

Our Business Environment



Business Model in action

Market environment
Our Distinctive Assets

Stakeholder Engagement

Relevant topics
for our stakeholders



Business Model in action

The banking sector is in flux, with regulations, macroeconomic conditions and customer behaviors changing at a rapid pace. UniCredit's Transform 2019 plan has been developed to specifically address these changes. Our simple commercial banking business model and our distinctive assets will enable us to turn this environment to our advantage, becoming a better bank that reliably delivers sustainable, long-term profitability.

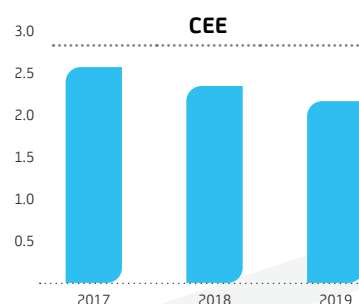
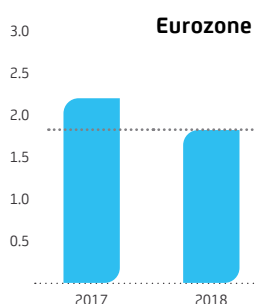
MARKET ENVIRONMENT

Low growth and low interest rates are affecting every bank in Europe

Growth in line with consensus

Real GDP growth y/y and average, %

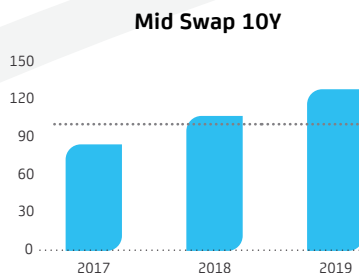
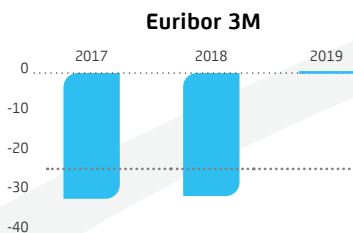
■ UCG estimates^A
 Consensus^B
 (avg. 2017-2019)



Lower for longer rates and yield environment

Bps, EoP

■ UCG estimates^A
 Consensus^C
 (avg. 2017-2019)



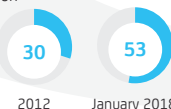
Changing customer behaviors must not only be immediately recognized, but also anticipated

The adoption and growth of remote channels continues at a rapid rate.

Global digital snapshot^D

% of world population

Internet users



Active social media users



The growth of our business depends on the competitiveness of companies and the well-being of individuals within each country

The top priorities in the countries where we operate^E:

- Citizens who benefit from infancy services
- Percentage of young people not in education, employment, or training (NEET)
- People suffering poor housing conditions
- Life expectancy without activity limitations at 65 years of age.

The regulatory framework for banking and finance is constantly changing, with many new regulations expected in the years to come, aiming at addressing:

- Banks' loss absorbency capacity to grant an orderly resolution of institutions in case of failure
- Banks' assets and liabilities having a sustainable structure in terms of maturity
- The under-provisioning of Non-performing loans (NPLs)
- The implementation of more stringent criteria for the calculation of Risk-Weighted Assets (RWA), limiting the use of internal models
- A more timely recognition of credit losses and adequate provisioning through the implementation of the new accounting standards IFRS9.

A. UniCredit Group (UCG) house view.

B. Average 2017-2019 calculated on a quarterly basis. For GDP growth source is Consensus Forecast for Eurozone and Focus Economics for CEE.

C. Average 2017-2019 calculated on a quarterly basis. For Euribor 3M source is future from Bloomberg as of 6 December 2017 and for Mid Swap 10Y is forward from Bloomberg as of 6 December 2017.

D. Source: Digital around the world in 2018 report, by We Are Social; growth figures may in part be the result of improved reporting.

E. Analysis based on proprietary methodology applied to the countries where we have a major operational presence: Italy, Germany, Austria, Bulgaria, Croatia, Hungary and Romania. Refer to the Social and relationship Capital chapter for more information.

OUR DISTINCTIVE ASSETS

Pan European Commercial Bank

Strong presence in **14** countries^A

Top ranked by assets in Europe^B
n.1 in Austria and CEE by assets
n.2 in Italy, **n.3** in Germany

81%
of revenues from
Commercial Banking^C

Unique Client Franchise

25 million clients^D

Second largest provider of
corporate loans in EU^E

Distinctive Factories

CIB platform fully plugged in

Best in class CIB products provider

n.1 EMEA^F Covered bonds;
All Covered bonds EUR;
SSA bonds in EMEA EUR

MATERIAL TOPICS



MARKET ENVIRONMENT

COMMERCIAL BANKING (CBK)

Individuals

Flexible and easy access to banking products such as payments, mortgages, consumer finance, investments and savings accounts offered through traditional and digital channels.

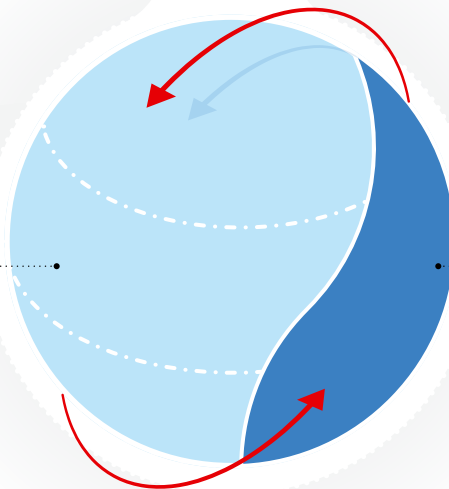
Companies

Tailored, profit-driven solutions for entrepreneurs that help them conduct day-to-day business operations or execute new projects or strategies.

Private Banking

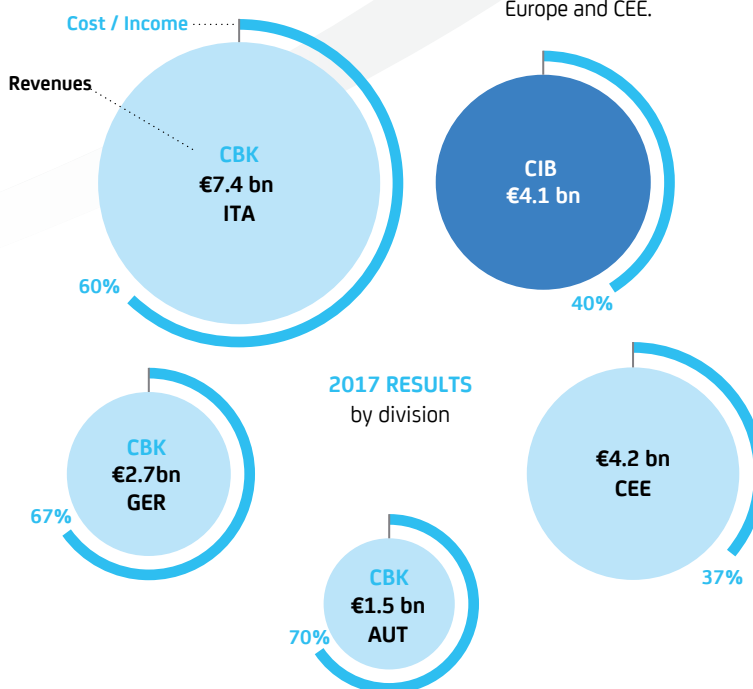
A 360-degree advisory model, customized investment strategies and access to international markets through specialized advisors.

BUSINESS MODEL



CORPORATE & INVESTMENT BANKING (CIB)

Traditional corporate and transaction banking services, along with full-fledged structured finance, capital markets and investment products, as a strategic long-term partner that meets clients' specific needs and delivers access to Western Europe and CEE.

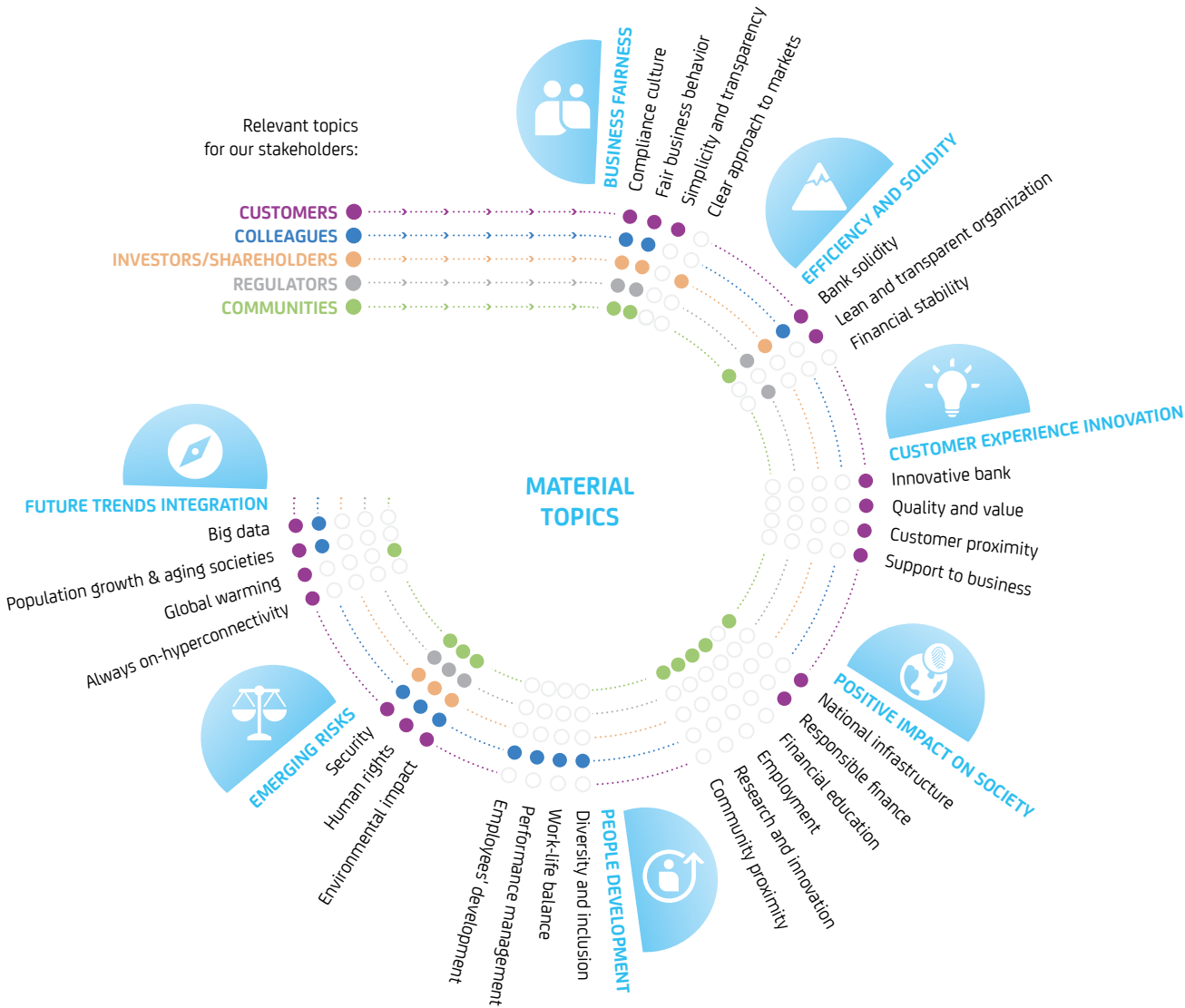



A. Italy, Germany, Austria, Bosnia and Herzegovina, Bulgaria, Croatia, Czech Republic, Hungary, Serbia, Slovakia, Slovenia, Romania, Russia, Turkey.
B. Data as of 9M2017, for Austria domestic assets as of 2015 on local GAAP (source OeNB), for Germany only private banks.
C. CBK Italy, CBK Germany, CBK Austria, CEE on new Group perimeter considered the disposals of Immo Holding, Ukraine, 30% Fineco, Pekao and Pioneer.
D. Data as of 9M2017, includes 100% clients in Turkey, excludes Fineco.
E. Data as of 9M 2017; peers include: BNP Paribas, Deutsche Bank, Intesa Sanpaolo, Santander, Société Générale.
F. Source: Dealogic; data from league tables as of 2017; all positions by volume.

Stakeholder Engagement

In our work to closely monitor the interests and expectations of our stakeholders, we periodically produce a materiality matrix that highlights their priorities and how we are addressing them. The materiality matrix graphically represents a vital aspect of UniCredit's business – stakeholder engagement.

It helps us consider every stakeholder interest and expectation in our strategic decisions. Over the years, we have developed many different tools to engage with our stakeholders and better understand our relationships with them.



see page S. 32
for further info 

Since 2010, UniCredit has periodically assembled a materiality matrix that assesses the main interests and expectations of the Group's stakeholders.

To produce the materiality matrix, we:

- categorize and prioritize our stakeholders
- identify relevant issues
- prioritize the identified issues
- assess internal consensus on these issues.¹

UniCredit's listening activities engage the Group's many stakeholders on an ongoing basis. By closely monitoring the needs and opinions of every stakeholder, we can devise better targeted strategies while steadily improving our decision-making, product offerings and service efficiency.

The table below lists the ad hoc dialogue tools that our Group has developed to collect stakeholder feedback. Among these tools, the new opinion leader survey provides valuable insights about which systemic trends could present risks or opportunities to the banking sector over the next 10 years.

The most important of these trends (big data, population growth, aging societies, always-on hyperconnectivity, climate change) were integrated into our materiality analysis following an internal assessment carried out by the business functions responsible for evaluating the Group's investments in these issues.

This regular survey of opinion leaders enables us to quantify key macroeconomic changes.


Another new listening initiative was our first environmental, social and corporate governance roadshow held in 2016. Through the roadshow, we gathered valuable feedback from our major investors about the effectiveness of our approach to sustainability.

By incorporating these and other inputs into our analysis, we believe that the materiality matrix will continue to assist UniCredit's senior management in strategic decisions that create long-term value.

MATERIAL TOPICS



Dialogue tools with Stakeholders

<p>CUSTOMERS</p> <ul style="list-style-type: none"> Customer satisfaction assessment Brand reputation assessment Mystery shopping Instant feedback Focus group, workshops, seminars 	<p>COLLEAGUES</p> <ul style="list-style-type: none"> People Survey of professional engagement Internal clients' perceptions of headquarters services Group Intranet Portal Departmental online communities 	<p>INVESTORS/SHAREHOLDERS</p> <ul style="list-style-type: none"> Quarterly webcasts and conference calls to present results One-on-one and group meetings, calls Shareholders' meeting 	<p>REGULATORS</p> <ul style="list-style-type: none"> One-on-one and group meetings, calls <p>COMMUNITIES</p> <ul style="list-style-type: none"> Surveys Social Media <p>see page S. 35 for further info </p>
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1. Refer to the 2016 Integrated Report for more information.