduction in Non Core, customer loans improved by 0.8 per cent Q/Q and 1.6 per cent Y/Y. The main contributors to customer loans were Commercial Banking Italy with €138.2 bn (+1.9 per cent Q/Q, -0.1 per cent Y/Y), Commercial Banking Germany with €83.1 bn (+0.5 per cent Q/Q, +3.3 per cent Y/Y) and CIB with €74.9 bn (+0.6 per cent Q/Q, +2.6 per cent Y/Y). Loans volumes expect to increase by approximately €5 bn by year end (ca. €7 bn by year end excluding Non Core).

**Customer deposits**<sup>18</sup> totalled €394.9 bn in 2Q17 (+0.8 per cent Q/Q, +3.8 per cent Y/Y) with the highest contributions coming from Commercial Banking Italy with €134.8 bn (+1.6 per cent Q/Q, +6.4 per cent Y/Y), Commercial Banking Germany with €84.4 bn(+0.7 per cent Q/Q, -1.6 per cent Y/Y) and CEE with €59.7 bn (-2.1 per cent Q/Q, +5.6 per cent Y/Y).

<sup>15</sup>Contribution from macro hedging strategy on non-naturally hedged sight deposits in 2Q17 at €378 m (-€2m Q/Q, -€15 m Y/Y).

<sup>16</sup>Net interest margin calculated as interest income on earning assets minus interest expenses on earning liabilities. 2Q17 net interest margin excluding €90 m one off in Commercial Banking Germany.

<sup>17</sup>End of period accounting volumes calculated excluding repos and, for divisions, excluding also intercompany items. Customer loans including repos amounted to €450.3 bn as of end June 17 (-0.5 per cent Q/Q, -2.5 per cent Y/Y).

<sup>18</sup>End of period accounting volumes calculated excluding repos and for divisions, excluding also intercompany items. Customer deposits including repos amounted to €433 bn as of end June 17 (-1.1 per cent Q/Q, -2.5 per cent Y/Y).

**Customer spreads**<sup>19</sup> reduced at Group level to 2.5 per cent in 2Q17 (-7 bp Q/Q, -15 bp Y/Y). Such decrease was mainly due to a reduction in customer spreads across all divisions (excluding Commercial Banking Austria) and is higher in CEE with customers spreads in Russia suffering due to increased competition due to high rate of customer repayments.

**Dividends and other income**<sup>20</sup> totalled €183 m in 2Q17 (+7.7 per cent Q/Q, -37.9 per cent Y/Y) and €353 m in 1H17 (-30.3 per cent H/H). Yapi Kredi contributed with €86 m in 2Q17 (-5.3 per cent Q/Q and -14.6 per cent Y/Y excluding the capital gain from the disposal of Visa Europe stake impacting 2Q16 results)<sup>21</sup>. Yapi Kredi contribution was €177 m in 1H17 (-3.1 per cent H/H, improved by +10.2 per cent excluding impact from Visa Europe stake disposal)<sup>20</sup> with an increase of both net interest and fee income. Other dividends went up Q/Q, but H/H results were impacted by lower dividends from minority participations.

**Fees and commissions** increased to €1.5 bn in 2Q17 (+1.8 per cent Q/Q, +7.6 per cent Y/Y) thanks to higher investment and transactional banking fees. Total fees and commissions adjusted excluding the temporary effect of Pioneer classified under IFRS5 further grew by 1.3 per cent Q/Q and by 7.9 per cent Y/Y to over €1.7 bn in 2Q17. The highest contribution to fees generation came from investment services which continued to increase, reaching €729 m in 2Q17 (+1.9 per cent Q/Q, +14.9 per cent Y/Y on a pro forma basis) and benefitted from the extended product offering from the partnership with Amundi. Financing services fees amounted to €448 m in 2Q17 improving by 1.1 per cent Q/Q mainly driven by higher capital markets transactions in CIB, but reduced by 2.3 per cent Y/Y mainly due to lower money supply activity. Transactional fees reached €550 m, with uptrend in almost all products and improving 0.5 per cent Q/Q and 8.5 per cent Y/Y year underlining the low volatility of this business. Fees and commissions at €3.0 bn in 1H17 (+6.0 per cent H/H).

**Total Financial Assets (TFA)**<sup>22</sup> rose by over €30 bn Y/Y to €794.4 bn as of June 2017 (almost flat Q/Q, +4.4 per cent Y/Y). In particular:

- **Assets under Management (AuM)** amounted to €207.2 bn in 2Q17 increasing both Q/Q and Y/Y (+€3.9 bn and +€17.7 bn respectively) with positive contribution coming from all products, especially mutual funds. In particular, Commercial Banking Italy increased the **AuM/TFA** ratio increasing to 36 per cent as of June 2017 from previous 35 per cent as of March. AuM net sales generation amounted to €6.0 bn in 2Q17 and to ca. €10 bn in 1H17 at Group level with a strong contribution coming from Commercial Banking Italy;
- **Assets under Custody (AuC)** reduced to €204.2 bn (-€8.7 bn Q/Q, almost flat Y/Y). The decreased quarterly trend was related to i) a significant outflow with low margin attached from a large client, ii) a change of perimeter following a company disposal in Germany (Bankhaus Neelmeyer) and iii) run-offs of retail bonds;
- **Deposits** totalled €383.0 bn increasing by €2.5 bn Q/Q and by €15.4 bn Y/Y leveraging on the strong UniCredit franchise.

**Trading income** was at €462 m in 2Q17, decreasing by 21.7 per cent Q/Q due to a relative reduction in client driven transactions as 1Q17 was positively affected by some large client related deals. Trading income reduced by 46.2 per cent Y/Y, on the back of some one-offs in 2Q16<sup>23</sup>. 2Q17 was affected by the negative impact of value adjustments amounting to €40 m. Trading income totalled €1.1 bn in 1H17 (-12.0 per cent H/H).

**Total expenses** down to €2.9 bn in 2Q17 (-1.0 per cent Q/Q, -4.2 per cent Y/Y), as a result of the management focus on cost efficiency. In particular, a positive progression was registered in **staff expenses** reduced at €1.7 bn in 2Q17, decreasing Q/Q by 0.6 per cent and Y/Y by 5.0 per cent confirming a rigorous cost control. The focus on cost savings is sustained by a lower number of employees at 95,288 down by 1,135 FTE Q/Q primarily in

<sup>19</sup>Customer spreads defined as the difference between rate on customer loans and rate on customer deposits.

<sup>20</sup>Include dividends, equity investments evaluated with equity method. Turkey contribution based on a divisional view.

<sup>21</sup>All changes at constant FX. Gain from Visa Europe stake disposal amounted to €27 m in 2Q16.

<sup>22</sup>Commercial Total Financial Assets excluding Non Core. Deposits exclude volumes not related to commercial network activities.

<sup>23</sup>2Q16 one-offs items referred to i) gain on fixed income securities (ca. €132 m gross) and ii) gain from the disposal of Visa Europe stake (€246 m gross). 2Q16 trading income excluding one offs amounted to €481 m vs €860 m stated.



Western Europe. Branches decreased by 154 units in 2Q17 to 5,109 (of which 3,345 in Western Europe and 1,764 in CEE)<sup>24</sup> ahead of the 2017 target. Non-HR costs<sup>25</sup> reduced to €1.1 bn in 2Q17, down by 1.6 per cent Q/Q and by 2.8 per cent Y/Y impacted by a change of perimeter due to the sale and outsourcing of card processing activities which amounts to approx. €15 m per quarter. **Cost/Income ratio** amounted to 58.9 per cent in 2Q17 (-0.9 p.p. Q/Q, +2.2 p.p. Y/Y) and reduced to 56.2 per cent (-0.8 p.p. Q/Q, -2.7 p.p. Y/Y<sup>26</sup>) adjusted for the reclassification of Bank Pekao and Pioneer under IFRS5. The cost control progressed in 1H17, with total expenses down by 3.6 per cent H/H to €5.7 bn and C/I adjusted reduced by 3.2 p.p. H/H to 56.6 per cent. Guidance for 2017 confirmed at €11.7 bn.

**Gross operating profit** reached €2.0 bn in 2Q17 (+2.6 per cent Q/Q, -12.4 per cent Y/Y), resulting at €3.9 bn in 1H17 (-0.9 per cent H/H).

**LLP** reduced to €564 m in 2Q17 (-15.8 per cent Q/Q, -36.1 per cent Y/Y) and to €1.2 bn in 1H17 (-24.9 per cent H/H). Cost of risk amounted to 50 bp in 2Q17 (-10 bp Q/Q, -27 bp Y/Y) and to 55 bp in 1H17 (-17 bp H/H). Cost of risk guidance revised to low 60s for 2017 and confirmed at 49 bp for 2019.

Solid **net operating profit** reached €1.4 bn in 2Q17 (+12.2 per cent Q/Q, +2.6 per cent Y/Y) confirming a strong business momentum. Half year figures increased by 16.0 per cent H/H to €2.7 bn.

**Other charges and provisions** reduced to €135 m in 2Q17 (-70.9 per cent Q/Q, -71.7 per cent Y/Y) with lower systemic charges amounting to €19<sup>27</sup> m in 2Q17 lower compared to the previous quarter that was impacted by the contribution to the Single Resolution Fund for FY17 booked in 1Q17.

**Income tax** at €134 m in 2Q17 (-36.8 per cent Q/Q, -12.5 per cent Y/Y) benefitting also from the release of a tax provision of €80 m in Commercial Banking Germany. Adjusting for this one-off item, the normalized tax rate would be ca. 24 per cent. Income tax amounted to €346 m in 1H17 (+2.0 per cent H/H).

**Profit from discontinued operations** reduced to €79 m in 2Q17 (-79.0 per cent Q/Q, -79.1 per cent Y/Y) including contribution from Pioneer (net income amounting to €74 m), the negative currency effects related to Bank Pekao disposal (-€310 m)<sup>28</sup> and reflecting the temporary accounting effect of IFRS5 on fees (ca. €220 m) to reverse back on the fee income line starting from 3Q17.

**Group net profit** increased to €945 m in 2Q17 (+4.2 per cent Q/Q, +3.3 per cent Y/Y) and to €1.9 bn in 1H17 (+40.2 per cent H/H). Excluding impact from Bank Pekao disposal, net profit improved to €1.3 bn in 2Q17 and to 2.2 bn in 1H17. Positive operating performances came from all divisions, with CEE, CIB and Commercial Banking Italy contributing for the most to the earnings generation (with a net profit of €495 m, €398 m and €328 m respectively in 2Q17), followed by Commercial Banking Germany, whose profit included €170 m related to one-off items. Stated RoTE stood at 8.2 per cent in 2Q17 and 8.7 per cent for the 1H17. As of the CMD perimeter, excluding all effects due to the disposal of Bank Pekao and Pioneer, RoTE stood at 9.5 per cent in 2Q17, improving from 7 per cent in 1Q17.

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<sup>24</sup>Branches at Capital Markets Day perimeter. For number of branches at regulatory view please refer to "UniCredit Group: Staff and Branches" table included in this document.

<sup>25</sup>Other administrative expenses net of expenses recovery and indirect costs, depreciations and amortizations.

<sup>26</sup>C/I for 2Q16 adjusted for €405 m non-recurring revenues in 2Q16.

<sup>27</sup>Referring to: (i) bank levies of €4 m, (ii) Deposit Guarantee Scheme of €7 m and (iii) Single Resolution Fund of €9 m.

<sup>28</sup>The equity currency effects reclassified through P&L related to Bank Pekao disposal.

## ASSET QUALITY

**Group gross non performing exposures (NPE)** reduced by 4.2 per cent Q/Q and by ca. 30 per cent in the last twelve months to €53.0 bn in 2Q17, with a **Gross NPE ratio** further down to 11.0 per cent (-0.4 p.p. Q/Q, -4.0 p.p. Y/Y).

Gross NPE disposals progressed, amounting to ca. €1.5 bn in 2Q17 and reaching around €1.8 bn in 1H17<sup>29</sup>. Higher sales of NPE are expected in 2H17.

Net NPE decreased to €23.2 bn (-4.1 per cent Q/Q, -35.8 per cent Y/Y) progressing towards the target of €20 bn in 2019 as per Transform 2019. Net NPE ratio stood at 5.1 per cent in 2Q17 (-0.2 p.p. Q/Q, -2.7 p.p. Y/Y) and coverage ratio amounted to 56.3 per cent in 2Q17 (flat p.p. Q/Q, +4.3 p.p. Y/Y).

**Gross bad loans** further down at €29.9 bn in 2Q17 (-3.7 per cent Q/Q, -40.2 per cent Y/Y) with a coverage ratio improved to 66.5 per cent (-0.1 p.p. Q/Q, +5.3 p.p. Y/Y) reflecting the rigorous approach to provisioning. **Gross unlikely to pay** decreased to €21.8 bn (-4.9 per cent Q/Q, -5.6 per cent Y/Y), with a strong coverage ratio at 43.6 per cent (-0.1 p.p. Q/Q, +9.2 p.p. Y/Y). **Past due loans** reduced to €1.3 bn in 2Q17 (-3.8 per cent Q/Q, -37.6 per cent Y/Y) with a coverage ratio of 34.4 per cent (+1.2 p.p. Q/Q, +7.0 p.p. Y/Y).

**Group asset quality excluding Non Core** reported gross NPE at €23.3 bn in 2Q17, gross NPE ratio at 5.2 per cent and coverage ratio at 55.4 per cent. Gross bad loans further reduced to €11.5 bn with a coverage ratio at 69.8 per cent. Gross unlikely to pay went down to €10.7 bn with a coverage ratio at 42.0 per cent.

Net flows improved significantly as a result of lower inflows to non performing (from €1.5 bn in 1Q17 to €1.4 bn in 2Q17) and higher outflows (from €518 m in 1Q17 to €764 m in 2Q17). The default rate reduced Q/Q at 1.3 per cent in 2Q17 from 1.4 per cent in 1Q17 and the cure rate<sup>30</sup> amounted to 12.3 per cent in 2Q17 (vs 8.3 per cent in 1Q17). Unlikely-to-pay migrating to bad loans continued to improve (€425 m in 1Q17 vs €400 m in 2Q17).

**Commercial Banking Italy** showed gross NPE lowering at €9.5 bn in 2Q17, with a gross NPE ratio at 6.6 per cent and a solid coverage ratio at 52.3 per cent. Net NPE went down to €4.5 bn with a net NPE ratio at 3.3 per cent in 2Q17. A similar trend was registered also in gross bad loans (-6.1 per cent Q/Q and +15.8 per cent Y/Y) and gross unlikely to pay (-2.8 per cent Q/Q and +14.7 per cent Y/Y) with a coverage ratio of 67.0 per cent and 40.1 per cent respectively in 2Q17.

Inflows to NPE in Commercial Banking Italy reached €672 m in 2Q17, confirming improving asset quality trends, with a default rate flat Q/Q at 2.0 per cent and reduced Y/Y from 2.5 per cent in 2Q16. Cure rate amounted to 12.2 per cent in 2Q17. Unlikely-to-pay migrating to bad loans continued to show a slower pace (23.6 per cent in 2Q17 vs 45.7 per cent in 2Q16).

The rundown of the **Non-Core** was progressing along the quarter with gross loans reduced to €33.8 bn in 2Q17 (-€2.6 bn Q/Q, -€23.9 bn Y/Y) thanks to: i) back to performing (€1.0 bn), ii) recoveries (€0.3 bn), iii) write-offs (€0.3 bn) and iv) disposals (€0.9 bn). Gross NPE reduced to €29.7 bn in 2Q17 (-3.9 per cent Q/Q and -41.1 per cent Y/Y) and gross NPE ratio moved to 88.0 per cent (+3.0 p.p. Q/Q, +0.5 p.p. Y/Y). Net NPE down at €12.8 bn in 2Q17 (-3.6 per cent Q/Q, -46.2 per cent Y/Y) with a net NPE ratio 76.7 per cent (+5.0 p.p. Q/Q, -0.6 p.p. Y/Y). Coverage ratio amounted to 57.0 per cent in 2Q17 (-0.1 p.p. Q/Q, +4.1 p.p. Y/Y).

<sup>29</sup>Gross NPE disposal in 1H17 referred to: €1.2 bn in Italy, €546 m in CEE, €60 m in Germany and €5 m in Austria.

<sup>30</sup>Back to performing (annualized) on stock of NPE at the beginning of the period.



## CAPITAL & FUNDING

The strong actions underpinned by Transform 2019 plan combined with the positive results registered at Group level contributed to strengthening the **fully loaded CET1 ratio** at 12.80 per cent in 2Q17, an improvement by 135 bp compared to 1Q17. CET1 benefitted from the positive contribution from 2Q17 earnings generation (+35 bp Q/Q), RWA reduction (+28 bp Q/Q, excluding Bank Pekao disposal) and from the revaluation reserves positive dynamics (+2 bp Q/Q), partially offset by dividend accrual and AT1 coupon payments<sup>31</sup> (-9 bp Q/Q). In addition, Bank Pekao disposal contributed with 72 bp to the quarter capital generation, mainly driven by ca. €25 bn of lower RWA, given that the FX reserve was already deducted from capital ratio.

Additional 84 bp of capital were generated in July thanks to the disposal of Pioneer, which will have a positive impact on 3Q17 CET1, expected to be largely offset by i) the increase of RWA envisaged due to business growth and model changes & procyclicality in 2H17 and ii) IFRS 9 first time adoption starting from 1<sup>st</sup> January 2018.

In 2Q17, **transitional CET1 ratio** increased to 12.93 per cent, **transitional Tier 1 ratio** stood at 14.31 per cent and **transitional Total Capital ratio** at 17.25 per cent. All ratios are confirmed well above the capital requirements<sup>32</sup>.

**RWA** transitional moved to €352.7 bn in 2Q17 decreasing by €7.8 bn since March 2017, in addition to ca. €25 bn reduction related to Bank Pekao disposal. In particular, a reduction was registered in operational RWA (-2.0 bn Q/Q) thanks to lower losses, and in market RWA (-€0.2 bn Q/Q)<sup>33</sup>. Credit RWA were down in the quarter as a result of business evolution (-€1.9 bn Q/Q), business actions (-€0.2 bn Q/Q) and FX effect (-€2.6 bn Q/Q) mainly due to currency conversion from Russia and Turkey, partially offset by procyclicality & models and regulation (+€0.6 bn)<sup>34</sup>.

**Fully loaded leverage ratio** amounted to 5.09 per cent in 2Q17 (+47 bp Q/Q, +76 bp Y/Y) mainly thanks to Bank Pekao disposal along with CET1 improvements and AT1 issuance. **Transitional leverage ratio** at 5.26 per cent in 2Q17 (+41 bp Q/Q, +71 bp Y/Y).

**Funding plan 2017** was executed for about €14.7 bn as of end of July, equal to 54 per cent of the total funding plan expected to be executed in FY17. In particular, on 13<sup>th</sup> June 2017, the first subordinated transaction under new USD Global MTN Program was issued. The Tier 2 instrument, with a size equal to \$1 bn, contributed to improve the current Tier 2 capital bucket, which already exceeds the minimum Tier 2 requirement (set at 2 per cent). This issuance, together with the inaugural USD senior unsecured transaction issued in April 2017 contributed to further diversify UniCredit funding sources and to build-up a benchmark curve in USD over time.

The overall outstanding amount of TLTRO II is equal to €51.2 bn on a consolidated basis<sup>35</sup>.

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<sup>31</sup>Dividend accrual for full FY17 will be based on 20 per cent payout ratio on normalized earnings, excluding the net impact from the disposals of Pioneer and Pekao. Coupons on AT1 instruments paid in 2Q17 equal to €65 m gross of tax.

<sup>32</sup>Transitional capital requirements and buffers for UniCredit Group as of June 30th, 2017: 8.77 per cent CET1 ratio (4.5 per cent P1 + 2.5 per cent P2 + 1.77 per cent combined capital buffer); 10.27 per cent T1 ratio (6 per cent P1 + 2.5 per cent P2 + 1.77 per cent combined capital buffer); 12.27 per cent Total Capital ratio (8 per cent P1 + 2.5 per cent P2 + 1.77 per cent combined capital buffer).

<sup>33</sup>Calculated excluding Bank Pekao disposal.

<sup>34</sup>**Business evolution**: changes related to business development. **Business actions**: initiatives to proactively decrease RWA (mainly securitizations). **Models**: methodological changes to existing / new models. **Procyclicality**: change in macro-economic framework or client's credit worthiness. **Regulation**: changes in regulation (e.g. CRR or CRD). **FX**: translation of non-euro denominated exposures.

<sup>35</sup>Breakdown by country: €33.6 bn have been taken in Italy, €12.6 bn in Germany, €4.0 bn in Austria, €0.9 bn in CEE.

## DIVISIONAL QUARTERLY HIGHLIGHTS<sup>36</sup>

### COMMERCIAL BANKING ITALY

| Euro (m)               | 1H16  | 1H17  | H/H %  | 2Q16  | 1Q17  | 2Q17  | Y/Y %  | Q/Q %  |
|------------------------|-------|-------|--------|-------|-------|-------|--------|--------|
| Total revenues         | 3,921 | 3,783 | -3.5%  | 1,990 | 1,856 | 1,927 | -3.2%  | +3.8%  |
| Gross operating profit | 1,604 | 1,562 | -2.6%  | 837   | 747   | 815   | -2.7%  | +9.2%  |
| Net operating profit   | 1,133 | 1,093 | -3.5%  | 595   | 506   | 588   | -1.2%  | +16.3% |
| Net profit             | 597   | 645   | +7.9%  | 288   | 317   | 328   | +14.0% | +3.6%  |
| RoAC                   | 11.4% | 12.9% | +1.5pp | 11.1% | 12.8% | 13.0% | +1.9pp | +0.2pp |
| Cost/income            | 59.1% | 58.7% | -0.4pp | 57.9% | 59.8% | 57.7% | -0.2pp | -2.1pp |
| Cost of risk (bp)      | 70    | 69    | -1     | 71    | 71    | 66    | -4     | -5     |

Revenues moved to €1.9 bn in 2Q17 (+3.8 per cent Q/Q, -3.2 per cent Y/Y) mainly supported by strong fees dynamics. Revenues amounted to €3.8 bn in 1H17 (-3.5 per cent H/H). In particular:

- resilient NII contributed with €923 m in 2Q17 and remained flat Q/Q given slightly higher loans volumes and TLTRO benefit partially mitigating narrowing spreads. In the quarter, the medium-long term new origination recovered especially in corporates. The NII reduction by -7.6 per cent Y/Y was affected by lower spreads, mainly in short term loans. In 1H17, NII was down by 7.7 per cent to €1.8 bn;
- the robust increase in fees to €971 m in 2Q17 (+2.6 per cent Q/Q, +6.7 per cent Y/Y) was mainly driven by strong Asset under Management products generating higher fees (+7.6 per cent Q/Q, +32.8 per cent Y/Y), mainly thanks to robust investment funds sales also as a result of wider product offering following the agreement with Amundi. Sound fees performance was confirmed in 1H17 achieving €1.9 bn (+4.2 per cent H/H).

Operating costs at €1.1 bn in 2Q17, almost in line with the previous quarter and reduced by 3.5 per cent Y/Y. Operating costs decreased to €2.2 bn in 1H17 (-4.1 per cent H/H) thanks to a disciplined execution of the plan. Staff expenses were down to €635 m lowering by 0.9 per cent Q/Q and by 5.4 per cent Y/Y. Staff expenses reduction was sustained by a reduction of almost 2,100 FTE Y/Y, confirming the progress on the plan. In 2Q17, the branch reduction program progressed with 121 branches closed. In July, further 90 branches were closed in Italy<sup>37</sup>. Cost/Income ratio improved from 59.8 per cent in 1Q17 to 57.7 per cent in 2Q17 (-2.1 p.p. Q/Q).

LLP reduced to €227 m (-5.7 per cent Q/Q, -6.4 per cent Y/Y) in 2Q17 reflecting the positive asset quality trends and the conservative approach to NPE. Cost of risk down to 66 bp in 2Q17 and to 69 bp in 1H17. The expected loss on new production stood at 0.56 per cent in 2Q17, below the expected loss on stock at 0.63 per cent.

Commercial Banking Italy net profit amounted to €328 m in 2Q17 (+3.6 Q/Q, +14.0 per cent Y/Y). Return on allocated capital (RoAC) improved to 13.0 per cent in 2Q17 from 12.8 per cent in 1Q17. The solid performance was confirmed also in 1H17 with net profit up by 7.9 per cent H/H to €645 m.

<sup>36</sup>Please consider that all divisional figures in “Divisional Quarterly Highlights” represent the contribution of each division to Group data.

Please note that Return on Allocated Capital related to each division and showed in this section is calculated as: Annualized net profit / Allocated Capital. Allocated capital based on RWA equivalent figures calculated with a CET1 ratio target of 12.5 per cent as for plan horizon, including deductions for shortfall and securitizations.

<sup>37</sup>Branches figures consistent with CMD perimeter.

## COMMERCIAL BANKING GERMANY

| <i>Euro (m)</i>        | 1H16  | 1H17  | H/H %   | 2Q16  | 1Q17  | 2Q17  | Y/Y %   | Q/Q %   |
|------------------------|-------|-------|---------|-------|-------|-------|---------|---------|
| Total revenues         | 1,266 | 1,437 | +13.5%  | 609   | 703   | 734   | +20.4%  | +4.3%   |
| Gross operating profit | 307   | 497   | +62.1%  | 129   | 227   | 270   | n.m.    | +19.0%  |
| Net operating profit   | 336   | 445   | +32.6%  | 136   | 207   | 238   | +74.8%  | +14.9%  |
| Net profit             | 206   | 353   | +70.9%  | 95    | 113   | 239   | n.m.    | n.m.    |
| RoAC                   | 7.7%  | 14.9% | +7.2pp  | 7.0%  | 9.2%  | 20.5% | +13.5pp | +11.3pp |
| Cost/income            | 75.8% | 65.4% | -10.4pp | 78.8% | 67.7% | 63.2% | -15.6pp | -4.5pp  |
| Cost of risk (bp)      | -7    | 13    | +20     | -3    | 10    | 16    | +19     | +6      |

Commercial Banking Germany results were affected by two extraordinary items:

- the positive effect on NII of the release of a tax provision which amounted to 90 million and
- €80 m net effect of other tax provisions accounted for in the tax line.

In 2Q17, revenues reached €734 m (+4.3 per cent Q/Q, +20.4 per cent Y/Y), thanks to resilient NII. Excluding €90 m of a non-recurring item, NII amounted to €391 m (-1.6 per cent Q/Q, +4.4 per cent Y/Y). Fees were down at €188 m in 2Q17 (-19.5 per cent Q/Q, +4.3 per cent Y/Y) after a strong first quarter, due to some degree of seasonality, an outflow from a large client and the sale of Bankhaus Neelmayer which mostly explains the decrease of ca. €4 bn of AUC. Revenues increased at €1.4 bn in 1H17 (+13.5 per cent H/H) mainly boosted by higher fees from investments products (+€17 m H/H) and transactional services (+€37 m H/H).

Total costs went down to €463 m in 2Q17 (-2.7 per cent Q/Q, -3.4 per cent Y/Y). The FTE base was further reduced by 423 FTE Q/Q and by 662 FTE Y/Y. The Cost/Income ratio amounted to 63.2 per cent in 2Q17 (-15.6 p.p. since June 2016) and to 71.9 per cent excluding the non-recurring item impacting NII. Cost saving on track in 1H17 at €940 m (-2.0 per cent H/H).

LLP amounted to €32 m in 2Q17 with a cost of risk of 16 bp in 2Q17, confirming the high quality business of the German commercial banking operations. LLP stood at €52 m in 1H17.

Income taxes positively contributed for €38 m in 2Q17 benefitting from the one-off mentioned above.

Net profit increased at €239 m in 2Q17 impacted by the significant one-offs and at €353 m in 1H17 (+70.9 per cent H/H). Excluding non-recurring items net profit would stand at €69 m with a normalized RoAC at ca. 5 per cent adjusted in 2Q17.

## COMMERCIAL BANKING AUSTRIA

| Euro (m)               | 1H16  | 1H17  | H/H %   | 2Q16  | 1Q17  | 2Q17  | Y/Y %   | Q/Q %   |
|------------------------|-------|-------|---------|-------|-------|-------|---------|---------|
| Total revenues         | 826   | 768   | -7.1%   | 446   | 366   | 402   | -9.7%   | +10.0%  |
| Gross operating profit | 193   | 212   | +9.9%   | 126   | 82    | 130   | +3.5%   | +58.9%  |
| Net operating profit   | 200   | 294   | +47.2%  | 136   | 134   | 160   | +17.6%  | +19.5%  |
| Net profit             | -119  | 273   | n.m.    | 88    | 68    | 205   | n.m.    | n.m.    |
| RoAC                   | -8.6% | 18.6% | +27.1pp | 11.0% | 9.0%  | 28.2% | +17.2pp | +19.2pp |
| Cost/income            | 76.6% | 72.4% | -4.3pp  | 71.8% | 77.6% | 67.6% | -4.1pp  | -10.0pp |
| Cost of risk (bp)      | -3    | -35   | -32     | -9    | -44   | -25   | -17     | +18     |

Commercial Banking Austria revenues amounted to €402 m in 2Q17 (+10.0 per cent Q/Q, -9.7 per cent Y/Y) with resilient NII and stable fees in the quarter. Revenues performance decreased Y/Y mainly due to trading income, (which in 2Q16 was impacted by the one-off item related to the disposal of Visa Europe stake) and to lower NII as a consequence of a persisting negative rate environment. The pressure on NII is expected to continue in 2H17. Fees were strong at +5.8 per cent Y/Y thanks to progress in investment services. Revenues totaled €768 m in 1H17 (-7.1 per cent H/H).

Total expenses further reduced by 4.1 per cent Q/Q and by 14.9 per cent Y/Y at €272 m in 2Q17, thanks to Transform 2019 actions on costs and lower Non-HR costs (-€11 m Q/Q, -€31 m Y/Y) also benefitting from positive non-recurring items. Cost/Income ratio came at 67.6 per cent in 2Q17, improving by 10.0 p.p. Q/Q and by 4.1 p.p. Y/Y. Total expenses reduced by -12.2 per cent H/H to €556 m, reflecting the strict cost management, the decreases of branches (20 closures vs 1H16) and FTEs reduction (above 300 H/H).

In 2Q17, LLP still with net releases amounting to €30 m with a positive cost of risk at 25 bp thanks to extraordinary releases, confirming a solid asset quality trend.

Other charges and provisions were positive thanks to a one off item and benefitted from lower systemic charges as they were mostly booked in 1Q17 (-€88 m in 1Q17).

Net profit improved significantly both Q/Q and Y/Y, reaching €205 m in 2Q17 impacted by some non-recurring items. Net profit increased at €273 m in 1H17 (above 100 per cent H/H). Quarterly RoAC impacted by one off items and improved to 28.2 per cent in 2Q17 from 9.0 per cent in 1Q17. On a normalized basis RoAC is expected to be in the range of 11 per cent to 12 per cent.

In addition, in the context of the law approved by the Austrian parliament in 2016 on the transfer of pension obligations to the Austrian national pension system, UniCredit was recently informed that the Federal Administrative Court referred the case to the Constitutional Court to rule on the law's constitutionality. The Group is monitoring the situation closely and should the Constitutional Court rule that the law is unconstitutional, a release of part of provisions may be required<sup>38</sup>.

<sup>38</sup>Bank Austria has fully provisioned for the higher cost.

| Euro (m)               | 1H16  | 1H17  | H/H %  | 2Q16  | 1Q17  | 2Q17  | Y/Y %  | Q/Q %  |
|------------------------|-------|-------|--------|-------|-------|-------|--------|--------|
| Total revenues         | 2,111 | 2,144 | -0.9%  | 1,169 | 1,070 | 1,074 | -9.7%  | +0.5%  |
| Gross operating profit | 1,370 | 1,377 | -1.2%  | 790   | 690   | 687   | -13.8% | -0.1%  |
| Net operating profit   | 1,044 | 1,111 | +5.4%  | 602   | 505   | 606   | +0.3%  | +20.8% |
| Net profit             | 775   | 827   | +7.0%  | 459   | 332   | 495   | +8.9%  | +49.8% |
| RoAC                   | 12.9% | 14.3% | +1.4pp | 15.4% | 11.3% | 17.4% | +2.0pp | +6.0pp |
| Cost/income            | 35.1% | 35.8% | +0.7pp | 32.5% | 35.5% | 36.0% | +3.6pp | +0.5pp |
| Cost of risk (bp)      | 112   | 88    | -25    | 128   | 122   | 53    | -75    | -69    |

Revenues reached €1.1 bn in 2Q17 (+0.5 per cent Q/Q, -9.7 per cent Y/Y and +0.3 per cent Y/Y excluding impact from the disposal of Visa Europe stake in 2Q16) sustained by all business lines. In particular, net interest income at €641 m in 2Q17 was stable Q/Q: a reduction on NII in Russia due to excess liquidity and repayments was offset by higher NII in the other CEE countries. NII increased by 0.4 per cent Y/Y on the back of resilient loan volumes and supported by lower cost of funding. Fee income was positive at €221 m in 2Q17 improving by 4.5 per cent both Q/Q and Y/Y, mainly thanks to the high contributions coming from the transactional and financing services. Trading activity contributed with €110 m in 2Q17 (+2.6 per cent Q/Q, -41.5 per cent Y/Y and +14.1 per cent Y/Y excluding impact from the disposal of Visa Europe stake<sup>40</sup>). Revenues reached €2.1 bn in 1H17 (-0.9 per cent H/H) and excluding the disposal of Visa Europe stake revenues were up by 4.9 per cent H/H.

Operating expenses under control at €387 m (+1.6 per cent Q/Q, -1.2 per cent Y/Y), with marketing and advertising costs seasonally higher in the quarter and a Cost/Income ratio at 36.0 per cent in 2Q17 (+0.5 p.p. Q/Q, +3.6 p.p. Y/Y and flat Y/Y excluding impact from the disposal of Visa Europe stake). Operating expenses amounted to €767 m in 1H17 (-0.3 per cent H/H).

Gross operating profit reported at €687 m flat Q/Q but decreased by 13.8 per cent Y/Y due to Visa Europe disposal. In particular, strongest performances were registered during the quarter in Croatia (+29.0 per cent Y/Y), Czech Republic (+27.5 per cent Y/Y) and Bulgaria (+13.0 per cent Y/Y).

In line with the Transform 2019 plan, the client base continued to increase with an additional 280,000 net clients acquired since the beginning of the year.

LLP reduced to €81 m in 2Q17 (-59.0 per cent Q/Q<sup>41</sup>, -60.2 per cent Y/Y) with low cost of risk at 53 bp (-69 bp Q/Q, -75 bp Y/Y) resulting from active NPE management and positive asset quality. Cost of risk in 1H17 is at 88 bp (-25 bp H/H), with a reduction particularly marked in Russia (-64 bp H/H), Czech Republic (-46 bp H/H), Romania (-27 bp H/H) and Bulgaria (-25 bp H/H).

CEE generated a strong net profit of €495 m in 2Q17 (+49.8 per cent Q/Q, +8.9 per cent Y/Y) and of €827 in 1H17 (+7.0 per cent H/H). RoAC was at 17.4 per cent in 2Q17 and at 14.3 per cent in 1H17.

<sup>39</sup>For CEE, changes (Q/Q, Y/Y and H/H) at constant exchange rate. RoAC, C/I and CoR changes at current FX

<sup>40</sup>Gain from Visa Europe stake disposal amounted to €88 m in 2Q16.

<sup>41</sup>Q/Q reduction of LLP is influenced by higher provisions on some single names in 1Q17.



## CIB

| Euro (m)               | 1H16  | 1H17  | H/H %  | 2Q16  | 1Q17  | 2Q17  | Y/Y %  | Q/Q %  |
|------------------------|-------|-------|--------|-------|-------|-------|--------|--------|
| Total revenues         | 2,196 | 2,174 | -1.0%  | 1,127 | 1,152 | 1,023 | -9.3%  | -11.2% |
| Gross operating profit | 1,337 | 1,336 | -0.0%  | 690   | 723   | 613   | -11.1% | -15.3% |
| Net operating profit   | 1,207 | 1,267 | +4.9%  | 622   | 651   | 616   | -1.1%  | -5.5%  |
| Net profit             | 677   | 767   | +13.2% | 378   | 369   | 398   | +5.4%  | +8.0%  |
| RoAC                   | 15.0% | 16.5% | +1.5pp | 16.3% | 15.6% | 17.5% | +1.2pp | +1.9pp |
| Cost/income            | 39.1% | 38.5% | -0.6pp | 38.8% | 37.2% | 40.1% | +1.3pp | +2.9pp |
| Cost of risk (bp)      | 25    | 13    | -12    | 25    | 27    | -1    | -26    | -28    |

Solid growth of recurring business with resilient revenues that continued to amount above €1.0 bn in 2Q17 (-11.2 per cent Q/Q, -9.3 per cent Y/Y) sustained by CIB strong franchise in debt and trade finance.

CIB confirmed its leadership positioning in Syndicated Loan markets by ranking #1 in “Italy, Germany and Austria”<sup>42</sup> and #2 in CEE<sup>43</sup>. Strong business momentum in Capital Markets where CIB ranks #1 in “EMEA All Bonds in Euro” by number of deals<sup>44</sup> and #1 in Equity Capital Markets in Italy<sup>45</sup>.

Synergies have been realized within the Joint Venture CIB-Commercial banking with two Equity Capital Markets transactions (IPOs) in Germany.

Moreover, CIB strengthened its positioning in Global Transaction Banking by increasing its market shares in trade finance in Italy and Germany.

Revenues showed higher NII and fees, offsetting lower trading profit and negative value adjustments. In particular, NII remained strong in 2Q17 increasing by 3.3 per cent Q/Q to €545 thanks to a non-recurring contribution from the investment portfolio partially offset by lower client-related NII. CIB strong commercial performance in Corporate and Structured Finance and in Global Capital Markets activities led to a solid fee generation (mainly financing) at €176 m improving by 22.7 per cent Q/Q and by 2.0 per cent Y/Y. Trading income amounted to €281 m, embedding ca. €55 m of negative value adjustments<sup>46</sup>, and decreased by 38.3 per cent compared to the previous quarter which was positively impacted by some large client driven transactions. Revenues amounted to €2.2 bn in 1H17 (-1.0 per cent H/H). The client driven revenue component was resilient at 73 per cent in 1H17, almost stable compared to 1H16, sustained by a sound flow business.

The strict cost discipline continued, with total expenses reduced to €410 m in 2Q17 (-4.3 per cent Q/Q, -6.3 per cent Y/Y) mainly sustained by a decrease in Non-HR expenses. Total costs further down H/H at €838 m (-2.5 per cent H/H) driven by cost containment actions and by a reduction of 105 FTE since 1H16. Cost/income ratio was 40.1 per cent in 2Q17 and 38.5 per cent in 1H17.

Continuous risk control and write-backs driving to positive LLPs amounting at €3 m in 2Q17. LLP decreased to €70 m in 1H17 (-46.2 per cent H/H) and cost of risk back at lower level at 13 bp in 1H17 (25 bp in 1H16).

Net profit showed a solid improvement reaching €398 m in 2Q17, increased by 8.0 per cent Q/Q (ca. €434 m excluding valuation adjustments), with a RoAC at 17.5 per cent. Net profit at €767 m in 1H17 (+13.2 per cent H/H).

<sup>42</sup>Source: Dealogic Analytics, per 5<sup>th</sup> July 2017, Italy per 18<sup>th</sup> July 2017. Period: 1 Jan – 30 June 2017.

<sup>43</sup>Source: Dealogic Analytics, per 5<sup>th</sup> July 2017. Period: 1 Jan – 30 June 2017.

<sup>44</sup>Source: Dealogic Analytics, per 5<sup>th</sup> July 2017. Period: 1 Jan – 30 June 2017.

<sup>45</sup>Source: Dealogic Analytics, per 3<sup>rd</sup> July 2017. Period: 1 Jan – 30 June 2017.

<sup>46</sup>Value adjustments refers to: Own Credit Spread (OCS), Collateral valuation adjustment (OIS), Credit Value Adjustment (CVA), Funding Valuation Adjustment (FuVA) and Fair Value Adjustment (FVA). Value adjustments amounted to -€74 m in 1Q17 and -€55 m in 2Q17.

## FINECO

| Euro (m)               | 1H16  | 1H17  | H/H %   | 2Q16   | 1Q17  | 2Q17  | Y/Y %   | Q/Q %   |
|------------------------|-------|-------|---------|--------|-------|-------|---------|---------|
| Total revenues         | 289   | 282   | -2.2%   | 149    | 142   | 141   | -5.4%   | -0.7%   |
| Gross operating profit | 171   | 161   | -5.7%   | 91     | 81    | 80    | -12.0%  | -0.9%   |
| Net operating profit   | 168   | 160   | -5.1%   | 90     | 80    | 79    | -11.8%  | -1.5%   |
| Net profit             | 42    | 37    | -11.5%  | 24     | 18    | 19    | -21.1%  | +1.7%   |
| RoAC                   | 95.8% | 64.9% | -30.9pp | 106.2% | 59.8% | 70.9% | -35.2pp | +11.1pp |
| Cost/income            | 40.8% | 42.9% | +2.1pp  | 38.7%  | 42.9% | 43.0% | +4.3pp  | +0.1pp  |
| AUM / TFA              | 46.6% | 48.1% | +1.5pp  | 46.6%  | 47.8% | 48.1% | +1.5pp  | +0.5pp  |

Revenues totaled €141 m in 2Q17 (-0.7 per cent Q/Q, -5.4 per cent Y/Y and +5.5 per cent Y/Y on adjusted basis<sup>47</sup>). In 1H17 revenues were sound and increased to €282 m (-2.2 per cent H/H and +3.3 per cent H/H on adjusted basis) boosted by fees and commissions (+10.1 per cent H/H), with management fees up by +15.3 per cent H/H benefitting from the shift towards high margin products, and NII (+3.0 per cent H/H) thanks to high quality volume growth in deposits and increase in lending. Brokerage activity (generating fees and trading income) performed well despite lower market volatility.

Operating costs were under control at €60 m in 2Q17 (-0.4 per cent Q/Q, +5.1 per cent Y/Y) and at €121 m in 1H17 (+2.9 per cent H/H) confirming the continuous focus on efficiency while expanding the business.

Net profit<sup>48</sup> improved by 1.7 per cent in the quarter, recording €19 m and leading to €37 m in 1H17, with an increase Y/Y excluding the one-offs related to the Visa Europe stake disposal.

Fineco continued to be the key player in asset gathering in Italy with TFA increasing at €63.6 bn as of June 2017 (+5.7 per cent compared to December and +14.5 per cent Y/Y) with AuM up by 18.2 per cent Y/Y mainly boosted by investment funds. A solid performance was registered also by AuC increasing by 9.3 per cent Y/Y and deposits growing by +12.8 per cent Y/Y. TFA from the private segment achieved €24.0 bn as of June 2017 (+21.6 per cent Y/Y).

The healthy net sales expansion was confirmed in the second quarter, reaching €2.9 bn since the beginning of the year (+9.2 per cent since January) and was supported both by a significant growth in terms of inflows and by a high quality improvement in the asset mix towards high value added products. Total AuM net sales achieved €1.8 bn in 2H17 (+€1.4 bn compared to the first six months of 2016). In particular, “Guided products & services”<sup>49</sup> stock increased its penetration on total AuM stock at 60 per cent (+9 p.p. Y/Y). These excellent results have been reached thanks to advanced advisory services, combined with an experienced network of personal financial advisors.

In addition, Fineco continued its expansion with ca. 1.2 m total client as of June 2017, improved by 6.7 per cent compared to one year ago.

<sup>47</sup>2Q16 revenues adjusted for capital gain from the disposal of Visa Europe stake (+€15.3 m).

<sup>48</sup>Net profit reflects consolidated view (35 per cent ownership by UniCredit).

<sup>49</sup>Refers to products and developed services based on a selection among UCITS, considering the different customers risk profiles. Among others, the offer includes a multi-segment funds of funds denominated “Core Series”, a unit-linked policy denominated “Core Unit” and an advanced investment advisory service denominated “Fineco Advice”.

## GROUP CORPORATE CENTER (GCC)

| Euro (m)               | 1H16   | 1H17   | H/H %       | 2Q16   | 1Q17   | 2Q17   | Y/Y %       | Q/Q %       |
|------------------------|--------|--------|-------------|--------|--------|--------|-------------|-------------|
| Total revenues         | -596   | -810   | +35.9%      | -161   | -414   | -396   | <i>n.m.</i> | -4.3%       |
| Operating Costs        | -261   | -238   | -8.8%       | -136   | -105   | -133   | -2.3%       | +26.5%      |
| Gross operating profit | -857   | -1,048 | +22.3%      | -297   | -519   | -529   | +78.0%      | +1.9%       |
| Net operating profit   | -864   | -1,052 | +21.8%      | -298   | -522   | -530   | +77.9%      | +1.6%       |
| Net loss               | -249   | -628   | <i>n.m.</i> | -101   | -105   | -523   | <i>n.m.</i> | <i>n.m.</i> |
| FTE                    | 17,406 | 16,082 | -7.6%       | 17,406 | 16,421 | 16,082 | -7.6%       | -2.1%       |
| Costs GCC/ Tot. costs  | 4.2%   | 4.0%   | -0.2pp      | 4.5%   | 3.5%   | 4.5%   | +0.0pp      | +1.0pp      |

GCC revenues amounted to -€396 in 2Q17, improved by 4.3 per cent Q/Q and totaled -€810 m in 1H17 (+35.9 per cent H/H).

In 2Q17, GCC operating expenses amounted to €133 m (+26.5 per cent Q/Q, -2.3 per cent Y/Y). Quarterly dynamics were affected by one-offs related to the implementation of Transform 2019, while Y/Y costs reduced with a decrease in FTE (ca. -1,300 FTE Y/Y) reflecting the ongoing restructuring initiatives. Operating expenses decreased by 8.8 per cent H/H to €238 m.

In 1H17, the reduction of GCC is on track with GCC weight on Group total costs<sup>50</sup> reached 4.0 per cent with a target of 2.9 per cent by 2019.

GCC registered a net loss of €523 m in 2Q17, also affected by the impairment of the remaining stake in Atlante (€135 m)<sup>51</sup> and by discontinued operations down Q/Q as a consequence of the negative currency effects of Bank Pekao disposal (-€310 m)<sup>28</sup>. Discontinued operation were also impacted by the positive effects of intercompany fees (ca. €220 m) related to Pioneer classified under IFRS5<sup>52</sup> and of the contribution from Pioneer net income (€74 m).

<sup>50</sup>Adjusted for the temporary effects of reclassification of Bank Pekao and Pioneer under IFRS5.

<sup>51</sup>Residual undrawn commitment to Atlante Fund equal to ca. €0.2 bn.

<sup>52</sup>In detail, main components are represented by: (i) net profit for 1Q17 related to Pioneer; (ii) net profit for 1Q17 related to Bank Pekao (before minorities); (iii) temporary effect following Pioneer and Bank Pekao IFRS5 reclassification related to elimination of fees paid to the Commercial Banking Network (€220 m); this positive impact is compensated by an opposite negative adjustment of the same amount in the line Fees, being as a consequence neutral to the Group's bottom line.

## NON CORE

| Euro (m)                 | 1H16   | 1H17   | H/H %  | 2Q16   | 1Q17   | 2Q17   | Y/Y %  | Q/Q %  |
|--------------------------|--------|--------|--------|--------|--------|--------|--------|--------|
| Total revenues           | -76    | -90    | +18.7% | -65    | -41    | -49    | -25.5% | +18.0% |
| Operating Costs          | -70    | -63    | -9.1%  | -20    | -43    | -21    | +2.6%  | -51.8% |
| Gross operating profit   | -145   | -153   | +5.4%  | -85    | -84    | -69    | -18.9% | -17.6% |
| LLP                      | -744   | -455   | -38.8% | -401   | -201   | -255   | -36.5% | +27.0% |
| Net loss                 | -608   | -421   | -30.8% | -315   | -205   | -216   | -31.5% | +5.3%  |
| Gross customer loans, bn | 57,634 | 33,768 | -41.4% | 57,634 | 36,360 | 33,768 | -41.4% | -7.1%  |
| Net NPE, bn              | 23,736 | 12,759 | -46.2% | 23,736 | 13,239 | 12,759 | -46.2% | -3.6%  |
| Coverage ratio           | 52.9%  | 57.0%  | +413bp | 52.9%  | 57.2%  | 57.0%  | +413bp | -14bp  |
| RWA, bn                  | 27,352 | 22,742 | -16.9% | 27,352 | 25,230 | 22,742 | -16.9% | -9.9%  |

Non Core division showed a net loss of €216 m in 2Q17, almost in line with previous quarter. Gross operating results at -€69 m in 2Q17 (-17.6 per cent Q/Q, -18.9 per cent Y/Y) improved compared to the previous quarter thanks to lower costs. Higher LLP at €255 m in 2Q17 (+27.0 per cent Q/Q, -36.5 per cent Y/Y).

Net result totaled -€421 m in 1H17 (-30.8 per cent H/H).

RWA decreased to €22.7bn in 2Q17 (-9.9 per cent Q/Q, -16.9 per cent Y/Y).

Gross NPE continued to decrease to €29.7 bn as of June 2017 (-3.9 per cent Q/Q, -41.1 per cent Y/Y) sustained by ca. €900 m disposals in 2Q17 and €1.0 bn of back to Core. Non-core run down was also driven by increasing recoveries (€0.3 bn) and write-offs (€0.3 bn). The NPE coverage ratio continued to be sound at 57.0 per cent in 2Q17.

## GROUP TABLES

### UNICREDIT GROUP: RECLASSIFIED INCOME STATEMENT

| (€ million)  | 1H16           | 1H17           | H/H%               | 2Q16           | 1Q17           | 2Q17           | Y/Y %         | Q/Q %         |
|--|----------------|----------------|--------------------|----------------|----------------|----------------|---------------|---------------|
| Net interest   | 5,301          | 5,216          | -1.6%              | 2,670          | 2,564          | 2,652          | -0.7%         | +3.4%         |
| Dividends and other income from equity investments             | 507            | 353            | -30.3%             | 295            | 170            | 183            | -37.9%        | +7.7%         |
| Net fees and commissions                                       | 2,818          | 2,988          | +6.0%              | 1,401          | 1,481          | 1,507          | +7.6%         | +1.8%         |
| Net trading, hedging and fair value income                     | 1,197          | 1,053          | -12.0%             | 860            | 590            | 462            | -46.2%        | -21.7%        |
| Net other expenses/income                                      | 114            | 78             | -31.8%             | 37             | 28             | 50             | +35.7%        | +81.3%        |
| <b>OPERATING INCOME</b>  | <b>9,937</b>   | <b>9,688</b>   | <b>-2.5%</b>       | <b>5,262</b>   | <b>4,833</b>   | <b>4,855</b>   | <b>-7.8%</b>  | <b>+0.4%</b>  |
| Staff expenses   | (3,669)        | (3,500)        | -4.6%              | (1,837)        | (1,755)        | (1,744)        | -5.0%         | -0.6%         |
| Other administrative expenses                                  | (2,227)        | (2,195)        | -1.4%              | (1,122)        | (1,114)        | (1,081)        | -3.6%         | -2.9%         |
| Recovery of expenses   | 370            | 344            | -7.1%              | 194            | 176            | 167            | -13.9%        | -5.1%         |
| Amort. deprec. and imp. losses on intang. & tang. assets       | (432)          | (393)          | -9.2%              | (218)          | (193)          | (199)          | -8.7%         | +3.0%         |
| <b>OPERATING COSTS</b>   | <b>(5,958)</b> | <b>(5,744)</b> | <b>-3.6%</b>       | <b>(2,982)</b> | <b>(2,886)</b> | <b>(2,858)</b> | <b>-4.2%</b>  | <b>-1.0%</b>  |
| <b>OPERATING PROFIT (LOSS)</b>                                 | <b>3,979</b>   | <b>3,944</b>   | <b>-0.9%</b>       | <b>2,280</b>   | <b>1,947</b>   | <b>1,997</b>   | <b>-12.4%</b> | <b>+2.6%</b>  |
| Net write-downs on loans and provisions                        | (1,644)        | (1,235)        | -24.9%             | (884)          | (670)          | (564)          | -36.1%        | -15.8%        |
| <b>NET OPERATING PROFIT (LOSS)</b>                             | <b>2,335</b>   | <b>2,709</b>   | <b>+16.0%</b>      | <b>1,397</b>   | <b>1,277</b>   | <b>1,433</b>   | <b>+2.6%</b>  | <b>+12.2%</b> |
| Other charges and provisions                                   | (858)          | (598)          | -30.3%             | (477)          | (463)          | (135)          | -71.7%        | -70.9%        |
| Integration costs  | (334)          | (12)           | -96.3%             | (83)           | (5)            | (8)            | -90.9%        | +61.4%        |
| Net income from investments                                    | (18)           | (149)          | <i>n.m.</i>        | (0)            | 24             | (173)          | <i>n.m.</i>   | <i>n.m.</i>   |
| <b>PROFIT (LOSS) BEFORE TAX</b>                                | <b>1,125</b>   | <b>1,950</b>   | <b>+73.3%</b>      | <b>837</b>     | <b>833</b>     | <b>1,117</b>   | <b>+33.4%</b> | <b>+34.1%</b> |
| Income tax for the period                                      | (339)          | (346)          | +2.0%              | (153)          | (212)          | (134)          | -12.5%        | -36.8%        |
| <b>NET PROFIT (LOSS)</b>                                       | <b>786</b>     | <b>1,604</b>   | <b><i>n.m.</i></b> | <b>684</b>     | <b>621</b>     | <b>983</b>     | <b>+43.7%</b> | <b>+58.3%</b> |
| Profit (Loss) from non-current assets held for sale, after tax | 778            | 456            | -41.4%             | 379            | 376            | 79             | -79.1%        | -79.0%        |
| <b>PROFIT (LOSS) FOR THE PERIOD</b>                            | <b>1,564</b>   | <b>2,059</b>   | <b>+31.7%</b>      | <b>1,064</b>   | <b>997</b>     | <b>1,062</b>   | <b>-0.2%</b>  | <b>+6.5%</b>  |
| Minorities   | (240)          | (204)          | -15.0%             | (147)          | (89)           | (116)          | -21.3%        | +30.6%        |
| <b>NET PROFIT (LOSS) ATTRIBUTABLE TO THE GROUP BEFORE PPA</b>  | <b>1,323</b>   | <b>1,855</b>   | <b>+40.2%</b>      | <b>917</b>     | <b>909</b>     | <b>946</b>     | <b>+3.2%</b>  | <b>+4.2%</b>  |
| Purchase Price Allocation effect                               | (2)            | (2)            | +18.6%             | (1)            | (1)            | (1)            | -1.8%         | -28.8%        |
| Goodwill impairment  | -              | -              | <i>n.m.</i>        | -              | -              | -              | <i>n.m.</i>   | <i>n.m.</i>   |
| <b>NET PROFIT (LOSS) ATTRIBUTABLE TO THE GROUP</b>             | <b>1,321</b>   | <b>1,853</b>   | <b>+40.2%</b>      | <b>916</b>     | <b>907</b>     | <b>945</b>     | <b>+3.3%</b>  | <b>+4.2%</b>  |

**Note:** Starting from December 31, 2016, in accordance with IFRS5, the profit/loss of Bank Pekao S.A., Pioneer Global Asset Management S.p.A. and their subgroups' companies was entirely recognized under item "Profit (loss) after tax from discontinued operation" as a result of their classification as "discontinued operations". The previous periods were restated accordingly to increase comparability, pursuant to the regulations in force.



## UNICREDIT GROUP: RECLASSIFIED BALANCE SHEET

| (€ million)   | 2Q16           | 1Q17           | 2Q17           | Y/Y %        | Q/Q %        |
|---|----------------|----------------|----------------|--------------|--------------|
| <b>ASSETS</b>   |                |                |                |              |              |
| Cash and cash balances  | 11,904         | 32,261         | 48,428         | <i>n.m.</i>  | +50.1%       |
| Financial assets held for trading   | 104,047        | 86,191         | 79,529         | -23.6%       | -7.7%        |
| Loans and receivables with banks  | 67,452         | 77,968         | 65,225         | -3.3%        | -16.3%       |
| Loans and receivables with customers  | 462,069        | 452,766        | 450,298        | -2.5%        | -0.5%        |
| Financial investments   | 157,463        | 142,123        | 138,209        | -12.2%       | -2.8%        |
| Hedging instruments   | 8,025          | 6,231          | 5,975          | -25.5%       | -4.1%        |
| Property, plant and equipment   | 9,229          | 9,054          | 8,947          | -3.1%        | -1.2%        |
| Goodwill  | 1,744          | 1,484          | 1,484          | -14.9%       | -0.0%        |
| Other intangible assets   | 1,905          | 1,687          | 1,763          | -7.4%        | +4.5%        |
| Tax assets  | 15,604         | 15,293         | 14,252         | -8.7%        | -6.8%        |
| Non-current assets and disposal groups classified as held for sale  | 43,179         | 46,603         | 4,052          | -90.6%       | -91.3%       |
| Other assets  | 8,857          | 9,424          | 8,966          | +1.2%        | -4.9%        |
| <b>Total assets</b>   | <b>891,477</b> | <b>881,085</b> | <b>827,128</b> | <b>-7.2%</b> | <b>-6.1%</b> |
| <b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>   |                |                |                |              |              |
| Deposits from banks   | 112,038        | 138,581        | 129,844        | +15.9%       | -6.3%        |
| Deposits from customers   | 443,968        | 437,996        | 433,017        | -2.5%        | -1.1%        |
| Debt securities in issue  | 123,569        | 109,103        | 110,664        | -10.4%       | +1.4%        |
| Financial liabilities held for trading  | 79,304         | 60,631         | 55,505         | -30.0%       | -8.5%        |
| Financial liabilities designated at fair value  | 1,465          | 3,027          | 3,045          | <i>n.m.</i>  | +0.6%        |
| Hedging instruments   | 12,427         | 8,202          | 7,245          | -41.7%       | -11.7%       |
| Provisions for risks and charges  | 9,723          | 10,055         | 8,665          | -10.9%       | -13.8%       |
| Tax liabilities   | 1,299          | 1,443          | 1,188          | -8.5%        | -17.7%       |
| Liabilities included in disposal groups classified as held for sale   | 35,453         | 36,031         | 618            | -98.3%       | -98.3%       |
| Other liabilities   | 18,933         | 18,980         | 21,354         | +12.8%       | +12.5%       |
| Minorities  | 3,174          | 4,312          | 822            | -74.1%       | -80.9%       |
| Group Shareholders' Equity:   | 50,123         | 52,723         | 55,161         | +10.1%       | +4.6%        |
| - <i>Capital and reserves</i>   | 49,812         | 52,948         | 53,955         | +8.3%        | +1.9%        |
| - <i>Available-for-sale assets fair value reserve, cash-flow hedging reserve and defined benefits plans reserve</i> | (1,011)        | (1,132)        | (647)          | -36.0%       | -42.8%       |
| - <i>Net profit (loss)</i>  | 1,321          | 907            | 1,853          | +40.2%       | <i>n.m.</i>  |
| <b>Total liabilities and Shareholders' Equity</b>   | <b>891,477</b> | <b>881,085</b> | <b>827,128</b> | <b>-7.2%</b> | <b>-6.1%</b> |

**Note:** Starting from December 31, 2016, in accordance with IFRS5, the assets and liabilities of Bank Pekao S.A., Pioneer Global Asset Management S.p.A. and their subgroups' companies were recognized under items "Non-current assets and disposal groups classified as held for sale" and "Liabilities included in disposal groups classified as held for sale" as a result of their classification as "discontinued operations". The previous periods were restated accordingly to increase comparability, pursuant to the regulations in force. Starting from December 31, 2016 the credit exposures belonging to the so-called "FINO Portfolio" were recognized in item "150. Non-current assets and disposal groups classified as held for sale".

## UNICREDIT GROUP: STAFF AND BRANCHES

| Staff and Branches (units) | 2Q16   | 1Q17   | 2Q17   | Y/Y Δ  | Q/Q Δ  |
|----------------------------|--------|--------|--------|--------|--------|
| Employees(*)               | 99,831 | 96,423 | 95,288 | -4,543 | -1,135 |
| Branches (**)              | 6,606  | 6,137  | 5,072  | -1,534 | -1,065 |
| - o/w, Italy               | 3,614  | 3,459  | 3,329  | -285   | -130   |
| - o/w, other countries     | 2,992  | 2,678  | 1,743  | -1,249 | -935   |

**Note:** (\*) FTE data: number of employees counted for the rate of presence. Please consider that Group FTE are shown excluding i) all companies that are classified under IFRS5 and ii) Ocean Breeze. (\*\*) Number of branches at regulatory view. In Market Presentation the number of branches considers only Retail Branches of Italy, Germany, Austria and CEE.

## UNICREDIT GROUP: RATINGS

|                   | SHORT-TERM<br>DEBT | MEDIUM AND<br>LONG-TERM | OUTLOOK | STANDALONE<br>RATING |
|-------------------|--------------------|-------------------------|---------|----------------------|
| Standard & Poor's | A-3                | BBB-                    | STABLE  | bbb-                 |
| Moody's           | P-2                | Baa1                    | STABLE  | ba1                  |
| Fitch Ratings     | F2                 | BBB                     | STABLE  | bbb                  |

**Note: S&P** On December 20, 2016, S&P affirmed UniCredit S.p.A.'s ratings with Stable outlook following the New Strategic Plan announcement.

**Moody's** On December 7, 2016, Moody's has revised the outlook of Italy's 'Baa2' to negative from stable. On the 19 of Dec 2016, Moody's affirmed UniCredit S.p.A.'s ratings with Stable outlook following the New Strategic Plan announcement.

**Fitch** on April 27, 2017, Fitch has aligned UniCredit SpA's ratings with that of the Sovereign Italy at 'BBB' with outlook revised to 'Stable' (from 'Negative').

Declaration by the Manager charged with preparing the financial reports

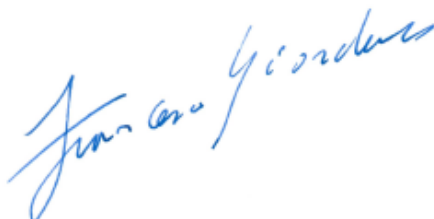
The undersigned, Francesco Giordano, in his capacity as the Manager charged with preparing UniCredit S.p.A.'s financial reports

DECLARES

That, pursuant to Article 154 bis, paragraph 2, of the “Consolidated Law on Financial Intermediation” the information disclosed in this document corresponds to the accounting documents, books and records.

Milan, 2<sup>nd</sup> August 2017

**Manager charged with  
preparing the financial reports**



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**UNICREDIT 2Q17 GROUP RESULTS – DETAILS OF CONFERENCE CALL**

**MILAN, AUGUST 3, 2017 – 10.00 CET**

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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