Banking that matters. | UniCredit

MILAN, 8 NOVEMBER 2018

UNICREDIT: A PAN-EUROPEAN WINNER

STRONG UNDERLYING PERFORMANCE AND TRANSFORM 2019 PROGRESS
DECISIVE NON-RECURRING ACTIONS IN 3Q18

3Q18 AND 9M18 GROUP RESULTS

DECISIVE NON-RECURRING ACTIONS IN 3Q18:

- YAPI IMPAIRMENT OF €0.85 BN. COMMITMENT TO INVESTMENT
- INCREASED PROVISIONS FOR US SANCTIONS, NEARING SETTLEMENT. ANY POTENTIAL FUTURE IMPACT NOT EXPECTED TO BE MATERIAL

GROUP CORE PERFORMANCE:

- STRONG COMMERCIAL PERFORMANCE, 3Q18 NET INTEREST AT €2.7 BN (+3.1 PER CENT Q/Q) AND FEES AT €1.6 BN (+2.6 PER CENT Y/Y)
- 3Q18 NET OPERATING PROFIT AT €1.8 BN, UP 21.9 PER CENT Y/Y
- 9M18 ADJUSTED ROTE AT 10.4 PER CENT, UP 0.5 P.P. 9M/9M[1]
- 3Q18 GROSS NPE RATIO AT 4.3 PER CENT, DOWN 85 BPS Y/Y

GROUP PERFORMANCE:

- ADJUSTED[1] NET PROFIT AT €875 M IN 3Q18 (+4.8 PER CENT Y/Y) AND AT €3.0 BN IN 9M18 (+4.7 PER CENT 9M/9M). 3Q18 STATED NET PROFIT AT €29 M
- 3Q18 FULLY LOADED CET1 RATIO AT 12.11 PER CENT

REMEDIATION ACTIONS:

- IMPROVED COST REDUCTION IN FY18 AND FY19
- DISPOSALS OF SPECIFIC ASSETS INCLUDING REAL ESTATE[2]
- REDUCTION OF CET1 RATIO BTP SENSITIVITY[3] BY AROUND 35 PER CENT BY THE END OF FY19
- ALL GROUP LEGAL ENTITIES TO BECOME SELF-FUNDED BY PROGRESSIVELY MINIMISING INTRAGROUP EXPOSURES

TRANSFORM 2019 PROGRESS:

- 3Q18 GROUP COSTS AT €2.6 BN, DOWN 7.7 PER CENT Y/Y. ACHIEVED 93 PER CENT OF FTE[4] AND 88 PER CENT OF BRANCH REDUCTION TARGETS
- ACCELERATED NON CORE RUNDOWN BY 2021 FULLY ON TRACK
- 3Q18 NON CORE GROSS NPES AT €20.6 BN, GROSS NPE TARGETS FOR FY18 AND FY19 CONFIRMED

TRANSFORM 2019 TARGETS UPDATE:

- PROFIT & LOSS ACCOUNT:
  - FY18 REVENUES AT €19.7 BN, FY19 REVENUES AT €19.8 BN

---

[1]Group and Group Core adjusted net profit and RoTE exclude the net impact from Pekao (-€310 m FX reserve in 2Q17) and Pioneer (+€2.1 bn in 3Q17) disposals, a one-off charge booked in Non Core (-€80 m in 3Q17), the net profit from Pekao and Pioneer (+€48 m in 1Q17, +€72 m in 2Q17 and +€3 m in 3Q17) and the Yapi Kredi (Yapi) impairment (-€846 m in 3Q18); the adjustment does not include the additional provisions for US sanctions. RoTE calculated at CMD perimeter, taking into account the capital increase and Pekao and Pioneer disposals as at 1 January 2017.
[2]Disposal plans have not yet been approved by the Boards.
[3]3Q18 BTP sensitivity: +10 bps parallel shift of BTP asset swap spreads has a -3.5 bps pre-tax and -2.5 bps post-tax impact on the fully loaded CET1 ratio as at 28 September 2018.
[4]FTE stands for full time equivalent.

- FY19 NII AND FEES CONFIRMED AT AROUND €18.1 BN
- FY18 COSTS BELOW €11.0 BN AND FY19 BELOW €10.6 BN
- FY19 C/I RATIO AT 52-53 PER CENT

– PROFITABILITY:
- FY18 NET PROFIT ABOVE €2.8 BN AND NET PROFIT ADJUSTED[5] ABOVE €3.6 BN
- FY19 NET PROFIT CONFIRMED AT €4.7 BN
- FY19 ROTE CONFIRMED ABOVE 9 PER CENT
- FY19 GROUP CORE ROTE CONFIRMED ABOVE 10 PER CENT

– CAPITAL:
- FY18 CET1 RATIO 11.5-12.0 PER CENT[6]
- FY19 CET1 ratio 12.0-12.5 per cent, MDA[7] buffer target of 200-250 bps

Milan, 8 November 2018: on 7 November 2018, the Board of Directors of UniCredit S.p.A. approved the 3Q18 and 9M18 Group's consolidated financial accounts as of 30 September 2018.

Jean Pierre Mustier, Chief Executive Officer of UniCredit S.p.A., commenting on the 3Q18 and 9M18 Group results:

"*UniCredit has delivered strong underlying Q3 results and I am proud of the performance of our teams in an increasingly challenging macro-economic environment. Group Core net operating profit in the third quarter was 1.8 billion Euro, up 21.9 per cent year on year, while adjusted Group Core RoTE stands at 10.4 per cent for the first nine months.*

During the quarter we took decisive actions related to non-recurring events; including an 846 million Euro impairment of our stake in Yapi and additional provisions relating to the upcoming settlement of alleged US sanctions violations. We are also implementing a number of measures to protect our capital position, including specific asset disposals such as real estate, and around 35 per cent reduction in the sensitivity of our CET1 ratio to BTP spreads.

We confirm our FY19 net profit target of 4.7 billion Euro and a RoTE of above 9 per cent, with Group Core RoTE above 10 per cent. The Group will continue to maintain a strong MDA buffer of 200-250 bps, equal to a fully loaded FY19 CET1 ratio of 12.0-12.5 per cent.

As a team we continue to focus on executing Transform 2019, which remains well ahead of plan, and will keep working hard to confirm UniCredit as a pan-European winner."

[5] Group adjusted net profit excludes the Yapi impairment (-€846 m in 3Q18) and includes the additional provisions for US sanctions.
[6] Assuming BTP spreads remain at current levels (as at 5 November 2018).
[7] MDA stands for Maximum Distributable Amount.

UniCredit Group

3Q18 HIGHLIGHTS	**Group** ■ Total revenues up 2.0 per cent y/y to €4.8 bn (-2.6 per cent q/q) thanks to higher commercial revenues offsetting lower trading income. Net interest income (NII) up 3.2 per cent q/q to €2.8 bn, thanks to positive commercial dynamics and higher contribution from the investment portfolio. Resilient fees up 2.5 per cent y/y driven by transactional services ■ Lower operating costs at €2.6 bn (-7.7 per cent y/y, -2.4 per cent q/q) thanks to both lower HR costs (-7.6 per cent y/y, -2.3 per cent q/q) and Non HR costs (-8.0 per cent y/y, -2.5 per cent q/q). FTEs down 766 q/q. C/I ratio at 53.8 per cent (-5.7 p.p. y/y, +0.1 p.p. q/q) ■ LLPs up 2.8 per cent Y/Y to €696 m, leading to a CoR of 60 bps with 1 bp of models impact ■ Net operating profit at €1.5 bn, up 23.6 per cent Y/Y ■ Stated net profit at €29 m. Net profit at €875 m adjusted for the Yapi impairment, not including the additional provisions due to US sanctions, up 4.8 per cent vs 3Q17 adjusted and down 14.5 per cent Q/Q ■ CEE and Commercial Banking Italy main contributors to net profit **Group Core** ■ Net operating profit at €1.8 bn, up 21.9 per cent Y/Y ■ Net profit at €1.1 bn adjusted for the Yapi impairment, not including the additional provisions due to US sanctions, up 9.0 per cent vs 3Q17 adjusted
9M18 HIGHLIGHTS	**Group** ■ Total revenues at €14.9 bn (-1.1 per cent 9M/9M) with NII up 1.2 per cent 9M/9M to €8.1 bn and fees up 1.7 per cent 9M/9M to €5.1 bn mainly thanks to transactional and management fees. Trading income down 24.3 per cent 9M/9M in an unfavourable market environment ■ Operating expenses down 6.6 per cent 9M/9M to €8.0 bn in 9M18 with lower C/I ratio at 53.7 per cent (-3.2 p.p. 9M/9M) ■ LLPs at €1.7 bn (-19.4 per cent 9M/9M) with a CoR at 50 bps, including 2 bps models change. CoR expected to be around 60 bps by year end 2018 with lower expected models impact in mid-single digit bps ■ Net operating profit at €5.2 bn, up 18.3 per cent 9M/9M ■ Stated net profit at €2.2 bn. Net profit at €3.0 bn adjusted for the Yapi impairment, not including the additional provisions due to US sanctions, up 4.7 per cent vs. 9M17 adjusted with an adjusted RoTE of 8.3 per cent (+0.5 p.p. vs. 9M17 adjusted) **Group Core** ■ Net operating profit at €6.0 bn, up 15.1 per cent 9M/9M ■ Group Core net profit at €3.6 bn adjusted for the Yapi impairment, not including the additional provisions due to US sanctions, up 5.1 per cent vs 9M17 adjusted with an adjusted RoTE of 10.4 per cent (+0.5 p.p. vs 9M17 adjusted)

CAPITAL	■ GROUP FULLY LOADED CET1 RATIO AT 12.11 PER CENT IN 3Q18, DOWN 39 BPS Q/Q MAINLY IMPACTED BY FX RESERVES AND FVOCI PORTFOLIO ■ GROUP FULLY LOADED LEVERAGE RATIO AT 4.96 PER CENT IN 3Q18 ■ THE EBA STRESS TEST RESULTS WERE RELEASED ON 2 NOVEMBER 2018. CET1 RATIOS ARE 13.76 PER CENT IN THE BASELINE SCENARIO AND 9.34 PER CENT IN THE ADVERSE SCENARIO IN 2020
ASSET QUALITY	■ GROUP GROSS NPE[8] RATIO IMPROVED 249 BPS Y/Y TO 8.3 PER CENT IN 3Q18, WITH A COVERAGE RATIO OF 60.9 PER CENT ■ TOTAL GROUP GROSS NPE DISPOSALS OF €1.2 BN IN 3Q18 (O/W NON CORE €0.4 BN) AND €2.6IN 9M18 (O/W NON CORE €1.0 BN) ■ GROUP CORE GROSS NPE RATIO IMPROVED 85 BPS Y/Y TO 4.3 PER CENT IN 3Q18, WITH A COVERAGE RATIO OF 57.3 PER CENT ■ NON CORE GROSS NPES DOWN €7.8 BN Y/Y TO €20.6 BN IN 3Q18 WITH A COVERAGE RATIO OF 64.3 PER CENT

[8] NPEs are broken down in bad exposures, unlikely-to-pay and past due.

TRANSFORM 2019 UPDATE

Transform 2019 is fully on track and continues to deliver sustainable results, underpinned by strong commercial performance:

- **Strengthen and optimise capital:** capital targets have been updated (please refer to the Transform 2019 targets update on the following page) to reflect the decisive non-recurring actions taken in 3Q18 and the corresponding remediation actions on capital.

  Disposals of specific assets, including real estate, will be pursued to strengthen the capital base.

  By the end of 2019, BTP sensitivity of CET1 ratio is expected to be reduced by approximately 35 per cent.

- **Improve asset quality:** the Group balance sheet de-risking continued during the third quarter with gross NPEs further down to €40.8 bn in 3Q18 from €42.6 bn in 2Q18. Group gross NPE ratio improved 249 bps Y/Y to 8.3 per cent in 3Q18, with a solid coverage ratio of 60.9 per cent. Gross NPE disposals contributed €1.2 bn in 3Q18 and €2.6 bn in 9M18.

  Group Core gross NPEs dropped to €20.2 bn while gross NPE ratio improved 85 bps Y/Y to 4.3 per cent in 3Q18, close to the EBA average[9]. The coverage ratio remained solid at 57.3 per cent.

  Accelerated Non Core rundown by 2021 is proceeding as planned, with gross NPEs further down €7.8 bn Y/Y to €20.6 bn in 3Q18, including €0.4 bn of disposals (€1.0 bn in 9M18). By the end of 2018, total gross NPEs are expected to be down to €19 bn.

- **Transform operating model:** the transformation of the operating model is ahead of schedule. Since December 2015:
  - 831 branches have been closed in Western Europe (of which 41 closed in 3Q18), corresponding to 88 per cent of the 944 planned closures by 2019[10];
  - FTEs have been reduced by 13,100 (of which 766 FTEs in 3Q18), corresponding to 93 per cent of the 14,000 planned reductions by 2019.

- **Maximise commercial bank value:** commercial initiatives are in place across the whole Group, delivering tangible results. During the third quarter of 2018:
  - remote sales[11] of total bank sales[12] in Italy increased 7.4 p.p. Y/Y, reaching 26.0 per cent. At the same time, 93.8 per cent (vs. 95 per cent 2019 target) of basic transactions[13] have been migrated to self-service channels;
  - the mobile user penetration[14] in CEE improved by 2.3 p.p. Q/Q to 38.2 per cent;
  - the first 550 "Easy Export" contracts were signed in Italy to support Italian exporting companies, leveraging on the partnership with Alibaba;
  - after a successful roll-out in Italy, UniCredit has also signed an agreement with Alipay as the first bank in the country to do so.

  In 9M18, UniCredit confirmed its top position for debt financing, by ranking:
  - #1 in "All Bonds in EMEA EUR" by number of deals, in "All Bonds" (Italy and Germany), in "All Syndicated Loans" (Italy, Germany, CEE and Austria) and in "Covered Bonds";
  - #2 in "All Syndicated Loans in EMEA EUR" and "Project Finance Europe";
  - #3 in "Commodity Finance EMEA"[15].

---

[9] Weighted average of EBA sample banks is 3.6 per cent. Source: EBA risk dashboard (data as of 2Q18).
[10] Retail branches in Italy, Germany and Austria as indicated during the CMD.
[11] Transactions concluded through ATM, online, mobile or contact centre.
[12] Percentage of remote sales of total bank products that have a direct selling process.
[13] Includes cash withdrawals, cash deposits and transfers.
[14] Including Yapi at 100 per cent. Ratio defined as number of retail mobile users as percentage of active customers.
[15] All league tables are based on Dealogic data as of 1 October 2018. Period: 1 Jan. – 30 Sep. 2018. Rankings by volume unless otherwise stated.

UniCredit continues its strong run in equity capital markets playing a key role in the recent IPOs for Piovan, Knorr-Bremse and Aston Martin, leveraging on strong commercial banking relationships thanks to the successful business model with CIB fully plugged-in and the partnership with Kepler Cheuvreux.

- **Adopt a lean but steering Group Corporate Centre (GCC):** the weight of GCC of total costs was 2.9 per cent in 3Q18 (-1.1 p.p. Y/Y, -0.7 p.p. Q/Q) and 3.4 per cent in 9M18 (-0.6 p.p. 9M/9M), compared to 5.3 per cent as of December 2015[16]. The 2019 target of 3.8 per cent[17] is confirmed.

Transform 2019 targets have been updated to reflect a challenging macro-economic environment, partially mitigated by decisive actions taken in 3Q18 and the continued successful Transform 2019 execution ahead of schedule:

- FY19 net profit confirmed at €4.7 bn; FY19 RoTE confirmed above 9 per cent for the Group and above 10 per cent for the Group Core;
- FY18 net profit to be above €2.8 bn and net profit adjusted[18] above €3.6 bn;
- revenues are expected to be at €19.7 bn and €19.8 bn in FY18 and in FY19 respectively, with commercial revenues (NII and fees) confirmed at around €18.1 bn in FY19;
- total costs are expected to be below €11.0 bn in FY18, despite the expected seasonal increase in 4Q18, and below €10.6 bn in FY19, thanks to improved cost reduction measures. C/I ratio between 52 and 53 per cent in FY19;
- fully loaded CET1 ratios are expected to be between 11.5 and 12.0 per cent in FY18 and between 12.0 and 12.5 per cent in FY19, with MDA buffer target of 200-250 bps at the end of 2019.

[16] FY15 actual recasted as of September 2018, previously 5.2 per cent.
[17] FY19 target recasted as of September 2018, previously 3.6 per cent.
[18] Please refer to footnote 5.

UNICREDIT GROUP CONSOLIDATED RESULTS

(€ million)	3Q17	2Q18	3Q18	Q/Q	Y/Y	9M17	9M18	9M/9M
Total Revenues	4,721	4,944	4,814	-2.6%	+2.0%	15,036	14,868	-1.1%
Operating costs	-2,809	-2,655	-2,592	-2.4%	-7.7%	-8,545	-7,981	-6.6%
LLP	-677	-504	-696	+38.2%	+2.8%	-2,104	-1,697	-19.4%
Net profit	2,820	1,024	29	-97.2%	-99.0%	4,672	2,165	-53.7%
Adjusted net profit	835	1,024	875	-14.5%	+4.8%	2,877	3,012	+4.7%
Fully loaded CET1 ratio	13.81%	12.51%	12.11%	-0.4 p.p.	-1.7 p.p.	13.81%	12.11%	-1.7 p.p.
Adjusted RoTE	6.8%	8.5%	7.5%	-1.0 p.p.	+0.7 p.p.	7.8%	8.3%	+0.5 p.p.
Loans (excl. repos) - bn	412	423	432	+2.1%	+4.9%	412	432	+4.9%
Gross NPE - bn	51	43	41	-4.2%	-20.2%	51	41	-20.2%
Deposits (excl. repos)- bn	399	414	420	+1.6%	+5.5%	399	420	+5.5%
Cost/income	59.5%	53.7%	53.8%	+0.1 p.p.	-5.7 p.p.	56.8%	53.7%	-3.2 p.p.
Cost of risk (bps)	61	45	60	+16	-1	64	50	-13

Note: Group adjusted net profit and RoTE exclude the net impact from Pekao (-€310 m FX reserve in 2Q17) and Pioneer (+€2.1 bn in 3Q17) disposals, one-off charge booked in Non Core (-€80 m in 3Q17), the net profit from Pekao and Pioneer (+€48 m in 1Q17, +€72 m in 2Q17 and +€3 m in 3Q17) and the Yapi impairment (-€846 m in 3Q18); the adjustment does not include the additional provisions for US sanctions. RoTE calculated at CMD perimeter, taking into account the capital increase and Pekao and Pioneer disposals as at 1 January 2017.

Revenues were up 2.0 per cent Y/Y to €4.8 bn in 3Q18 (-2.6 per cent Q/Q) mainly thanks to higher commercial revenues (NII +7.2 per cent and fees and commissions +2.5 per cent Y/Y) offsetting lower trading income (-27.4 per cent Y/Y) in an unfavourable market. The main contributions came from Commercial Banking Italy, CEE and CIB. In the first nine months of 2018, revenues reached €14.9 bn (-1.1 per cent 9M/9M).

NII[19] was up 3.2 per cent Q/Q to €2.8 bn in 3Q18 (+7.2 per cent Y/Y) thanks to higher lending volumes (+€65 m Q/Q), lower cost of term funding (+€41 m Q/Q) and a higher contribution from investment portfolio/markets & treasury (+€49 m Q/Q) compensating ongoing pressure on customer rates (-€73 m Q/Q). NII equals €8.1 bn in 9M18 (+1.2 per cent 9M/9M).

Net interest margin[20] decreased from 1.42 per cent in 2Q18 to 1.41 per cent in 3Q18.

Group customer loans[21] were €432.0 bn at the end of September 2018 (+4.9 per cent Y/Y, +2.1 per cent Q/Q). Group Core customer loans were up €10.3 bn Q/Q to €423.2 bn. Main contributors to Group Core customer loans were Commercial Banking Italy (€143.5 bn), Commercial Banking Germany (€85.8 bn) and CIB (€79.4 bn).

Group customer deposits[22] increased to €420.4 bn at the end of September 2018 (+5.5 per cent Y/Y, +1.6 per cent Q/Q) mainly due to technically driven and extraordinary high single digit billion deposit inflows from some corporate clients in CIB, expected to reverse over the next few months. The main contributors were Commercial Banking Italy (€145.4 bn), Commercial Banking Germany (€87.6 bn) and CEE (€62.5 bn).

Customer loan rates were down 8 bps Q/Q at 2.57 per cent in 3Q18 and down 11 bps Y/Y.

Dividends and other income[23] were €149 m in 3Q18 (-9.5 per cent Y/Y, -17.0 per cent Q/Q). Yapi contribution was down 37.7 per cent Y/Y at constant FX, while down 71.6 per cent at current FX considering the depreciation of the Turkish lira (TRY). Other dividends were up 56.9% Y/Y to €125 m mainly thanks to dividends on shares underlying the Pekao mandatory convertible.

Fees and commissions[24] were up 2.5 per cent Y/Y to €1.6 bn in 3Q18 (-5.4 per cent Q/Q). In particular:

[19] Net contribution from hedging strategy of non-maturity deposits in 3Q18 at €381 m (-€0.4 m Y/Y, +€2.2 m Q/Q).

[20] Net interest margin calculated as interest income divided by interest earning assets minus interest expenses divided by interest bearing liabilities.

[21] End of period accounting volumes calculated excluding repos and, for divisions, excluding also intercompany items. Accounting customer loans including repos amounted to €462.2 bn as of 30 September 2018 (+4.7 per cent Y/Y, +0.8 per cent Q/Q).

[22] End of period accounting volumes calculated excluding repos and for divisions, also excluding intercompany items. Accounting customer deposits including repos amounted to €469.0 bn as of 30 September 2018 (+7.0 per cent Y/Y, +2.8 per cent Q/Q).

[23] Include dividends and equity investments. The entities belonging to Koc/Yapi Kredi Group are evaluated according to the equity method (dividend line of the Group P&L based on the managerial view) under the accounting perimeter and proportionally consolidated under the regulatory perimeter.

[24] All 2017 figures have been restated for the consolidation effects arising from the intercompany fees relating to Bank Pekao and Pioneer, which until 2Q17 were classified as held for sale, in accordance with IFRS5.

- **investment fees** were €613 m in 3Q18, down 3.1 per cent Y/Y (-12.1 per cent Q/Q) mainly due to lower AuC fees and lower AuM up-front fees only partially offset by higher management fees in Commercial Banking Italy;
- **financing fees** were €403 m in 3Q18, up 1.0 per cent Y/Y (-4.9 per cent Q/Q) mainly driven by higher fees in factoring and consumer protection insurance in Commercial Banking Italy;
- **transactional fees** amounted to €612 m in 3Q18, up 10.0 per cent Y/Y (+2.0 per cent Q/Q) thanks to current account and card services in Commercial Banking Italy.

Fees and commissions were up 1.7 per cent 9M/9M to €5.1 bn in 9M18 mainly thanks to transactional and management fees in Commercial Banking Italy.

Total Financial Assets (TFA)[25] rose €27.6 bn Y/Y reaching €833.8 bn at 30 September 2018.

- **Assets under management (AuM)** performed well during the quarter reaching €221.9 bn, up €10.3 bn Y/Y thanks to sustained commercial dynamics mainly in Commercial Banking Italy (+€3.9 bn Y/Y), in Commercial Banking Germany (+€3.0 bn Y/Y) and Fineco (+€2.8 bn Y/Y). In particular, the AuM/TFA ratio in Commercial Banking Italy increased 1.3 p.p. Y/Y to 37.3 per cent as of end of September 2018 as AuC were transformed into AuM. Group net sales were €1.5 bn in 3Q18, despite a challenging market and seasonality.
- **Assets under custody (AuC)** decreased €6.9 bn Y/Y, reaching €199.2 bn in 3Q18. The decrease occurred mainly in Commercial Banking Italy (-€13.5 bn Y/Y) due to negative market performance and run-off of retail bonds.
- **Deposits** were €412.7 bn, up €24.2 bn Y/Y sustained by positive dynamics mainly in CIB (+€9.5 bn Y/Y, as explained in the previous page under the "Group customer deposits" paragraph) and Commercial Banking Italy (+€8.1 bn Y/Y).

TFA were up 13.3 bn Q/Q mainly thanks to higher deposits (+€7.0 bn Q/Q), AuC (+€4.2 bn Q/Q) and AuM (+€2.1 bn Q/Q).

Trading income totalled €277 m in 3Q18, down 27.4 per cent Y/Y and 16.3 per cent Q/Q due to lower client activity in an unfavourable market environment and also the negative impact from the mark to market of the Pekao mandatory convertible. The client driven share of trading included positive valuation adjustments[26] of €26 m (+€8 m in 3Q17, +€35 m in 2Q18). Trading income at €1.1 bn in 9M18 (-24.3 per cent 9M/9M).

Operating costs were down to €2.6 bn in 3Q18 (-7.7 per cent Y/Y, -2.4 per cent Q/Q), ahead of schedule. In particular:

- **HR expenses** were down to €1.6 bn, decreasing 7.6 per cent Y/Y and 2.3 per cent Q/Q, driven by FTE reduction;
- **Non HR costs**[27] were €1.0 bn, down 8.0 per cent Y/Y thanks to lower consulting and sponsorship expenses.

The number of employees reached 87,873 in 3Q18, down by 766 FTEs Q/Q and down by 13,100 FTEs since December 2015, reaching 93 per cent of the 14,000 planned reductions by 2019. Branch closures were ahead of schedule, with a decrease of 45 units in 3Q18 to 4,653 (of which 2,978 in Western Europe and 1,675 in CEE)[28] and down by 831 branches in Western Europe since December 2015, corresponding to 88 per cent of 944 planned closures by 2019. C/I ratio was down 3.2 p.p. 9M/9M to 53.7 per cent in 9M18. FY18 C/I ratio target is confirmed at below 55 per cent.

Operating costs were €8.0 bn in 9M18 (-6.6 per cent 9M/9M), ahead of schedule.

Gross operating profit totalled €2.2 bn in 3Q18 (+16.2 per cent Y/Y, -2.9 per cent Q/Q) and €6.9 bn in 9M18 (+6.1 per cent 9M/9M).

LLPs amounted to €696 m in 3Q18 (+2.8 per cent Y/Y, +38.2 per cent Q/Q) including 1 bp of models impact. The overall risk environment remained supportive during the quarter. LLPs were €1.7 bn in 9M18 (-19.4 per cent 9M/9M) with a CoR at 50 bps, including 2 bps of models change. FY18 CoR is expected to be around 60 bps including lower expected models impact in mid-single digit bps range.

Net operating profit was €1.5 bn in 3Q18 (+23.6 per cent Y/Y, -14.5 per cent Q/Q) and €5.2 bn in 9M18 (+18.3 per cent 9M/9M) thanks to sustained underlying commercial performance and strict cost and risk discipline.

Other charges and provisions totalled €741 m in 3Q18 (+11.8 per cent Q/Q), mainly due to increased provisions for US sanctions, which is nearing settlement. Any potential future impact is not expected to be material. Other charges and provisions were €1.9 bn in 9M18.

---

[25] It refers to Group commercial TFA. Non-commercial elements, e.g. Group Corporate Centre, Non Core, Leasing/Factoring and Market Counterparts are excluded. Numbers are managerial figures.

[26] Collateral valuation adjustments (OIS), Debt/Credit Value Adjustment (DVA/CVA), Fair Value Adjustment and Funding Valuation Adjustment (FVA).

[27] Non HR costs include "other administrative expenses", "recovery of expenses" and "amortisation, depreciation and impairment losses on intangible and tangible assets".

[28] Branch figures consistent with CMD perimeter.

A **net loss from investments** was accounted for €655 m in 3Q18, mainly deriving from the impairment of Yapi equal to €846 m, only partially offset by the positive gain from the €114 m disposal of the pawn credit business.

Income tax was low at €40 m in 3Q18 (-77.7 per cent Y/Y, -84.3 per cent Q/Q), driven by geographical mix of profits and one-offs in Italy and Germany, and €520 m in 9M18 (-4.4 per cent 9M/9M).

Group net profit was €875 m in 3Q18 adjusted for the Yapi impairment (+4.8 per cent vs. 3Q17 adjusted, -14.5 per cent Q/Q). The main contributors to the positive operating performance in 3Q18 were CEE and Commercial Banking Italy (net profit of €428 m and €367 m, respectively). Group net profit was €3.0 bn in 9M18 adjusted for the Yapi impairment, not including the additional provisions for US sanctions (+4.7 per cent vs. 9M17 adjusted), with an adjusted RoTE of 8.3 per cent (+0.5 p.p. vs. 9M17 adjusted).

GROUP CORE

(€ million)	3Q17	2Q18	3Q18	*Q/Q*	*Y/Y*	9M17	9M18	*9M/9M*
Total revenues	4,699	4,947	4,814	*-2.7%*	*+2.4%*	14,976	14,876	*-0.7%*
Gross operating profit	1,940	2,310	2,252	*-2.5%*	*+16.1%*	6,543	6,975	*+6.6%*
Net operating profit	1,455	2,194	1,774	*-19.2%*	*+21.9%*	5,221	6,011	*+15.1%*
Net profit	3,028	1,307	204	*-84.4%*	*-93.2%*	5,305	2,759	*-48.0%*
Adjusted net profit	964	1,307	1,051	*-19.6%*	*+9.0%*	3,430	3,605	*+5.1%*
Adjusted RoTE	8.3%	11.3%	9.3%	*-2.0 p.p.*	*+1.0 p.p.*	9.9%	10.4%	*+0.5 p.p.*
Cost/income	58.7%	53.3%	53.2%	*-0.1 p.p.*	*-5.5 p.p.*	56.3%	53.1%	*-3.2 p.p.*
Cost of risk (bps)	46	11	42	*+32*	*-3*	42	29	*-12*
Gross NPE ratio	5.2%	4.5%	4.3%	*-19 bps*	*-85 bps*	5.2%	4.3%	*-85 bps*

Note: Group Core adjusted net profit and RoTE exclude the net impact from Pekao (-€310 m FX reserve in 2Q17) and Pioneer (+€2.1 bn in 3Q17) disposals, the net profit from Pekao and Pioneer (+€48 m in 1Q17, +€72 m in 2Q17 and +€3 m in 3Q17) and the Yapi impairment (-€846 m in 3Q18); the adjustment does not include the additional provisions for US sanctions. RoTE calculated at CMD perimeter, taking into account the capital increase and Pekao and Pioneer disposals as at 1 January 2017.

Group Core revenues were up 2.4 per cent Y/Y to €4.8 bn in 3Q18 (-2.7 per cent Q/Q), thanks to higher NII (+7.7 per cent Y/Y) and fees (+2.6 per cent Y/Y) offsetting lower trading (-23.9 per cent Y/Y). NII was also up 3.1 per cent Q/Q driven by strong commercial performance. 9M18 revenues amounted to €14.9 bn (-0.7 per cent 9M/9M). New loan production was €77.9 bn in 9M18 (+22.7 per cent 9M/9M).

Gross new clients amounted to 484.1k in 3Q18.

Costs were down to €2.6 bn in 3Q18 (-7.1 per cent Y/Y, -2.8 per cent Q/Q) and amounted to €7.9 bn in 9M18 (-6.3 per cent 9M/9M). C/I ratio was down to 53.1 per cent in 9M18 (-3.2 p.p. 9M/9M).

LLPs amounted to €478 m in 3Q18 (-1.4 per cent Y/Y, n.m. Q/Q) as the overall risk environment remains supportive and to €965 m in 9M18 (-27.0 per cent). 9M18 CoR at 29 bps.

Group Core net operating profit was €1.8 bn in 3Q18 (+21.9 per cent Y/Y, -19.2 per cent Q/Q) and €6.0 bn in 9M18 (+15.1 per cent 9M/9M).

Other charges and provisions totalled €739 m in 3Q18 (+10.4 per cent Q/Q), mainly due to increased provisions for US sanctions, which is nearing settlement. Any potential future impact is not expected to be material. Other charges and provisions were €1.9 bn in 9M18.

Adjusted for the Yapi impairment, Group Core net profit was €1.1 bn in 3Q18 (+9.0 per cent Y/Y, -19.6 per cent Q/Q) and €3.6 bn in 9M18 (+5.1 per cent vs. 9M17 adjusted) with an adjusted RoTE of 10.4 per cent (+0.5 p.p. vs. 9M17 adjusted). The adjustment does not include the additional provisions for US sanctions.

Asset Quality

(€ million)	Bad exposures	Unlikely to pay	Non performing past-due	**Total non performing**	Perfoming	**Total Loans**
As at 30 September 2018						
Gross exposure	23,091	16,730	1,006	**40,828**	448,862	**489,690**
as a percentage of total loans	*4.7%*	*3.4%*	*0.2%*	***8.3%***	*91.7%*	
Writedowns	16,809	7,730	312	**24,851**	2,604	**27,455**
as a percentage of face value	*72.8%*	*46.2%*	*31.0%*	***60.9%***	*0.6%*	
Carrying value	6,283	9,000	694	**15,977**	446,258	**462,235**
as a percentage of total loans	*1.4%*	*1.9%*	*0.2%*	***3.5%***	*96.5%*	
As at 1 January 2018						
Gross exposure	25,360	19,338	1,014	**45,711**	420,810	**466,521**
as a percentage of total loans	*5.4%*	*4.1%*	*0.2%*	***9.8%***	*90.2%*	
Writedowns	18,289	8,436	359	**27,085**	2,732	**29,817**
as a percentage of face value	*72.1%*	*43.6%*	*35.4%*	***59.3%***	*0.6%*	
Carrying value	7,070	10,902	654	**18,626**	418,078	**436,704**
as a percentage of total loans	*1.6%*	*2.5%*	*0.1%*	***4.3%***	*95.7%*	
As at 31 December 2017						
Gross exposure	27,775	19,470	1,105	**48,349**	419,797	**468,146**
as a percentage of total loans	*5.9%*	*4.2%*	*0.2%*	***10.3%***	*89.7%*	
Writedowns	18,306	8,491	441	**27,237**	2,015	**29,252**
as a percentage of face value	*65.9%*	*43.6%*	*39.9%*	***56.3%***	*0.5%*	
Carrying value	9,469	10,979	664	**21,112**	417,782	**438,895**
as a percentage of total loans	*2.2%*	*2.5%*	*0.2%*	***4.8%***	*95.2%*	

Group gross NPEs were down 20.2 per cent Y/Y and 4.2 per cent Q/Q to €40.8 bn in 3Q18, with an improved **gross NPE ratio** of 8.3 per cent (-249 bps Y/Y, -41 bps Q/Q). Net NPEs decreased to €16.0 bn (-28.1 per cent Y/Y, -4.1 per cent Q/Q) with a net NPE ratio at 3.5 per cent (-158 bps Y/Y, -17 bps Q/Q) with a coverage ratio of 60.9 per cent (+427 bps Y/Y, -2 bps Q/Q). Group gross NPE disposals reached €1.2 bn in 3Q18 of which €0.4 bn was in Non Core and €2.6 bn in 9M18, of which €1.0 bn in Non Core.

Group gross bad loans were further down at €23.1 bn in 3Q18 (-21.3 per cent Y/Y, -4.1 per cent Q/Q) with a coverage ratio at 72.8 per cent (+648 bps Y/Y, -75 bps Q/Q). **Group gross unlikely to pay** decreased to €16.7 bn (-18.0 per cent Y/Y, -4.5 per cent Q/Q), with a coverage ratio of 46.2 per cent (+206 bps Y/Y, +115 bps Q/Q). **Group past due loans** were €1.0 bn (-28.2 per cent Y/Y, +0.5 per cent Q/Q) with a coverage ratio at 31.0 per cent.

The ongoing de-risking in **Group Core**[29] continued with gross NPEs down to €20.2 bn in 3Q18 (-11.3 per cent Y/Y, -3.4 per cent Q/Q) and gross NPE ratio improved to 4.3 per cent (-85 bps Y/Y, -19 bps Q/Q). Coverage ratio was 57.3 per cent (+160 bps Y/Y, -41 bps Q/Q). Gross bad loans further decreased to €10.1 bn (-11.1 per cent Y/Y, -3.5 per cent Q/Q) with a coverage ratio of 70.3 per cent (+23 bps Y/Y, -142 bps Q/Q). Gross unlikely to pay amounted to €9.3 bn (-10.0 per cent Y/Y, -3.7 per cent Q/Q) with a coverage ratio of 45.9 per cent.

Inflows from performing loans to NPEs amounted to €1.3 bn in 3Q18. The default rate stood at 1.3 per cent in 3Q18, up from 1.1 per cent in 3Q17, mainly due to some single names in Commercial Banking Italy. The cure rate[30] amounted to 10.2 per cent (stable Q/Q).

Commercial Banking Italy gross NPEs decreased to €9.2 bn in 3Q18 (-4.1 per cent Y/Y, -3.0 per cent Q/Q), with an improved gross NPE ratio at 6.2 per cent (-61 bps Y/Y, -27bps Q/Q). Coverage ratio broadly stable at 55.0 per cent. Net NPEs were €4.2 bn with a net NPE ratio down to 2.9 per cent. Gross bad loans were €4.6 bn (-1.4 per cent Y/Y, -2.8 per cent Q/Q) with a coverage ratio of 69.5 per cent. Gross unlikely to pay exposures were €4.1 bn (-5.6 per cent Y/Y, -3.4 per cent Q/Q) with a coverage ratio of 42.7 per cent.

[29] 3Q17 and 2Q18 recasted.
[30] Back to performing (annualised) divided by the stock of NPEs at the beginning of the period.

Inflows to NPEs in Commercial Banking Italy amounted to €708 m in 3Q18, with a stable Q/Q default rate at 2.1 per cent.

Non Core[31] rundown is progressing according to plan with gross NPEs down to €20.6 bn in 3Q18 (-€7.8 bn Y/Y, -€1.1 bn Q/Q). In 3Q18, the improvement in the Non Core gross NPEs was mainly driven by: i) write-offs of €0.5 bn (€2.9 bn in 9M18), ii) recoveries of €0.2 bn (€0.7 bn in 9M18) and iii) disposals of €0.4 bn (€1.0 bn in 9M18). Net NPEs down to €7.3 bn (-€4.8 bn Y/Y, -€0.5 bn Q/Q) thanks to a coverage ratio of 64.3 per cent (+705 bps Y/Y, +40 bps Q/Q).

Total gross NPEs are expected to be down to €19 bn in FY18 and to €14.9 bn in FY19.

CAPITAL & FUNDING

The Group **fully loaded CET1 ratio** was down 39 bps Q/Q to 12.11 per cent in 3Q18, mainly impacted by -16 bps Q/Q of FX reserves (o/w -14 bps TRY depreciation[32]) and by -11 bps Q/Q of FVOCI portfolio (o/w -9bps BTP spread widening[33]).

During the quarter, other impacts on capital were related to higher RWAs (-6 bps Q/Q, o/w -8 bps from regulation, models and procyclicality), DBO reserves (-3 bps Q/Q) and dividend accrual and AT1 / CASHES coupon payments[34] (-2 bps Q/Q).

In 3Q18, **transitional**[35] **capital ratios** were: **CET1** 12.17 per cent, **Tier 1** 13.72 per cent and **total** 15.97 per cent. All ratios are confirmed well above capital requirements[36].

RWA totalled €362.6 bn in 3Q18 increasing by €1.9 bn since June 2018. In particular, credit RWA were up €2.9 bn in the quarter to €316.2 bn, mainly affected by business evolution (+€4.0 bn Q/Q) driven by a strong loan growth and regulation, models & procyclicality (+€2.3 bn Q/Q). These items were offset by FX effect, business actions and other credit RWA (respectively, -€1.9 bn, -€0.8 bn and -€0.7 bn Q/Q). Market RWA were down €0.6 bn Q/Q to €15.5 bn. Operational RWA were down €0.4 bn Q/Q to €30.9 bn.

Fully loaded leverage ratio was at 4.96 per cent in 3Q18 (-24 bps Q/Q). **Transitional leverage ratio** at 5.09 per cent in 3Q18 (-24 bps Q/Q).

At the end of October, Group Funding plan 2018 executed for €12.1 bn (44 per cent of 2018 planned), including €1 bn of AT1 already issued in December 2017. TLTRO II overall outstanding amount is equal to €51.2 bn on a consolidated basis[37].

[31] 3Q17 and 2Q18 recasted.

[32] 3Q18 TRY depreciation had a total net impact on CET1 ratio of -5 bps (-14 bps from capital affecting "FX reserve" and +9 bps from RWA). 3Q18 TRY sensitivity (managerial data as at 28 September 2018): 10 per cent depreciation of the TRY has around +1 bp net impact (-2 bps from capital and +3 bps from RWA) on the fully loaded CET1 ratio.

[33] Please refer to footnote 3.

[34] Dividend payout of 20 per cent in 2018. Coupons paid in 3Q18: on AT1 instruments equal to €34 m pre-tax and on CASHES equal to €32 m pre and post-tax.

[35] The transitional adjustments applicable for 2018 refer to: (I) 20 per cent for the actuarial losses calculated according to CRR Article 473 (40 per cent for 2017); (II) 40 per cent of the phase-out limit for the Additional Tier 1 and Tier 2 capital instruments subject to Grandfathering in coherence with CRR article 486 (50 per cent for 2017).

[36] Transitional capital requirements and buffers for UniCredit Group as of 30 September 2018 (rounded figures): 9.18 per cent CET1 ratio (4.50 per cent P1 + 2.00 per cent P2 + 2.68 per cent combined capital buffer); 10.68 per cent T1 ratio (6.00 per cent P1 + 2.00 per cent P2 + 2.68 per cent combined capital buffer); 12.68 per cent Total Capital ratio (8.00 per cent P1 + 2.00 per cent P2 + 2.68 per cent combined capital buffer).

[37] 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[38]

Commercial Banking Italy

(€ million)	3Q17	2Q18	3Q18	*Q/Q*	*Y/Y*	9M17	9M18	*9M/9M*
Total revenues	1,766	1,867	1,758	*-5.8%*	*-0.4%*	5,574	5,509	*-1.2%*
Gross operating profit	659	831	743	*-10.5%*	*+12.7%*	2,229	2,406	*+7.9%*
Net operating profit	443	619	426	*-31.2%*	*-3.9%*	1,524	1,658	*+8.8%*
Net profit	247	370	367	*-0.9%*	*+48.5%*	886	1,116	*+26.0%*
RoAC	9.7%	13.7%	13.3%	*-0.4 p.p.*	*+3.5 p.p.*	11.7%	13.8%	*+2.0 p.p.*
Cost/income	62.7%	55.5%	57.7%	*+2.2 p.p.*	*-4.9 p.p.*	60.0%	56.3%	*-3.7 p.p.*
Cost of risk (bps)	63	61	89	*+28bps*	*+26bps*	69	71	*+2bps*

Revenues were down 0.4 per cent Y/Y to €1.8 bn in 3Q18 (-5.8 per cent Q/Q). NII was down 1.4 per cent Q/Q to €861 m in 3Q18 due to ongoing market pressure on customer rates only partially offset by increased loan volumes. NII was resilient Q/Q (-0.5 per cent) when adjusted for the pawn credit business disposal in July. Fees were up 3.7 per cent Y/Y to €893 m in 3Q18, thanks to sustained transactional services (+18.2 per cent Y/Y) and financing fees (+5.1 per cent Y/Y). Fees were down 8.8 per cent Q/Q due to market volatility and seasonality. AuM stock at €127.4 bn in 3Q18, stable Q/Q in a challenging market. Revenues were €5.5 bn in 9M18 (-1.2 per cent 9M/9M). Solid performance in lending activity with new loan production at €18.8 bn 9M18 (+26.0 per cent 9M/9M) driven by corporates and retail mortgages.

93k gross new clients in 3Q18 (+1.9 per cent Y/Y), supported by the transformation of the Italian network which saw a further 39 branches close during the quarter (-147 since the beginning of the year).

Operating costs were down to €1.0 bn in 3Q18 (-8.3 per cent Y/Y, -2.0 per cent Q/Q) mainly thanks to HR cost reduction (-9.8 per cent Y/Y, -2.7 per cent Q/Q) related to lower FTEs (-3,188 FTEs Y/Y, -600 FTEs Q/Q). Cost savings on track in 9M18 at €3.1 bn (-7.2 per cent 9M/9M) with a C/I ratio down 3.7 p.p. 9M/9M to 56.3 per cent in 9M18.

LLPs amounted to €317 m in 3Q18 (+50.1 per cent Q/Q, +46.8 per cent Y/Y) due to increased provisions for some single names. LLPs amounted to €748 m in 9M18 (+6.1 per cent 9M/9M) with a CoR at 71 bps (+2 bps 9M/9M). Models impact is expected mainly in 4Q18.

Net operating profit reached €426 m in 3Q18, down 3.9 per cent Y/Y and 31.2 per cent Q/Q and at €1.7 bn in 9M18 (+8.8 per cent 9M/9M).

Systemic charges were up €57 m Q/Q due to the Deposit Guarantee Scheme's yearly contribution, booked in 3Q18 (€68 m).

Net profit was €367 m in 3Q18 including the positive impact from the pawn credit business disposal (+€114 m) and €1.1 bn in 9M18 (+26.0 per cent 9M/9M) with a normalised[39] RoAC of 12.3 per cent.

Gross NPE ratio down 61 bps Y/Y and 27 bps Q/Q to 6.2 per cent 3Q18.

[38]Please consider that (i) all divisional figures in "Divisional Quarterly Highlights" represent the contribution of each division to Group data; (ii) Return on Allocated Capital (RoAC) related to each division and showed in this section is calculated as: annualised 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 securitisations; (iii) new loan production for all divisions is a managerial figure

[39]Normalised for pawn credit business disposal (+€114 m in 3Q18).

Commercial Banking Germany

(€ million)	3Q17	2Q18	3Q18	Q/Q	Y/Y	9M17	9M18	9M/9M
Total revenues	651	618	603	*-2.5%*	*-7.4%*	2,065	1,849	*-10.5%*
Gross operating profit	202	198	190	*-4.1%*	*-6.0%*	694	574	*-17.3%*
Net operating profit	197	163	212	*+30.0%*	*+7.6%*	628	535	*-14.9%*
Net profit	147	64	54	*-16.2%*	*-63.6%*	493	201	*-59.2%*
RoAC	12.9%	5.5%	4.6%	*-1.0 p.p.*	*-8.3 p.p.*	14.3%	5.9%	*-8.5 p.p.*
Cost/income	69.0%	68.0%	68.6%	*+0.5 p.p.*	*-0.5 p.p.*	66.4%	68.9%	*+2.6 p.p.*
Cost of risk (bps)	2	17	-11	*-27*	*-13*	11	6	*-4*

3Q18 revenues at €603 m were down 2.5 per cent Q/Q and down 7.4 per cent Y/Y mainly due to trading (-€34 m Y/Y). NII was stable at €378 m in 3Q18, with higher loan volumes offsetting pressure on customer rates. Fees were stable Y/Y at €174 m in 3Q18 thanks to higher contribution from transactional fees (+16.3 per cent Y/Y). Revenues were €1.8 bn in 9M18 (-10.5 per cent 9M/9M). New loan production was strong at €14.6 bn (+26.2 per cent 9M/9M) mainly driven by corporates and housing loans.

Gross new clients amounted to 20k in 3Q18 (+50.5 per cent Y/Y) supported by the successful roll-out of the E2E redesign of the current account opening process.

Operating expenses were down 8.0 per cent Y/Y to €413 m in 3Q18 (-1.7 per cent Q/Q) driven by HR and Non HR costs reductions (-8.1 per cent and -7.8 per cent Y/Y, respectively), with FTEs further down 9.6 per cent Y/Y to 9,325. Operating expenses were €1.3 bn in 9M18 (-7.0 per cent 9M/9M) with a C/I ratio of 68.9 per cent in 9M18 (+0.5 p.p. 9M/9M, excluding 2Q17 tax provision release[40]).

Some non-recurring write backs of LLPs were booked in 3Q18, leading to a net release of €23 m. LLPs were €39 m in 9M18 (-40.4 per cent 9M/9M) with a CoR at 6 bps (-4 bps 9M/9M).

Net operating profit was €212 m in 3Q18 (+7.6 per cent Y/Y, +30.0 per cent Q/Q) and €535 m in 9M18.

Net profit amounted to €54 m in 3Q18 and €201 m in 9M18 (-37.7 per cent 9M/9M, excluding 2Q17 tax provision release[41]) with a normalised[42] RoAC of 5.0 per cent in 9M18 affected by higher other charges and provisions. FY19 RoAC confirmed at 9.1 per cent.

Commercial Banking Austria

(€ million)	3Q17	2Q18	3Q18	Q/Q	Y/Y	9M17	9M18	9M/9M
Total revenues	393	403	403	*-0.1%*	*+2.6%*	1,178	1,187	*+0.8%*
Gross operating profit	132	148	163	*+10.7%*	*+23.4%*	362	425	*+17.5%*
Net operating profit	114	164	140	*-14.4%*	*+22.7%*	417	457	*+9.4%*
Net profit	191	159	124	*-21.7%*	*-34.8%*	471	333	*-29.3%*
RoAC	27.2%	23.9%	18.8%	*-5.2 p.p.*	*-8.5 p.p.*	21.7%	16.6%	*-5.1 p.p.*
Cost/income	66.3%	63.4%	59.5%	*-4.0 p.p.*	*-6.8 p.p.*	69.3%	64.2%	*-5.1 p.p.*
Cost of risk (bps)	16	-14	20	*+35*	*+5*	-16	-9	*+7*

Revenues were up 2.6 per cent Y/Y to €403 m in 3Q18 (stable Q/Q). NII was up 6.9 per cent Q/Q to €178 m in 3Q18 mainly driven by non-recurring prepayment penalties from corporates and was up 2.2 per cent Y/Y excluding a €14 m one-off[43] in 3Q17. Fees were down 0.6 per cent Y/Y to €150 m (-4.2 per cent Q/Q) due to lower transactional fees (-3.7 per cent Y/Y). Revenues were €1.2 bn in 9M18 (+0.8per cent 9M/9M). New loan production was €5.5 bn in 9M18 (-11.1 per cent Q/Q), thanks to corporates and housing loans.

[40] 2Q17 one-offs were related to a tax provision positive release of €170 m impacting the net profit line, o/w €90 m in the NII line and €80 m in the tax line.
[41] Please refer to footnote 40.
[42] Normalised for a non-recurring net gain from investments (+€27 m in 2Q18). 2Q18 and 3Q18 net profit negatively affected by non-recurring other charges and provisions.
[43] 3Q17 non-recurring items equal to +€82 m, o/w real estate disposals (+€65 m, o/w +€51 m in net profit from discontinued operations and +€14 m in NII) and tax effects (+€17 m).

The number of gross new clients increased to 14k in 3Q18 (+5.2 per cent Y/Y).

Total expenses were down 8.0 per cent Y/Y to €240 m in 3Q18 (-6.3 per cent Q/Q) mainly thanks to Non HR costs reduction (-12.2 per cent Y/Y). FTEs continued to decrease, totalling 4,894 in 3Q18 (-8.2 per cent Y/Y). Total expenses were €762 m in 9M18 (-6.7 per cent 9M/9M) with a C/I ratio of 64.2 per cent in 9M18 (-5.1 p.p. 9M/9M).

LLPs were €23 m in 3Q18 with a CoR at 20 bps, beginning to normalise.

Net operating profit reached €140 m in 3Q18 (+22.7 per cent Y/Y, -14.4 per cent Q/Q) and €457 m in 9M18 (+9.4 per cent 9M/9M).

Net profit was €124 m in 3Q18, down 34.8 per cent Y/Y, but up 14.3 per cent Y/Y when adjusted for one-offs in 3Q17[44]. Net profit at €333 m in 9M18 with a RoAC of 16.6 per cent.

CEE[45]

(€ million)	3Q17	2Q18	3Q18	Q/Q	Y/Y	9M17	9M18	9M/9M
Total revenues	1,041	1,060	995	-5.2%	-0.6%	3,182	3,150	+3.0%
Gross operating profit	663	675	607	-8.9%	-3.4%	2,037	1,997	+3.2%
Net operating profit	498	575	516	-8.7%	+9.5%	1,603	1,700	+11.6%
Net profit	410	472	428	-7.8%	+11.0%	1,233	1,315	+13.5%
RoAC	14.6%	17.0%	15.7%	-1.3 p.p.	+1.1 p.p.	14.4%	15.9%	+1.6 p.p.
Cost/income	36.4%	36.3%	39.0%	+2.6 p.p.	+2.6 p.p.	36.0%	36.6%	+0.6 p.p.
Cost of risk (bps)	110	65	58	-8	-52	96	64	-32

Revenues were down 0.6 per cent Y/Y to €1.0 bn in 3Q18 (-5.2 per cent Q/Q) mainly due to lower dividends and trading income only partially offset by higher NII and fees. NII was up 2.5 per cent Q/Q to €679 m in 3Q18 thanks to increased loan volumes. Fee generation was up 3.0 per cent Y/Y to €219 m in 3Q18 (+1.5 per cent Q/Q) mainly driven by transactional fees (+5.6 per cent Y/Y). During the quarter, dividends were down 34.8 per cent Y/Y mainly affected by Yapi contribution, down 37.7 per cent Y/Y due to TRY depreciation. Revenues were €3.2 bn in 9M18, up 3.0 per cent 9M/9M. New loan production was €16.7 bn in 9M18, up 29.6 per cent 9M/9M.

The number of gross new clients was 334k during the quarter[46].

Operating expenses were €388 m in 3Q18 (+4.5 per cent Y/Y, +1.6 per cent Q/Q), mainly due to HR costs (+6.3 per cent Y/Y, +5.0 per cent Q/Q). Operating expenses were €1.2 bn in 9M18 (+2.6 per cent 9M/9M) with C/I ratio of 36.6 per cent in 9M18 (+0.6 p.p. 9M/9M).

LLPs were €91 m in 3Q18 (-42.5 per cent Y/Y, -10.2 per cent Q/Q) and €297 m in 9M18 (-28.4 per cent 9M/9M) with a low CoR at 64 bps thanks to a supportive risk environment. CoR is expected to increase in 4Q18.

Net operating profit was €516 m in 3Q18 (+9.5 per cent Y/Y, -8.7 per cent Q/Q) and €1.7 bn in 9M18 (+11.6 per cent 9M/9M).

CEE continued to be a main contributor to Group bottom line, generating a net profit of €428 m in 3Q18 (+11.0 per cent Y/Y, -7.8 per cent Q/Q). The most important contributors to 3Q18 Y/Y earnings generation growth were Czech Republic & Slovakia (€99 m net profit, +64.9 per cent Y/Y), Bulgaria (€66 m net profit, +7.0 per cent Y/Y), Hungary (€62 m net profit, +50.5 per cent Y/Y) and Romania (€38 m net profit, +77.8 per cent Y/Y). Net profit was €1.3 bn in 9M18 (+13.5 per cent 9M/9M) with RoAC at 15.9 per cent.

Gross NPE ratio improved 229 bps Y/Y to 6.5 per cent in 3Q18.

[44]Please refer to footnote 43.
[45]For CEE, changes (Y/Y, Q/Q and 9M/9M) at constant FX. RoAC, C/I ratio and CoR changes at current FX.
[46]Yapi is included at 100 per cent.

CIB

(€ million)	3Q17	2Q18	3Q18	Q/Q	Y/Y	9M17	9M18	9M/9M
Total revenues	897	858	915	*+6.7%*	*+2.0%*	3,103	2,876	*-7.3%*
Gross operating profit	501	477	545	*+14.3%*	*+8.8%*	1,865	1,725	*-7.5%*
Net operating profit	439	687	464	*-32.4%*	*+5.8%*	1,718	1,806	*+5.1%*
Net profit	298	180	96	*-46.9%*	*-67.8%*	1,057	656	*-37.9%*
RoAC	13.0%	7.3%	3.7%	*-3.6 p.p.*	*-9.3 p.p.*	15.2%	8.8%	*-6.4 p.p.*
Cost/income	44.2%	44.4%	40.5%	*-4.0 p.p.*	*-3.7 p.p.*	39.9%	40.0%	*+0.1 p.p.*
Cost of risk (bps)	24	-77	28	*+105bps*	*4*	19	-10	*-29*

Revenues were up 2.0 per cent Y/Y to €915 m in 3Q18 (+6.7 per cent Q/Q) thanks to the strong commercial activity, despite challenging markets. NII was up 5.3 per cent Q/Q to €588 m in 3Q18 thanks to increased loan volumes at stable customer rates and the investment portfolio. Fees were €159 m, up 11.4 per cent Y/Y thanks to strong syndicated lending and structured finance. Trading income amounted to €169 m in 3Q18, down 32.7 per cent Y/Y, but up 3.0 per cent Y/Y adjusted for €87 m of capital gain on disposals in 3Q17. Trading income was up 11.8 per cent Q/Q in a challenging market environment. The client driven share of revenues was 72 per cent in 3Q18. Revenues reached €2.9 bn in 9M18 (-7.3 per cent 9M/9M).

Total costs were down to €371 m in 3Q18 (-6.5 per cent Y/Y, -2.8 per cent Q/Q) and to €1.2 bn in 9M18 (-7.0 per cent 9M/9M). FTEs decreased to 3,313 (-0.2 per cent Q/Q and -1.2 per cent Y/Y). C/I ratio was stable 9M/9M at 40.0 per cent in 9M18.

LLPs were €81 m in 3Q18 with a CoR at 28 bps.

Net operating profit reached €464 m in 3Q18 (+5.8 per cent Y/Y, -32.4 per cent Q/Q) and €1.8 bn in 9M18 (+5.1 per cent 9M/9M).

Net profit was €96 m in 3Q18 and €656 m in 9M18, with a normalised[47] RoAC at 8.3 per cent in 9M18, affected by higher other charges and provisions.

In 9M18, UniCredit confirmed its top position for debt financing, by ranking:
- #1 in “All Bonds in EMEA EUR” by number of deals, in “All Bonds” (Italy and Germany), in “All Syndicated Loans” (Italy, Germany, CEE and Austria) and in “Covered Bonds”;
- #2 in “All Syndicated Loans in EMEA EUR” and “Project Finance Europe”;
- #3 in “Commodity Finance EMEA”[48].

UniCredit continues its strong run in equity capital markets playing a key role in the recent IPOs for Piovan, Knorr-Bremse and Aston Martin, leveraging on strong commercial banking relationships thanks to the successful business model with CIB fully plugged-in and the partnership with Kepler Cheuvreux.

[47] Normalised for non-recurring trading gains from participations (+€39 m in 1Q18). 2Q18 and 3Q18 net profit negatively affected by non-recurring other charges and provisions.
[48] All league tables are based on Dealogic data as of 1 October 2018. Period: 1 Jan. – 30 Sep. 2018. Rankings by volume unless otherwise stated.

FINECO

(€ million)	3Q17	2Q18	3Q18	Q/Q	Y/Y	9M17	9M18	9M/9M
Total revenues	148	156	153	-2.2%	+3.1%	430	464	+7.8%
Gross operating profit	95	95	93	-2.3%	-1.7%	256	279	+9.3%
Net operating profit	93	95	92	-3.0%	-1.0%	252	277	+9.9%
Net profit	16	23	19	-19.6%	+12.2%	53	63	+17.5%
RoAC	54.5%	53.7%	36.4%	-17.3 p.p.	-18.1 p.p.	61.3%	47.8%	-13.5 p.p.
Cost/income	36.2%	39.1%	39.1%	+0.0 p.p.	+3.0 p.p.	40.6%	39.7%	-0.8 p.p.
AUM / TFA	48.0%	48.5%	48.2%	-0.3 p.p.	+0.2 p.p.	48.0%	48.2%	+0.2 p.p.

Revenues were up 3.1 per cent Y/Y to €153 m in 3Q18 (-2.2 per cent Q/Q), with a positive contribution from all the main P&L lines. In particular:

- NII was up 1.8 per cent Q/Q to €70 m (+3.5 per cent Y/Y), driven by further expansion in lending activity with loan volumes[49] at €2.6 bn (+5.3 per cent Q/Q) mainly driven by Lombard loans;
- fees were up 4.4 per cent Y/Y to €73 m (-2.5 per cent Q/Q), thanks to higher AuM management fees (+13.1 per cent Y/Y, +1.9 per cent Q/Q).

Revenues were up 7.8 per cent 9M/9M to €464 m in 9M18.

Fineco acquired additional 24k gross new clients in 3Q18, reaching a total of almost 1.2 m clients (+6.2 per cent Y/Y).

Operating expenses were €60 m in 3Q18 (+11.6 per cent Y/Y, -2.1 per cent Q/Q) and €184 m in 9M18 (+5.5 per cent 9M/9M) confirming the continuous focus on efficiency while expanding the business activity. Costs under control as demonstrated by a C/I ratio at 39.7 per cent in 9M18 (-0.8 p.p. 9M/9M).

Net operating profit was €92 m in 3Q18 (-1.0 per cent Y/Y, -3.0 per cent Q/Q) and €277 m in 9M18 (+9.9 per cent 9M/9M).

Systemic charges included the Deposit Guarantee Scheme's yearly contribution, booked in 3Q18 (€14 m).

Net profit[50] reached €19 m in 3Q18 (+12.2 per cent Y/Y, -19.6 per cent Q/Q) and €63 m in 9M18 (+17.5 per cent 9M/9M). RoAC amounted to 47.8 per cent in 9M18.

Thanks to its position as the key player in asset gathering in Italy, Fineco's TFA increased to €70.9 bn at the end of September 2018 (+8.4 per cent Y/Y) with AuM up 9.0 per cent Y/Y to €34.2 bn mainly thanks to its dynamic financial advisors' network.

TFA net sales expansion continued in 3Q18, reaching €4.8 bn since the beginning of the year (+14.6 per cent 9M/9M). AuM net sales were €1.6 bn in 9M18, down 35.2 per cent 9M/9M in a challenging markets environment. "Guided products & services"[51] stock increased its share of total AuM stock to 66 per cent in September 2018 (vs. 59 per cent in September 2017 and 63 per cent in December 2017).

[49] End-of-period accounting volumes calculated excluding repos and intercompany items.
[50] Consolidated view, i.e. 35 per cent ownership by UniCredit.
[51] Refers to products and developed services based on a selection among UCITS, considering the different customer risk profiles. Among others, the offer includes a multi-segment fund of funds denominated "Core Series", a unit-linked policy denominated "Core Unit" and an advanced investment advisory service denominated "Fineco Advice".

Group Corporate Centre (GCC)

(€ million)	3Q17	2Q18	3Q18	Q/Q	Y/Y	9M17	9M18	9M/9M
Total revenues	-197	-15	-13	*-14.0%*	*-93.3%*	-556	-159	*-71.3%*
Operating costs	-114	-97	-76	*-21.7%*	*-33.5%*	-344	-272	*-21.1%*
Gross operating profit	-311	-112	-89	*-20.7%*	*-71.4%*	-900	-431	*-52.1%*
Net profit/loss	1,719	38	-882	*n.m.*	*n.m.*	1,111	-926	*n.m.*
FTE	15,883	14,638	14,286	*-2.4%*	*-10.1%*	15,883	14,286	*-10.1%*
Costs GCC/total costs	4.1%	3.7%	2.9%	*-0.7 p.p.*	*-1.1 p.p.*	4.0%	3.4%	*-0.6 p.p.*

GCC revenues were negative for €13 m in 3Q18, improving significantly from -€197 m in 3Q17 mainly driven by lower term funding costs thanks to both lower volumes and spreads. 9M18 revenues at -€159 m (-71.3 per cent 9M/9M).

In 3Q18, GCC operating costs amounted to €76 m, down 33.5 per cent Y/Y driven by lower HR costs (-14.2 per cent Y/Y). In 9M18, they were down 21.1 per cent 9M/9M to €272 m. The lean but steering GCC transformation is on track with a Y/Y reduction of 1,597 FTEs. Since December 2015, FTEs were down 19.3 per cent (-3,410 FTEs).

A net loss of €882 m was registered in 3Q18 as a consequence of the Yapi impairment (-€846 m). Adjusted for Yapi, the net loss was €36 m.

The reduction of GCC continued with the GCC weight of Group total costs further improving to 3.4 per cent in 9M18, down 0.6 p.p. 9M/9M (compared to 5.3 per cent as of December 2015[52]). FY19 target is confirmed at 3.8 per cent[53].

Non Core

(€ million)	3Q17	2Q18	3Q18	Q/Q	Y/Y	9M17	9M18	9M/9M
Total revenues	22	-3	0	*n.m.*	*-99.4%*	59	-8	*n.m.*
Operating costs	-49	-18	-30	*63.5%*	*-39.8%*	-111	-80	*-27.9%*
Gross operating profit	-27	-21	-30	*+39.0%*	*+8.0%*	-52	-88	*+69.6%*
LLP	-192	-388	-218	*-43.8%*	*+13.5%*	-782	-732	*-6.4%*
Net loss	-209	-282	-176	*-37.8%*	*-15.8%*	-633	-594	*-6.1%*
Gross customer loans	31,850	24,105	22,263	*-7.6%*	*-30.1%*	31,850	22,263	*-30.1%*
Net NPEs	12,111	7,807	7,342	*-6.0%*	*-39.4%*	12,111	7,342	*-39.4%*
Coverage ratio	57.3%	63.9%	64.3%	*+0.4 p.p.*	*+7.1 p.p.*	57.3%	64.3%	*+7.1 p.p.*
RWA	21,556	15,367	14,062	*-8.5%*	*-34.8%*	21,556	14,062	*-34.8%*

Non Core accelerated rundown is progressing according to plan.

Gross loans[54] were down to €22.3 bn in 3Q18 (-9.6 bn Y/Y, -1.8 bn Q/Q), including €1.7 bn of performing exposure. By the end of 2018, the performing exposure is expected to be zero and the division will become a closed NPE portfolio.

RWA decreased to €14.1 bn in 3Q18 (-€7.5 bn Y/Y).

Revenues were zero in 3Q18 and negative for €8 m in 9M18.

Operating costs further down 39.8 per cent Y/Y to €30 m in 3Q18, driven by Non HR expenses. 9M18 operating costs amounted to €80 m (-27.9 per cent 9M/9M). LLPs amounted to €218 m in 3Q18 (+13.5 per cent Y/Y) and to €732 m in 9M18 (-6.4 per cent 9M/9M).

Net loss was €176 m in 3Q18 improving 15.8 per cent Y/Y and €594 m in 9M18.

[52] Please refer to footnote 16.
[53] Please refer to footnote 17.
[54] 3Q17 and 2Q18 recasted.

SIGNIFICANT EVENTS DURING AND AFTER 3Q18

With reference to the significant events that occurred during 3Q18 and after 30 September 2018, please refer to section "Subsequent Events" in the Consolidated Interim Report on Operations, which is an integral part of Consolidated First Half Financial Report as at 30 June 2018, as well as the press releases published on the UniCredit Group website. Here below, the main financial press releases published after 6 August 2018 (date of approval of Consolidated First Half Financial Report as at 30 June 2018):

- "UniCredit: Fitch affirmed UniCredit S.p.A.'s ratings – Outlook aligned with Italy's sovereign" (press release published on 5 September 2018);
- "UniCredit announces the sale of an Italian non-performing loans portfolio composed by loans to small & medium sizes enterprises" (press release published on 21 September 2018);
- "UniCredit sells Bulgarian non-performing credit portfolio to DCA, part of the B2Holding group" (press release published on 28 September 2018);
- "UniCredit: Moody's affirmed UniCredit S.p.A.'s ratings - Outlook aligned with Italian sovereign" (press release published on 23 October 2018);
- "UniCredit sells Russian non-performing credit portfolio to OOO EOS, part of the EOS Group" (press release published on 24 October 2018);
- "UniCredit: Standard & Poor's affirmed UniCredit S.p.A's ratings - Outlook aligned with Italian sovereign" (press release published on 31 October 2018);
- "2018 EU-Wide Stress Test Results" (press release published on 2 November 2018).

OUTLOOK

The economic recovery phase is expected to continue in the main Eurozone countries during 2018, albeit at a slightly slower pace compared to that observed in 2017, mainly due to a slowdown in global demand. Interest rates are likely to remain low and liquidity abundant.

GROUP TABLES

UNICREDIT GROUP: RECLASSIFIED INCOME STATEMENT

(€ million)	3Q17	2Q18	3Q18	Q/Q	Y/Y	9M17	9M18	9M/9M
Net interest	2,579	2,678	2,765	*+3.2%*	*+7.2%*	7,987	8,079	*+1.2%*
Dividends and other income from equity investments	165	180	149	*-17.0%*	*-9.5%*	518	519	*+0.1%*
Net fees and commissions	1,588	1,722	1,628	*-5.4%*	*+2.5%*	5,013	5,096	*+1.7%*
Net trading income	381	331	277	*-16.3%*	*-27.4%*	1,434	1,086	*-24.3%*
Net other expenses/income	7	33	(5)	*n.m.*	*n.m.*	84	88	*+5.5%*
OPERATING INCOME	**4,721**	**4,944**	**4,814**	***-2.6%***	***+2.0%***	**15,036**	**14,868**	***-1.1%***
Payroll costs	(1,704)	(1,612)	(1,575)	*-2.3%*	*-7.6%*	(5,204)	(4,822)	*-7.3%*
Other administrative expenses	(1,074)	(1,029)	(985)	*-4.2%*	*-8.3%*	(3,262)	(3,079)	*-5.6%*
Recovery of expenses	171	185	173	*-6.6%*	*+1.3%*	514	520	*+1.2%*
Amort. deprec. and imp. losses on intang. & tang. assets	(201)	(199)	(204)	*+2.4%*	*+1.7%*	(594)	(600)	*+1.2%*
OPERATING COSTS	**(2,809)**	**(2,655)**	**(2,592)**	***-2.4%***	***-7.7%***	**(8,545)**	**(7,981)**	***-6.6%***
OPERATING PROFIT (LOSS)	**1,912**	**2,289**	**2,222**	***-2.9%***	***+16.2%***	**6,491**	**6,887**	***+6.1%***
Net write-downs on loans and provisions for guarantees and commitments	(677)	(504)	(696)	*+38.2%*	*+2.8%*	(2,104)	(1,697)	*-19.4%*
NET OPERATING PROFIT (LOSS)	**1,235**	**1,785**	**1,526**	***-14.5%***	***+23.6%***	**4,387**	**5,191**	***+18.3%***
Other charges and provisions	(273)	(662)	(741)	*+11.8%*	*n.m.*	(871)	(1,922)	*n.m.*
- of which: systemic charges	*(157)*	*(173)*	*(148)*	*-14.6%*	*-5.7%*	*(624)*	*(786)*	*+26.0%*
Integration costs	(31)	(2)	(3)	*+63.5%*	*-89.0%*	(43)	5	*n.m.*
Net income from investments	(5)	205	(655)	*n.m.*	*n.m.*	(154)	(432)	*n.m.*
PROFIT (LOSS) BEFORE TAX	**926**	**1,325**	**127**	***-90.4%***	***-86.3%***	**3,318**	**2,842**	***-14.4%***
Income tax for the period	(181)	(258)	(40)	*-84.3%*	*-77.7%*	(543)	(520)	*-4.4%*
NET PROFIT (LOSS)	**745**	**1,067**	**87**	***-91.9%***	***-88.4%***	**2,775**	**2,322**	***-16.3%***
Profit (Loss) from non-current assets held for sale, after tax	2,126	15	(1)	*n.m.*	*n.m.*	2,155	13	*-99.4%*
PROFIT (LOSS) FOR THE PERIOD	**2,871**	**1,082**	**86**	***-92.1%***	***-97.0%***	**4,930**	**2,335**	***-52.6%***
Minorities	(50)	(56)	(56)	*-1.0%*	*+11.8%*	(254)	(167)	*-34.3%*
NET PROFIT (LOSS) ATTRIBUTABLE TO THE GROUP BEFORE PPA	**2,821**	**1,025**	**30**	***-97.1%***	***-98.9%***	**4,676**	**2,168**	***-53.6%***
Purchase Price Allocation effect	(1)	(1)	(1)	*-0.0%*	*+2.8%*	(3)	(3)	*-9.2%*
Goodwill impairment	-	-	-	*n.m.*	*n.m.*	-	-	*n.m.*
NET PROFIT (LOSS) ATTRIBUTABLE TO THE GROUP	**2,820**	**1,024**	**29**	***-97.2%***	***-99.0%***	**4,672**	**2,165**	***-53.7%***

Note: 2017 figures were restated:

- starting from 30 September 2017 following the reclassifications:
  - of the consolidation effects arising from the intercompany commissions versus Bank Pekao S.A., Pioneer Global Asset Management S.p.A. and their subgroups' companies from item "Net fees and commissions" and "Income tax for the period" in item "Profit (Loss) from non-current assets held for sale, after tax";
  - of the indemnities recognised for resolution of non-performing loans management from item "Net fees and commissions" to item "Net other expenses/income";
- starting from 2018 following the reclassification of interests from item "Net write-downs on loans and provisions for guarantees and commitments" to item "Net interest" considering:
  - the component linked to the interests due to time value unwinding, determined in the valuation of non-performing financial assets;
  - the identification of interests income on the non-performing financial assets calculated on their net balance sheet exposure based on the related interest rates.
- starting from September 2018 following the reclassifications:
  - of some expenses that, as a result of change in contracts, were addressed from item "Other administrative expenses" to item "Net fees and commissions";
  - of irrevocable payment commitments versus Resolutions and Guarantee funds in item "Other charges and provisions - of which: systemic charges".

  In order to grant a better comparability, also the quarters of 2018 were restated.

UNICREDIT GROUP: RECLASSIFIED BALANCE SHEET

(€ million)	3Q17	2Q18	3Q18	Q/Q	Y/Y
ASSETS					
Cash and cash balances	48,982	21,238	26,356	*+24.1%*	*-46.2%*
Financial assets held for trading	81,493	83,262	81,258	*-2.4%*	*-0.3%*
Loans to banks	67,888	73,004	76,289	*+4.5%*	*+12.4%*
Loans to customers	441,351	458,787	462,235	*+0.8%*	*+4.7%*
Other financial assets	145,775	148,841	150,232	*+0.9%*	*+3.1%*
Hedging instruments	5,665	5,700	5,225	*-8.3%*	*-7.8%*
Property, plant and equipment	8,812	9,077	9,106	*+0.3%*	*+3.3%*
Goodwill	1,484	1,484	1,484	*+0.0%*	*+0.0%*
Other intangible assets	1,790	1,864	1,873	*+0.5%*	*+4.6%*
Tax assets	13,347	11,998	12,257	*+2.2%*	*-8.2%*
Non-current assets and disposal groups classified as held for sale	1,671	915	491	*-46.4%*	*-70.6%*
Other assets	8,841	7,740	7,253	*-6.3%*	*-18.0%*
Total assets	**827,099**	**823,908**	**834,057**	***+1.2%***	***+0.8%***
LIABILITIES AND SHAREHOLDERS' EQUITY					
Deposits from banks	128,110	129,747	136,664	*+5.3%*	*+6.7%*
Deposits from customers	438,334	456,094	469,044	*+2.8%*	*+7.0%*
Debt securities issued	106,383	87,567	79,493	*-9.2%*	*-25.3%*
Financial liabilities held for trading	58,806	52,454	51,920	*-1.0%*	*-11.7%*
Financial liabilities designated at fair value	2,960	8,524	8,736	*+2.5%*	*n.m.*
Hedging instruments	6,859	6,254	5,508	*-11.9%*	*-19.7%*
Tax liabilities	1,190	1,066	1,039	*-2.5%*	*-12.7%*
Liabilities included in disposal groups classified as held for sale	161	79	49	*-38.0%*	*-69.7%*
Other liabilities	25,720	25,825	26,426	*+2.3%*	*+2.7%*
Minorities	872	837	869	*+3.8%*	*-0.4%*
Group Shareholders' Equity:	57,705	55,462	54,309	*-2.1%*	*-5.9%*
- *Capital and reserves*	53,033	53,325	52,144	*-2.2%*	*-1.7%*
- *Net profit (loss)*	4,672	2,136	2,165	*+1.4%*	*-53.7%*
Total liabilities and Shareholders' Equity	**827,099**	**823,908**	**834,057**	***+1.2%***	***+0.8%***

Note: the format of the Reclassified Balance Sheet is different from the one used in the previous financial year following the reclassification/aggregation of "Provisions for risks and charges" from a separate item to "Other liabilities" and of "Revaluation Reserves" from a separate item to "Capital and Reserves". "Financial investments" has also been renamed in "Other financial assets". The comparative periods were restated accordingly.

2017 figures were also restated following the reclassification of the component relating to debt securities from "Loans to customers" to "Other financial assets".

UNICREDIT GROUP: SHAREHOLDERS' EQUITY

(€ million)	
Shareholders' Equity as at 31 December 2017	**59,331**
Change in opening balance(*)	(3,327)
Change in the valuation reserve relating to the financial assets and liabilities at fair value	(1,479)
Dividends and other allocations	(715)
Change in the valuation reserve of the companies accounted for using the equity method(**)	(792)
Forex translation reserve(***)	(287)
Change in the valuation reserve relating to the actuarial gains/losses on defined benefit plans	(186)
Change in the valuation reserve relating to cash flow hedges	(182)
Change in the valuation reserve related coupon on AT1 instruments	(144)
Others	(75)
Net profit (loss) for the period	2,165
Shareholders' Equity as at 30 September 2018	**54,309**

Note: (*)this impact includes the re-measurement effects resulting from the first time adoption of IFRS9. (**)The negative change in the valuation reserve of the companies accounted for using the equity method is mainly due to the depreciation of the items in Turkish Lira. (***)This effect is mainly due to the negative impact of the Ruble for €239 m.

UNICREDIT GROUP: STAFF AND BRANCHES

(units)	3Q17	2Q18	3Q18	*Q/Q Δ*	*Y/Y Δ*
Employees(*)	94,066	88,640	87,873	*-766*	*-6,192*
Branches(**)	4,974	4,698	4,653	*-45*	*-321*
- o/w CB Italy, CB Germany, CB Austria	*3,252*	*3,019*	*2,978*	*-41*	*-274*
- o/w CEE	*1,722*	*1,679*	*1,675*	*-4*	*-47*

Note: (*)FTE data: number of employees counted for the rate of presence. Please consider that Group FTEs are shown excluding all companies that have been classified as "discontinued operations" under IFRS5 and Ocean Breeze. (**)Figures do not include the branches of Yapi.

UNICREDIT GROUP: RATINGS

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

Note: S&P: on 30 October 2018, the outlook was revised to negative from stable, following the sovereign rating outlook action.

Moody's: following the Italian sovereign downgrade, Moody's changed UniCredit S.p.A's outlook to stable from positive on 24 October 2018.

Fitch Ratings: on 5 September 2018, Fitch has revised UniCredit S.p.A.'s outlook to Negative (from Stable) following the recent revision of Italy's outlook to Negative.

UNICREDIT GROUP: SOVEREIGN DEBT SECURITIES – BREAKDOWN BY COUNTRY/PORTFOLIO

It should be noted that, as a result of IFRS9 adoption, Sovereign debt securities have been classified in the new categories specified by the standard in consideration of the business model followed and the related cash flow features (Solely Payment of Principal and Interests - SPPI Test).

In particular, it should be noted that in the context of IFRS9 first time adoption:

- most of the Sovereign debt securities classified as "Financial assets available for sale" have been reclassified as "Financial assets at fair value through other comprehensive income" in light of the persisting "held to collect and sell" business model;
- most of the Sovereign debt securities classified as "Loans and Receivables with customers" and "Financial assets held to maturity" have been reclassified as "Financial assets at amortised cost" in light of the persisting "held to collect" business model;
- Sovereign debt securities for which fair value option was applied continue to be measured at fair value through profit or loss as a result of the application of a business model other than "held to collect" or "held to collect and sell";
- the remaining portion of the Sovereign debt securities has not been classified in the mentioned categories even in presence of a "held to collect and sell" or "held to collect" business model since the related cash flow features have required these instruments to be measured at the fair value through profit or loss.

For further information related to the classification options adopted in accounting standard first time application, please refer to the Consolidated First Half Financial Report as at 30 June 2018 - Condensed Interim Consolidated Financial Statements - Part A Accounting policies - Section 5 - Other matters.

It should also be noted that during the year no changes have been made to the business models adopted on the 1 January and that, consequently, the sovereign debt securities have not been subject to reclassification.

During the year the changed market circumstances suggested the adoption of a "held to collect" business model for some new purchases of Italian sovereign debt securities which, consequently, have to be measured at amortised cost subject to verification of the features of the related cash flows.

With reference to the Group's sovereign exposures[55] , the book value of sovereign debt securities as at 30 September 2018 amounted to €121,257 m[56], of which the 89 per cent concentrated in eight countries; Italy, with €57,825 m, represents about 48 per cent of the total. For each of the eight countries, the table below shows the nominal value, the book value and the fair value of the exposures broken down by portfolio as at 30 September 2018.

[55]Sovereign exposures are bonds issued by and loans given to central and local governments and governmental bodies. ABS are not included.

[56]Information on sovereign exposures refers to the scope of the UniCredit consolidated results as at 30 September 2018, determined under IAS/IFRS. Based on these accounting principles, the Koç / Yapi Kredi Group, being subject to joint control, is consolidated using the equity method and therefore its sovereign exposure is not included in this section. It should be noted that the sovereign exposure of the Koç / Yapi Kredi Group is over 99 per cent towards Turkey and, applying the pro-quota percentage of UniCredit S.p.a.'s ownership, it amounted to €2,666 m as at 30 September 2018.

Banking that matters. UniCredit

(€ million)	Nominal Value	Book value	Fair Value
As at 30 September 2018			
- Italy	**57,352**	**57,825**	**57,788**
financial assets/liabilities held for trading (net exposures)(*)	5,175	4,922	4,922
financial assets designated at fair value	0	0	0
financial assets mandatorily at fair value	800	804	804
financial assets at fair value through other comprehensive income	43,304	43,899	43,899
financial assets at amortised cost	8,073	8,201	8,163
- Spain	**17,503**	**19,016**	**19,028**
financial assets/liabilities held for trading (net exposures)(*)	70	103	103
financial assets designated at fair value	-	-	-
financial assets mandatorily at fair value	-	-	-
financial assets at fair value through other comprehensive income	14,494	15,644	15,644
financial assets at amortised cost	2,938	3,269	3,281
- Germany	**12,206**	**12,388**	**12,419**
financial assets/liabilities held for trading (net exposures)(*)	1,958	2,007	2,007
financial assets designated at fair value	-	-	-
financial assets mandatorily at fair value	8,134	8,224	8,224
financial assets at fair value through other comprehensive income	1,008	1,049	1,049
financial assets at amortised cost	1,105	1,108	1,139
- Austria	**6,705**	**7,308**	**7,315**
financial assets/liabilities held for trading (net exposures)(*)	328	332	332
financial assets designated at fair value	-	-	-
financial assets mandatorily at fair value	80	95	95
financial assets at fair value through other comprehensive income	6,106	6,687	6,687
financial assets at amortised cost	192	195	201
- Japan	**5,482**	**5,529**	**5,525**
financial assets/liabilities held for trading (net exposures)(*)	0	0	0
financial assets designated at fair value	-	-	-
financial assets mandatorily at fair value	76	76	76
financial assets at fair value through other comprehensive income	2,560	2,581	2,581
financial assets at amortised cost	2,845	2,872	2,868
- France	**2,573**	**2,041**	**2,040**
financial assets/liabilities held for trading (net exposures)(*)	(1,391)	(2,082)	(2,082)
financial assets designated at fair value	-	-	-
financial assets mandatorily at fair value	264	267	267
financial assets at fair value through other comprehensive income	3,505	3,658	3,658
financial assets at amortised cost	195	198	198
- Hungary	**1,778**	**1,945**	**1,945**
financial assets/liabilities held for trading (net exposures)(*)	146	152	152
financial assets designated at fair value	-	-	-
financial assets mandatorily at fair value	-	-	-
financial assets at fair value through other comprehensive income	1,564	1,726	1,726
financial assets at amortised cost	68	67	67
- Romania	**1,793**	**1,815**	**1,815**
financial assets/liabilities held for trading (net exposures)(*)	96	89	89
financial assets designated at fair value	-	-	-
financial assets mandatorily at fair value	-	-	-
financial assets at fair value through other comprehensive income	1,698	1,725	1,725
financial assets at amortised cost	-	-	-
Total on-balance sheet exposures	**105,392**	**107,866**	**107,873**

Note: (*)including exposures in Credit Derivatives. Negative amount indicates the prevalence of liabilities positions.

UNICREDIT GROUP: WEIGHTED DURATION

The weighted duration of the sovereign bonds shown in the table above, divided by the banking and trading book, is the following:

Weighted duration (years)	Banking book	Trading book	
		Assets positions	Liabilities positions
- Italy	3.15	3.47	3.85
- Spain	3.54	10.10	8.52
- Germany	2.98	5.35	5.73
- Austria	3.28	11.97	23.53
- Japan	4.31	2.17	-
- France	3.02	14.31	7.78
- Hungary	3.18	3.87	3.87
- Romania	3.75	5.12	5.52

The remaining 11 per cent of the total of sovereign debt securities, amounting to €13,391 m with reference to the book values as at 30 September 2018, is divided into 35 countries, including Bulgaria (€1,804 m), Croatia (€1,352 m), Czech Republic (€1,299 m), Poland (€1,222 m), Serbia (€850 m), US (€653 m), Slovakia (€640 m), Portugal (€574 m) and Russia (€548 m). The sovereign exposure to Greece and Ukraine is immaterial.

With respect to these exposures, as at 30 September 2018 there were no indications that impairment may have occurred.

It should moreover be noted that among the aforementioned remaining part of sovereign debt securities as at 30 September 2018 there are also debt securities towards Supranational Organisations such as the European Union, the European Financial Stability Facility and the European Stability Mechanism amounting to €2,967 m.

UNICREDIT GROUP: BREAKDOWN OF SOVEREIGN DEBT SECURITIES BY PORTFOLIO

The table below shows the classification of bonds belonging to the banking book and their percentage proportion of the total of the portfolio under which they are classified.

Breakdown of sovereign debt securities by portfolio (€ .000)	Amounts as at 30 September 2018				
	Financial assets designated at fair value	Financial assets mandatorily at fair value	Financial assets at fair value through other comprehensive income	Financial assets at amortised cost	Total
Book value	4	10,215,640	88,288,039	16,484,314	114,987,996
% portfolio	3.44%	49.33%	89.15%	2.92%	16.83%

UNICREDIT GROUP: SOVEREIGN LOANS – BREAKDOWN BY COUNTRY

In addition to the exposures to sovereign debt securities, loans[57] given to central and local governments and governmental bodies must be taken into account.

The table below shows the total amount as at 30 September 2018 of loans booked in financial assets at amortised cost portfolio given to countries towards which the overall exposure exceeds €130 m, representing about 94% of the total.

(€ million)	Book value
As at 30 September 2018	
- Austria (*)	5,806
- Germany (**)	5,793
- Italy	5,527
- Croatia	2,243
- Czech Republic	711
- Qatar	311
- Kuwait	234
- Slovenia	232
- Indonesia	211
- Bulgaria	178
- Bosnia and Herzegovina	177
- Turkey	167
- Laos	163
- Gabon	142
- Angola	141
- Oman	138
- Hungary (***)	136
Total on-balance sheet exposures	**22,309**

Note: (*)o/w €282,023 thousand in financial assets held for trading and those mandatorily at fair value. (**)o/w €1,463,521 thousand in financial assets held for trading and those mandatorily at fair value. (***)o/w €2,751 thousand in financial assets mandatorily at fair value.

[57] Tax items are not included.

BASIS OF PREPARATION

1. This Consolidated Interim Report as at 30 September 2018 - Press Release has been prepared on a voluntary basis, with the aim of ensuring continuity with the previous quarterly reports, following the elimination of the requirement to disclose additional financial information to the half-year and annual reports pursuant to law (D. Lgs.) 25/2016, issued in application of Directive 2013/50/EU. This Consolidated Interim Report as at 30 September 2018 - Press Release as well as the press releases on significant events occurred during the period, the market presentation of 3Q18 results, the Divisional Database, the Report on Transition to IFRS9 Financial Instruments of UniCredit Group and the disclosure by institutions pursuant to Regulation (EU) No.575/2013 are available on UniCredit Group website.
2. Reclassified balance sheet and income statements items have been prepared pursuant to Banca d'Italia instructions laid down in Circular 262/2005 and applying the aggregations and reclassifications disclosed in Annex 1 of Consolidated First Half Financial Report as at 30 June 2018 and supplemented by the notes below the reclassified income statement and balance sheet of this document.
3. In order to provide further information about Group's performance, a number of alternative performance measures (APM) has been used (such as cost/income ratio, EVA, RoTE, Net bad loans to customers/Loans to customers, Net non-performing loans to customers/Loans to customers, Absorbed Capital, RoAC, Cost of risk), whose description is included in Consolidated First Half Financial Report as at June 30, 2018 (Consolidated Interim Report on Operations and Annexes) in accordance with European Securities and Markets Authority Guidelines (ESMA/2015/1415) of 5 October 2015.
4. The contents of this Consolidated Interim Report as at 30 September 2018 - Press Release are not prepared according to the international accounting standard on interim reporting (IAS34).
5. The Consolidated Interim Report as at 30 September 2018 - Press Release, within which the accounts are presented in reclassified form, has been prepared on the basis of IAS/IFRSs in force.
   It should be noted that as at 1 January 2018 UniCredit group has adopted the IFRS9 principle. The adoption of IFRS9 had an overall negative effect on consolidated equity, net of the tax effect, of around €3.5 bn. For a detailed representation of the IFRS9 FTA (first time adoption) and the definition of the content of the impacted accounting items, refer to the Report on Transition to IFRS9 Financial Instruments of UniCredit group, available on UniCredit group website. For all the remaining items not impacted by the new accounting standard refer to Notes to the Consolidated Accounts - Part A - Accounting Policies of 2017 Consolidated Reports and Accounts.
   It should be noted that some valuation processes, including the valuation of tangible and intangible assets (including goodwill) and the sustainability of deferred tax assets, have been performed by assessing that, since 31 December 2017, there have been no substantial events or changes in parameters and circumstances that may indicate the need to adjust the book values, recognised, at the date of this press release, on the basis of the standard accounting processes.
6. With reference to the contributions due to the Single Resolution Fund and to Deposit Guarantee Schemes, the related costs are presented into "Other charges and provisions: of which systemic charges".
7. Scope of consolidation: in the first nine months of 2018 the following changes occurred in the scope:
   a. the number of fully consolidated companies, including the ones classified as non-current assets and asset disposal groups, changed from 590 at the end of 2017 to 517 as at September 2018 (1 inclusion and 74 exclusions as a result of disposals, changes of the consolidation method and mergers);
   b. the number of companies consolidated using the equity method, including the ones classified as non-current assets and asset disposal groups, changed from 66 at the end of 2017 to 56 as at September 2018 due to 10 exclusions as a result of disposals, changes of the consolidation method and mergers.
8. Non-current assets and asset groups held for sale: in the Balance Sheet as at 30 September 2018, the main reclassified assets based on the IFRS5 accounting principle, as non-current assets and asset disposal groups refer to:
   - regarding the individual asset and liabilities held for sale and the groups of assets held for sale and associated liabilities which do not satisfy IFRS5 requirements for the classification as discontinued operations
     - the controlled company Uni IT S.r.l. and the associated company Oesterreichische Hotel-und TourismusBank Gesellschaft M.B.H.;
     - the non-performing loans related to sale initiatives of portfolios;
     - the real estate properties held by certain companies in the Group;
   - regarding the data relating to the discontinued operations:
     - the companies of the Immobilien Holding group (Austria).
9. All intercompany transactions of a material amount were eliminated (both balance sheet and income statement figures). All unreconciled amounts were posted to other assets or liabilities or to net other income/expenses, if not related to interests or commissions.
10. This Consolidated Interim Report – Press Release is not audited by the External Auditors.

Declaration by the Manager charged with preparing the financial reports

The undersigned, Stefano Porro, 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, 7 November 2018

Manager charged with
preparing the financial reports

Investor Relations:
Tel. +39-02-88621034; e-mail: investorrelations@unicredit.eu
Media Relations:
Tel. +39-02-88623569; e-mail: mediarelations@unicredit.eu

UNICREDIT 3Q18 GROUP RESULTS – DETAILS OF CONFERENCE CALL

MILAN, 8 NOVEMBER 2018 – 10.00 CET

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