

# Unicredit

## 2Q/1H19 Results

Despite 2Q19 net income missing market consensus estimates, we see Unicredit's profitability in 1H19 as still healthy, supported by positive one-offs and lower operating costs, whilst cost-of-risk remains at a normalised level and balance-sheet solidity was confirmed, with asset quality at better than peers' average. Despite the revised downward guidance on revenues for 2019, we see as positive the bank's confirmation of targeted net adjusted income and of the accelerated run-down of its non-core NPE portfolio at no impact on capital ratios. Unicredit is to unveil its new 2020-2023 strategic plan on 3 December 2019, which it expects to be focused on cost efficiency and risk control. We confirm our NEUTRAL Credit View on Unicredit. We also confirm our BUY investment recommendation on Unicredit bonds, with the exception of a HOLD on its covered bonds and hybrid bonds.

- 2Q/1H19 Results Overview.** Unicredit reported net income of EUR 1.9Bn in 2Q19, up 33.7% qoq, whilst being below market consensus estimates (EUR 2.2Bn, median company's gathered) mainly due to lower-than-expected one-off positive items and to a minor extent to lower-than-expected net operating profit. In 1H19, net income came in at EUR 3.2Bn, up by 51.7% yoy. The 1H19 results benefited from EUR 1.1Bn in net positive extraordinary items, of which EUR 825M in 2Q19, mainly related to EUR 1.2Bn capital gain on the disposal of 17% stake in FinecoBank and a EUR 178M loss on the sale of Ocean Breeze. On an adjusted basis (as per Unicredit's calculations), net income was EUR 1Bn in 2Q19 (+0.4% yoy) and EUR 2.2Bn in 1H19 (+1% yoy). At the operating level, the 1H19 results benefited from the drop in operating expenses by 4.5 yoy, whilst revenues declined by -3.8% yoy (downtrend across all top-line revenues) and net loan-loss provisions rose by 17.6% yoy, due to the deterioration of a single name and IFRS9 macro scenario. The cost-income ratio improved in 1H19, down by 0.4pp yoy to 53.5%, whilst the cost of risk annualised was 7bps higher to a still normalised 50bps. All core business units confirmed to be profitable in 1H19, with CEE as the main contributor (EUR 876M net profit, +4% yoy) followed by Commercial Banking Italy (EUR 642M, -13.9%) and CIB (EUR 592M, +5.2%). Regarding Turkey, the contribution from Yapi to Unicredit's revenues, via dividends, was some 24% yoy lower at current FX, whilst TRY FX sensitivity on Unicredit's CET1 ratio is +1bp net for 10% adverse FX move. Unicredit's headcount dropped by 1,950 FTEs YTD to 84,836, ahead of 2019 14,000 reduction target, whilst branches were 56 lower YTD to 4,535, at 98% of 2019 target.
- Outlook 2019.** Unicredit confirmed all its 2019 plan targets, with the exception of revenues, which it revised downwards to EUR 18.7Bn from EUR 19Bn, mainly driven by lower-than-expected trading income and lower interest rate scenario and client activity (which had negatively impacted on 2Q19 results). On the other hand, Unicredit confirmed its 2019 guidance of EUR 10.1Bn operating costs and the cost of risk at 55bps (58bps in CB Italy). It also confirmed the adjusted net income target of EUR 4.7Bn and ROTC at >9%, despite the deconsolidation of Fineco, benefiting from an expected lower tax rate in the second half of the year. Moreover, it also confirmed the accelerated strategy of non-core NPEs run-down expected to drop further to closer EUR 10Bn by YE19 via a series of transactions at no impact on capital ratios. Also, it is committed to reach the upper range end of its 200-250bps CET1 MDA buffer.
- Investment Recommendations confirmed as per table below.** We close our trading switches as per first table on page 2 of this report, as they performed as expected.

08 August 2019 17:42 CET  
Date and time of production

### CREDIT VIEW NEUTRAL

Banks  
Results Note

Intesa Sanpaolo  
Research Department

Maria Grazia Antola  
Credit Research Analyst  
+39 02 8794 1114

Date and time of first circulation:  
8 August 2019: 17:48 CET

#### Credit Ratings

	Rating	Outlook
Moody's	Baa1	Stable
Fitch	BBB	Negative

Source: Bloomberg

#### Key Results

P&L (EUR M)	1H18	1H19
Total income	9,648	9,282
GOP	4,449	4,317
LLPs	998	1,174
<b>BS (EUR M)</b>	<b>31.12.18</b>	<b>30.06.19</b>
Loans (net)	471,839	469,298
Funding	560,141	545,453
<b>Ratios (%)</b>	<b>31.12.18</b>	<b>30.06.19</b>
Net bad debt	1.2	1.1
CET1 ph-in	12.1	12.1
CET1 FL	12.1	12.1
SREP CET1	9.2	10.1
Leverage ph-in	5.1	5.2
Leverage FL	4.9	5.0

ph-in: phase-in, FL: fully-loaded. P&L data excluding PPA effects, reclassified in a single income statement item.  
Source: Intesa Sanpaolo Research elaborations on company data

#### Investment recommendations on Unicredit

	CB	Chg	GGB	Chg	Sen Unsec	Chg	SNP	Chg	Sub	Chg	Hybrid	Chg
Investment Grade	HOLD	c	-	-	BUY	c	BUY	c	-	-	-	-
High Yield	-	-	-	-	-	-	-	-	BUY	c	HOLD	c
Unrated	-	-	-	-	-	-	-	-	-	-	-	-

Note: c = confirmed. Source: Intesa Sanpaolo Research

See page 6 for full disclosures and analyst certification

Report priced at market close on day prior to the issue (except where otherwise indicated).

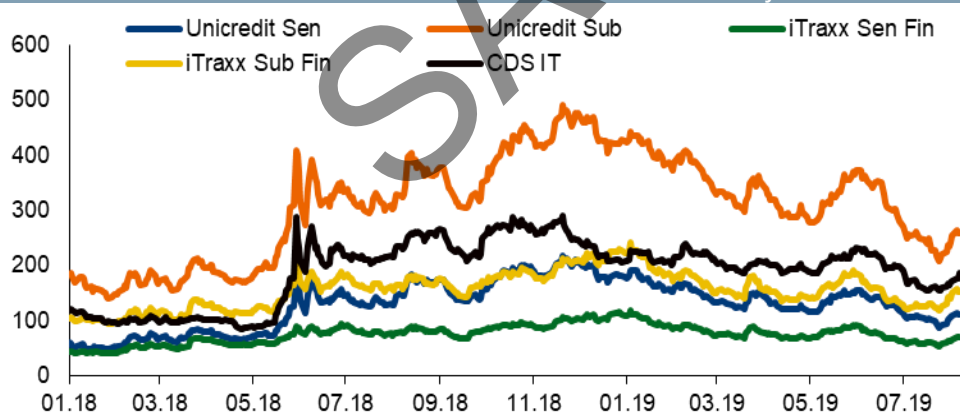
Investment recommendations: Open ideas

Date	Bond/CDS Type	Spread/Price	Rate	Buy/Sell	Entry level	Current level <sup>1</sup>	Pick-up	Status
13.06.19	UCGIM 4 3/8 01/03/27	T2	Z-Spread	VR	BUY	337.0	201.2	CLOSED
	UCGIM 6.95 10/31/22	T2	Z-Spread	FX	SELL	249.0	182.2	-66.8 08.08.19
15.04.19	UCGIM 6 3/4 PERP	AT1	Price	VR	BUY	100.9	102.6	1.7 CLOSED
	UCGIM 9 1/4 PERP	AT1	Price	VR	SELL	112.6	113.1	-0.5 08.08.19
15.04.19	UCGIM 5 3/8 PERP	AT1	Price	VR	BUY	89.8	93.1	3.3 CLOSED
	UCGIM 7 1/2 PERP	AT1	Price	VR	SELL	105.5	107.1	-1.6 08.08.19

VR = Variable; UCGIM = Unicredit. Note: 1) "Current level" on 08.08.2019 at 16:49 CET. Source: Intesa Sanpaolo Research elaborations on Bloomberg data

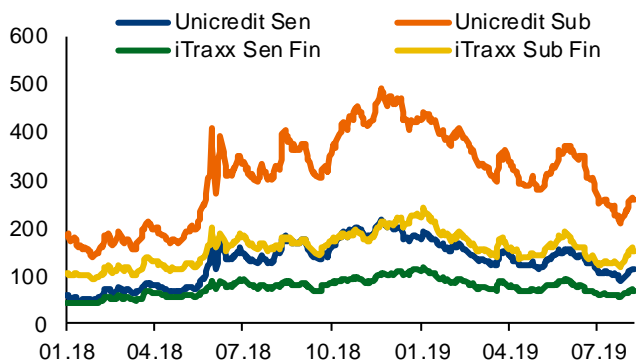
- Balance sheet overview at end-2Q19.** Direct funding dropped by 2.6% YTD, mainly due to a reduction in repos, whilst customer deposits (excl. repos) and issued bonds saw an uptrend by 2.6% YTD and 13.9% YTD, respectively, Indirect funding rose by 1.4% qoq like-for-like, of which AUMs by 1.6% and AUC by 1.2%. Whilst net performing loans were broadly unchanged since YE18 (+0.4% YTD), asset risk continued to improve, with the stock of net NPEs declining further by 9.8%YTD. Unicredit reported NPE ratios at 7%(-0.7pp YTD) and at 2.9%(-0.3pp), gross and net, respectively, at the group level, or 3.9% (well below 4.7% 2019 plan target) and 1.7% at the core group. At the non-core division, gross NPEs declined further by 12% qoq and 15% YTD to EUR 15.7Bn, whilst Unicredit confirmed its plan to accelerate further its run-down in 2019, targeting NPE stocks to some EUR 10Bn at YE19 from the EUR 14.9Bn plan target. The liquidity position remained healthy, and Unicredit is reporting LCR and NSFR at above 100%. Regarding MLT funding, the Bank reported it had at end-2Q19 completed some 66% of its EUR 32.1Bn plan for 2019, whilst being well in advance with respect to the execution of the TLAC component, having issued some EUR 7.75Bn of the EUR 9Bn planned in 2019. In particular, as at 2 August 2019 it completed EUR 6.5Bn issuance of planned subordinated bonds, leading to a TLAC subordination ratio of 18.2%, a buffer of some 110bps over the 17.1% requirement. In terms of capitalisation, CET1 ratio fully-loaded was of 12.08% broadly in line with YE18 and lower by 18bps qoq, mainly due to 40bps negative impact from regulatory headwinds, which more than offset the 24bps positive impact from Fineco disposal. The MDA capital buffer was 201bps. In addition, the leverage ratio fully-loaded was broadly stable at some 5%.

Unicredit - CDS 5Y Sen and Sub vs iTraxx Financials 5Y Sen and Sub and Italy CDS 5Y



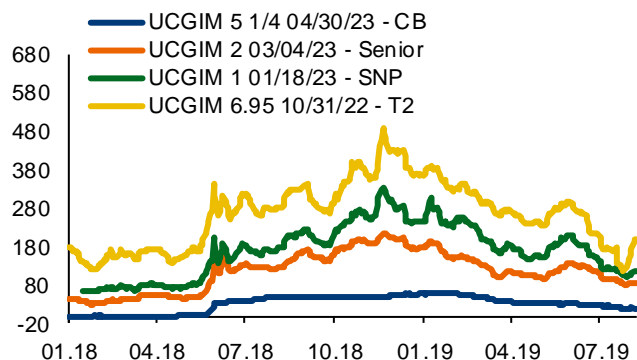
Source: Intesa Sanpaolo Research elaborations on Bloomberg data on 07.08.19 at market close

Unicredit: Sen and Sub 5Y CDS vs iTraxx Fin Sen and Sub 5Y



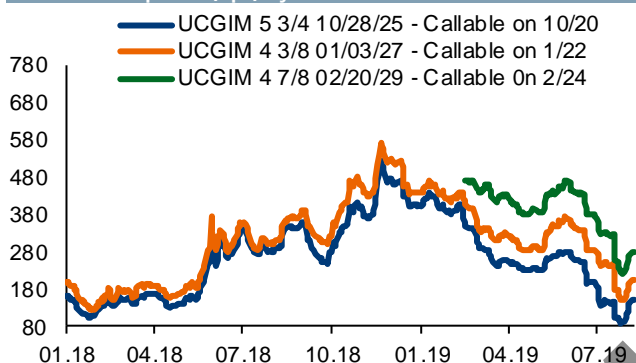
Source: Intesa Sanpaolo Research elaborations on Bloomberg CMAN data on 07.08.19 at market close

Unicredit: ASW spreads (bps) by bond in EUR (2022-23) - trend



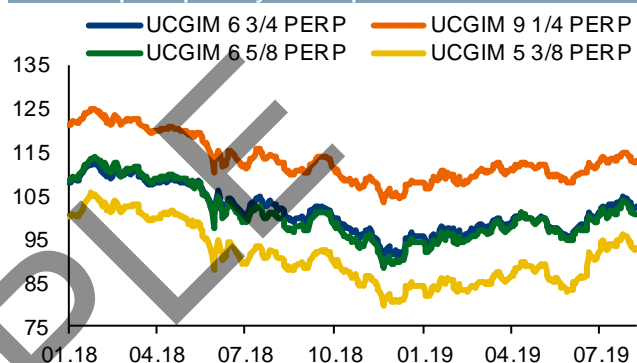
Source: Intesa Sanpaolo Research elaborations on Bloomberg CMAN data on 07.08.19 at market close

Unicredit: Z-spreads (bps) by EUR callable Tier 2 bonds - trend



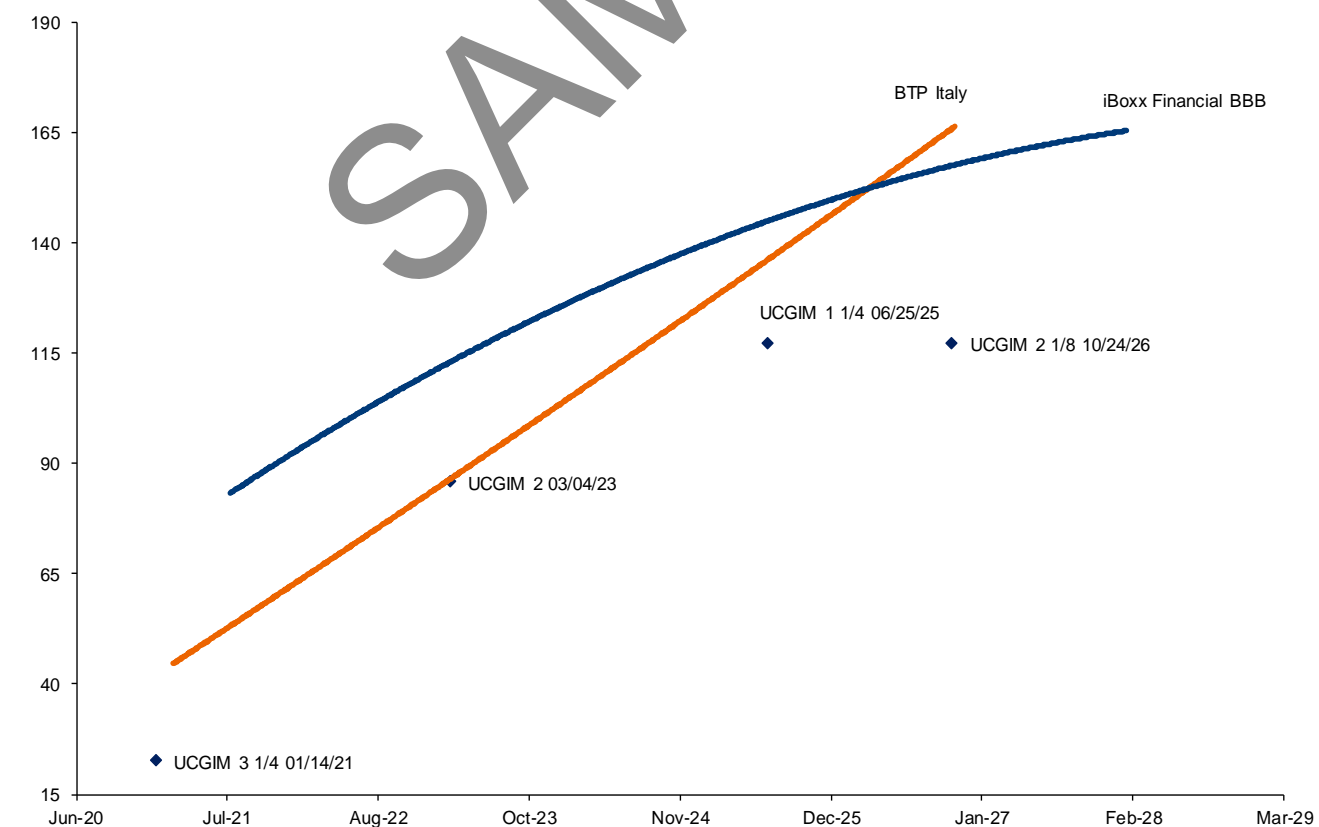
Source: Intesa Sanpaolo Research elaborations on Bloomberg CMAN data on 07.08.19 at market close

Unicredit: prices point by EUR Perpetual bonds - trend



Source: Intesa Sanpaolo Research elaborations on Bloomberg CMAN data on 07.08.19 at market close

Unicredit: Senior Preferred Fixed EUR bonds vs ML Financial Index vs BTP Italy



Source: Intesa Sanpaolo Research elaborations on Bloomberg data on 07.08.19 at market close

UniCredit SpA - Benchmark bonds (Euro denominated)

Bond	First call	Type	Outst.	Price	YTM %	SPRD TYPE	SPRD	-1W (bps)	-1M (bps)	YTD (bps)	52-week range		Ratings						
											max	min	Mdy	Fitch	BBG				
													8.8.19			2.1.19			
<b>Senior Unsecured</b>																			
<b>UniCredit SpA</b>																			
UCGIM 3 1/4 01/14/21	-	FX	EUR 1,250	105.0	-0.2	ASW	24	1	-5	-107	178	22	Baa1	BBB	BBB				
UCGIM 2 03/04/23	-	FX	EUR 1,100	105.8	0.4	ASW	86	2	-12	-93	216	82	Baa1	BBB	BBB				
UCGIM 2 1/8 10/24/26	-	FX	EUR 1,000	109.0	0.8	ASW	117	4	-13	-71	219	111	Baa1	BBB	BBB				
UCGIM Float 02/19/20	-	FL	EUR 1,000	100.4	-0.1	DISC	25	0	-2	-67	102	23	Baa1	BBB	BBB				
UCGIM 1 1/4 06/25/25 <sup>1</sup>	06/24	100.0	VR	EUR 1,250	102.4	0.7	ASW	117	5	-3	-26	144	106	Baa1	BBB	BBB			
UCGIM 3 3/4 04/12/22	-	FX	USD 1,250	102.0	2.9	ASW	141	18	7	-29	188	115	Baa1	BBB	BBB				
UCGIM 4 5/8 04/12/27	-	FX	USD 750	104.0	4.0	ASW	251	17	0	-5	281	220	Baa1	BBB	BBB				

<b>Senior non-Preferred</b>																
<b>UniCredit SpA</b>																
UCGIM 1 01/18/23	-	FX	EUR 1,500	101.0	0.7	ASW	118	10	-6	-130	335	104	Baa2	BBB	BBB-	
UCGIM 1 5/8 07/03/25 <sup>1</sup>	07/24	100.0	VR	EUR 750	102.1	1.2	ASW	160	12	-6	-27	187	141	Baa2	BBB	BBB-
UCGIM 6.572 01/14/22	-	FX	USD 2,500	107.1	3.5	ASW	198	21	-6	-91	289	164	Baa2	BBB	BBB-	

<b>Subordinated T2+LT2</b>																
<b>UniCredit SpA</b>																
UCGIM 6 1/8 04/19/21	-	FX	EUR 579	109.5	0.4	Z-SPR	93	13	12	-237	407	58	Baa3	BBB-	BB+	
UCGIM 6.95 10/31/22	-	FX	EUR 1,500	117.6	1.3	Z-SPR	182	38	24	-165	476	107	Baa3	BBB-	BB+	
UCGIM 5 3/4 10/28/25	10/20	100.0	VR	EUR 1,000	105.6	1.0	Z-SPR	150	30	7	-258	522	89	Baa3	BBB-	BB+
UCGIM 4 3/8 01/03/27	01/22	100.0	VR	EUR 750	106.6	1.5	Z-SPR	202	22	-48	-240	574	150	Baa3	BBB-	BB+
UCGIM 4 7/8 02/20/29 <sup>1</sup>	02/24	100.0	VR	EUR 1,000	110.8	2.3	Z-SPR	278	22	-54	-195	474	222	Baa3	BBB-	BB+
UCGIM 5.861 06/19/32	06/27	100.0	VR	USD 1,000	99.5	5.9	Z-SPR	441	48	13	-72	556	369	Baa3	BBB-	BB+
UCGIM 7.296 04/02/34	04/29	100.0	VR	USD 1,250	112.3	5.6	Z-SPR	405	-	-13	-76	539	366	Baa3	BBB-	BB+

Hybrids T1+AT1	First call	Type	Outst.	Price	YTM %	SPRD TYPE	SPRD	-1W (pts)	-1M (pts)	YTD* (pts)	52-week range		Ratings			
											max	min	Mdy	Fitch	BBG	
<b>UniCredit International Bank Luxembourg SA</b>																
UCGIM 8 1/8 PERP	12/19	100.0	VR	EUR 469	102.5	0.4	Z-SPR	74	0	-1	-2	107	103	Ba3	-	BB-
<b>UniCredit SpA</b>																
UCGIM 9 3/8 PERP	07/20	100.0	VR	EUR 246	107.4	1.4	Z-SPR	182	0	0	0	111	107	Ba3	BB-	BB-
UCGIM 6 3/4 PERP	09/21	100.0	VR	EUR 1,000	102.5	5.5	Z-SPR	595	-1	0	8	105	91	-	B+	-
UCGIM 9 1/4 PERP	06/22	100.0	VR	EUR 500	113.1	4.3	Z-SPR	475	-1	0	6	115	103	-	B+	-
UCGIM 6 5/8 PERP	06/23	100.0	VR	EUR 1,250	101.1	6.3	Z-SPR	675	-1	1	8	104	88	Ba3u	B+	-
UCGIM 5 3/8 PERP	06/25	100.0	VR	EUR 1,000	93.2	6.8	Z-SPR	720	-1	0	10	96	80	Ba3u	B+	-
UCGIM 7 1/2 PERP <sup>2</sup>	06/26	100.0	VR	EUR 1,000	107.2	6.2	Z-SPR	652	-1	0	5	110	100	Ba3	B+	B+
UCGIM 8 PERP	06/24	100.0	VR	USD 1,250	99.6	8.1	Z-SPR	662	-2	0	11	102	85	-	B+	-

UniCredit SpA - Benchmark Covered bonds (spread in bps)

Bond	Type	Outst. EUR M	Price	YTM %	Spread over ASW (bps)	SPRD TYPE	SPRD	-1W (bps)	-1M (bps)	YTD (bps)	52-week range		Ratings						
											max	min	Mdy	Fitch	BBG				
													8.8.19			2.1.19			
<b>Covered</b>																			
<b>UniCredit SpA</b>																			
UCGIM 2 3/4 01/31/20	FX	EUR 1,000	102	-0.4	-20.3	ASW	-8	-2	-4	-46	40	-8	Aa3	AA	AA-				
UCGIM 2 5/8 10/31/20	FX	EUR 1,000	104	-0.5	-31.4	ASW	-1	-1	1	-37	39	-2	Aa3	AA	AA-				
UCGIM 5 10/31/21	FX	EUR 1,000	112	-0.4	-58.6	ASW	5	0	-2	-40	49	5	Aa3	AA	AA-				
UCGIM 4 3/8 01/31/22	FX	EUR 1,000	112	-0.4	-55.6	ASW	5	-1	-3	-50	57	4	Aa3	AA	AA-				
UCGIM 5 1/4 04/30/23	FX	EUR 1,250	121	-0.3	-87.5	ASW	20	-1	-6	-37	60	20	Aa3	AA	AA-				
UCGIM 3 01/31/24	FX	EUR 1,000	115	-0.2	-97.0	ASW	21	-1	-8	-39	63	21	Aa3	AA	AA-				
UCGIM 0 3/4 04/30/25	FX	EUR 1,000	104	0.0	-91.5	ASW	37	0	-6	-34	74	37	Aa3	-	-				
UCGIM 0 3/8 10/31/26	FX	EUR 1,000	102	0.1	-95.3	ASW	37	-1	-6	-36	76	37	Aa3	-	-				
UCGIM Float 10/31/20	FL	EUR 500	100	0.0	-	DISC	37	-1	-2	-11	52	37	Aa3	-	-				
													7.8.19						
								112	8	6	-71	217	88						
<b>UniCredit SpA CDS 5Y</b>								150	8	2	-65	247	125						
<b>UniCredit SpA CDS 10Y</b>																			

elencoSocieta-Emittente. TYPE: FX = Fixed; FL = Floating; VR = Variable; FT = Flat Trading. YTM: yield to maturity or yield to call for callable bonds excluding "not called bonds". YTD= year to date from 02.01.2019 or from lunch date for bond issued in 2019. SPRD TYPE: ASW=Asset Swap, DISC=Discount Margin, Z-SPR=Z-Spread. SPRD: spread to maturity. \*Change in prices. Ratings: reported in the table refer to individual issues. Notes: 1) YTD from launch date for bonds issued in 2019; 2) YTD from launch date for bonds issued in 2019. Source: Intesa Sanpaolo Research elaboration on Bloomberg data at 10:35.

## Unicredit - Income Statement and Balance Sheet and Key Indicators

Consolidated income statement - Main items								
EUR M	2Q18	1Q19	2Q19	qoq %	yoy %	1H18	1H19	yoy %
Net Interest Income	2,608	2,578	2,554	-0.9	-2.1	5,169	5,132	-0.7
Net Commission/Fee Income	1,613	1,541	1,565	1.6	-3.0	3,255	3,106	-4.6
<b>Core Revenues</b>	<b>4,221</b>	<b>4,119</b>	<b>4,119</b>	<b>0.0</b>	<b>-2.4</b>	<b>8,424</b>	<b>8,238</b>	<b>-2.2</b>
Net Trading Income	312	442	253	-42.8	-19.0	781	695	-11.0
<b>Total Income</b>	<b>4,736</b>	<b>4,766</b>	<b>4,516</b>	<b>-5.2</b>	<b>-4.6</b>	<b>9,648</b>	<b>9,282</b>	<b>-3.8</b>
<b>Operating Costs</b>	<b>2,564</b>	<b>2,515</b>	<b>2,451</b>	<b>-2.5</b>	<b>-4.4</b>	<b>5,198</b>	<b>4,966</b>	<b>-4.5</b>
<b>Gross Operating Profit</b>	<b>2,172</b>	<b>2,252</b>	<b>2,065</b>	<b>-8.3</b>	<b>-4.9</b>	<b>4,449</b>	<b>4,317</b>	<b>-3.0</b>
Net loan-losses provisions (LLPs)	502	467	707	51.4	40.8	998	1,174	17.6
<b>Pre-tax income</b>	<b>1,212</b>	<b>1,959</b>	<b>813</b>	<b>-58.5</b>	<b>-32.9</b>	<b>2,505</b>	<b>2,772</b>	<b>10.6</b>
<b>Net income (Loss)</b>	<b>1,024</b>	<b>1,387</b>	<b>1,854</b>	<b>33.7</b>	<b>81.2</b>	<b>2,136</b>	<b>3,241</b>	<b>51.8</b>
<b>Net income (loss) adjusted<sup>1</sup></b>	<b>1,024</b>	<b>1,387</b>	<b>1,854</b>	<b>33.7</b>	<b>81.2</b>	<b>2,136</b>	<b>3,241</b>	<b>51.8</b>

P&L excluding PPA effects, reclassified in a single income statement item. Note: 1. Before Public cash contribution, impairment on goodwill and badwill. NA = not available, NM = not meaningful. Source: Intesa Sanpaolo Research elaborations on company data

Consolidated balance sheet - Main items						
ASSETS (EUR M)	30.06.18	31.12.18	30.06.19	YTD %	yoy %	
Cash and cash equivalents	21,238	30,991	32,578	5.1	53.4	
Financial assets and hedging derivatives	237,803	224,661	215,583	-4.0	-9.3	
Due from banks	73,004	69,850	77,911	11.5	6.7	
Loans to customers	458,787	471,839	469,298	-0.5	2.3	
Equity investments	NA	NA	NA	NA	NA	
Tangible and intangible assets	12,423	11,916	11,978	0.5	-3.6	
Tax assets	11,998	13,078	12,896	-1.4	7.5	
Other assets	8,655	9,134	11,939	30.7	37.9	
<b>Total Assets</b>	<b>823,908</b>	<b>831,469</b>	<b>832,183</b>	<b>0.1</b>	<b>1.0</b>	
LIABILITIES & SHAREHOLDERS' EQUITY (EUR M)	30.06.18	31.12.18	30.06.19	YTD %	yoy %	
Due to banks	129,747	125,895	132,695	5.4	2.3	
Due to customers and debt securities in issue	543,661	560,141	545,453	-2.6	0.3	
Trading liabilities and hedging derivatives	67,232	61,691	67,947	10.1	1.1	
Tax liabilities	1,066	825	962	16.6	-9.8	
Other liabilities	25,904	26,149	25,580	-2.2	-1.3	
Minorities	837	927	411	-55.7	-50.9	
<b>Shareholders' equity</b>	<b>55,461</b>	<b>55,841</b>	<b>59,136</b>	<b>5.9</b>	<b>6.6</b>	
<b>Total Liabilities and Shareholders' Equity</b>	<b>823,908</b>	<b>831,469</b>	<b>832,184</b>	<b>0.1</b>	<b>1.0</b>	

Note: NA = not available, NM = not meaningful. Source: Intesa Sanpaolo Research elaborations on company data

Key consolidated economic - financial indicators (historical trend)					
Profitability ratios (%)	2015	2016	2017	2018	1H19
ROE Adjusted <sup>1</sup>	3.5	NM	10.2	7.5	11.6
ROA Adjusted <sup>1</sup>	0.2	NM	0.7	0.5	0.8
Cost/income ratio (excl. Systemic charges)	65.0	63.6	56.9	54.5	53.5
Asset Quality ratios (%)	2015	2016	2017	2018	2Q19
Net bad debt ratio	4.4	2.5	2.2	1.2	1.1
Cost of risk (bps)	90	275	67	55	50
Liquidity ratios (%)	2015	2016	2017	2018	2Q19
Loan/deposit ratio	80.5	78.3	78.2	84.2	86.0
LCR (Liquidity Coverage Ratio)	NA	132.0	185.0	151.0	NA
NSFR (Net Stable Funding Ratio)	NA	NA	NA	NA	NA
Capital Structure and Solvency ratios (%)	2015	2016	2017	2018	2Q19
CET1 phase-in ratio	10.6	11.5	13.7	12.1	12.1
CET1 fully-loaded	10.9	11.2	13.6	12.1	12.1
SREP CET1	NA	9.8	8.8	9.2	10.1
Tier 1 ratio	11.5	12.4	15.4	13.6	13.6
TC ratio	14.2	15.0	18.1	15.8	16.2
Leverage phase-in ratio	4.7	4.9	5.7	5.1	5.2
Leverage fully-loaded ratio	4.5	4.7	5.6	4.9	5.0
Operating structure	2015	2016	2017	2018	2Q19
Branches	6,934	6,221	4,817	4,591	4,535
of which in Italy	3,873	3,524	2,663	2,466	2,446
Employees	125,510	98,304	91,952	86,786	84,836

Note: 1. Before Public cash contribution, impairment on goodwill and badwill. NA = not available, NM = not meaningful. Source: Intesa Sanpaolo Research elaborations on company data

## Disclaimer

### Analyst certification

The financial analyst who prepared this report, and whose name and role appear on the first page, certifies that:

1 The views expressed on the Company mentioned herein accurately reflect independent, fair and balanced personal views; 2 No direct or indirect compensation has been or will be received in exchange for any views expressed.

### Specific disclosures

1. Neither the analyst nor any person closely associated with the analyst has a financial interest in the securities of the Company.
2. Neither the analyst nor any person closely associated with the analyst serves as an officer, director or advisory board member of the Company.
3. The analyst named in the document is a member of AIAF.
4. The analyst named in this document is not registered with or qualified by FINRA, the U.S. regulatory body with oversight over Banca IMI Securities Corp. Accordingly, the analyst may not be subject to FINRA Rule 2241 and NYSE Rule 472 with respect to communications with a subject company, public appearances and trading securities in a personal account. For additional information, please contact the Compliance Department of Banca IMI Securities Corp at 212-326-1133.
5. The analyst of this report does not receive bonuses, salaries, or any other form of compensation that is based upon specific investment banking transactions.
6. The research department supervisors do not have a financial interest in the securities of the Company.

This research has been prepared by Intesa Sanpaolo SpA and distributed by Banca IMI SpA Milan, Banca IMI SpA-London Branch (a member of the London Stock Exchange) and Banca IMI Securities Corp (a member of the NYSE and FINRA). Intesa Sanpaolo SpA accepts full responsibility for the contents of this report and also reserves the right to issue this document to its own clients. Banca IMI SpA and Intesa Sanpaolo SpA, which are both part of the Intesa Sanpaolo Group, are both authorised by the Banca d'Italia and are both regulated by the Financial Conduct Authority in the conduct of designated investment business in the UK and by the SEC for the conduct of US business.

Opinions and estimates in this research are as at the date of this material and are subject to change without notice to the recipient. Information and opinions have been obtained from sources believed to be reliable, but no representation or warranty is made as to their accuracy or correctness. Past performance is not a guarantee of future results. The investments and strategies discussed in this research may not be suitable for all investors. If you are in any doubt you should consult your investment advisor.

This report has been prepared solely for information purposes and is not intended as an offer or solicitation with respect to the purchase or sale of any financial products. It should not be regarded as a substitute for the exercise of the recipient's own judgment. No Intesa Sanpaolo SpA or Banca IMI SpA entities accept any liability whatsoever for any direct, consequential or indirect loss arising from any use of material contained in this report. This document may only be reproduced or published together with the name of Intesa Sanpaolo SpA and Banca IMI SpA

Intesa Sanpaolo SpA and Banca IMI SpA have in place the Conflicts of Interest Management Rules for managing effectively the conflicts of interest which might affect the impartiality of all investment research which is held out, or where it is reasonable for the user to rely on the research, as being an impartial assessment of the value or prospects of its subject matter. A copy of these Rules are available to the recipient of this research upon making a written request to the Compliance Officer, Intesa Sanpaolo SpA, C.so Matteotti n° 1, 20121 Milan (MI) Italy. Intesa Sanpaolo SpA has formalised a set of principles and procedures for dealing with conflicts of interest ("Rules for Research"). The Rules for Research is clearly explained in the relevant section of Intesa Sanpaolo's web site ([www.intesasnpaolo.com](http://www.intesasnpaolo.com)).

Member companies of the Intesa Sanpaolo Group, or their directors and/or representatives and/or employees and/or persons closely associated with them, may have a long or short position in any securities mentioned at any time, and may make a purchase and/or sale, or offer to make a purchase and/or sale, of any of the securities from time to time in the open market or otherwise.

Intesa Sanpaolo SpA issues and circulates research to Major Institutional Investors in the USA only through Banca IMI Securities Corp., 1 William Street, New York, NY 10004, USA, Tel: (1) 212 326 1150.

**Residents in Italy:** This document is intended for distribution only to professional clients and qualified counterparties as defined in Consob Regulation no. 20307 of 15.02.2018, as subsequently amended and supplemented, either as a printed document and/or in electronic form.

**Person and residents in the UK:** This document is not for distribution in the United Kingdom to persons who would be defined as private customers under rules of the FCA.

**US persons:** This document is intended for distribution in the United States only to Major US Institutional Investors as defined in SEC Rule 15a-6. US Customers wishing to effect a transaction should do so only by contacting a representative at Banca IMI Securities Corp. in the US (see contact details above).

### Method of distribution

This document is for the exclusive use of the person to whom it is delivered by Banca IMI and Intesa Sanpaolo and may not be reproduced, redistributed, directly or indirectly, to third parties or published, in whole or in part, for any reason, without prior consent expressed by Banca IMI and/or Intesa Sanpaolo. The copyright and all other intellectual property rights on the data, information, opinions and assessments referred to in this information document are the exclusive domain of the Intesa Sanpaolo banking group, unless otherwise indicated. Such data, information, opinions and assessments cannot be the subject of further distribution or reproduction in any form and using any technique, even partially, except with express written consent by Banca IMI and/or Intesa Sanpaolo.

Persons who receive this document are obliged to comply with the above indications.

### Coverage policy and frequency of research reports

The list of companies covered by the Research Department is available upon request. Intesa Sanpaolo SpA aims to provide continuous coverage of the companies on the list in conjunction with the timing of periodical accounting reports and any exceptional event that affects the issuer's operations. In the case of a short note, we advise investors to refer to the most recent company report published by Intesa Sanpaolo SpA's Research Department for a full analysis of company profile/strategy, risks, and recommendation methodology. Research is available on Banca IMI's web site ([www.bancaimi.com](http://www.bancaimi.com) or [www.intesasnpaolo.com](http://www.intesasnpaolo.com)) or by contacting your sales representative.



### Credit Research Publications in Last 12M

The list of all recommendations on any financial instrument or issuer produced by Intesa Sanpaolo Research Department and distributed during the preceding 12-month period is available on the Intesa Sanpaolo website at the following address:  
[www.group.intesasnpaolo.com/scripts/sir0/si09/studi/eng\\_archivio\\_racc\\_credit.jsp](http://www.group.intesasnpaolo.com/scripts/sir0/si09/studi/eng_archivio_racc_credit.jsp)

### Valuation methodology

Banca IMI's credit views are based on the expected trend of the company's fundamentals. The view reflects the sector trend and the competitive scenario, the company's financial strength, as well as its profitability outlook and competitive positioning. In our credit quality valuation, we consider management's intention and ability to meet debt obligations, the company's dividend policy and, in general, its attention to bondholders' interests. Among key financial ratios, for those sectors where relevant, we assess the company's ability to generate operating cash flow, its capacity to repay maturing debt through cash flow, its net interest coverage ratio and capital ratios.

In the case of significant events, which could determine a change in our credit view, we may place our recommendation under review. This review does not necessarily imply a change in the credit view.

### Corporate credit view key

Credit rating key	
Credit view	Definition
POSITIVE	We expect an improvement in fundamentals over the next six months
NEUTRAL	We expect substantially stable fundamentals over the next six months
NEGATIVE	We expect a deterioration in fundamentals or visibility on fundamentals over the next six months
SUSPENDED	The credit view and investment recommendation for this company have been suspended as there is not a sufficient fundamental basis for determining an investment view. The previous credit view, if any, is no longer in effect for this company
NOT ASSIGNED	The company is or may be covered by the Research Department but no credit view and investment recommendation are assigned either voluntarily or to comply with applicable regulations and/or firm policies in certain circumstances.

### Historical Credit Views changes

Unicredit - Historical Credit Views (-1Y)	
Date	Credit View
15/04/2019	Neutral
09/11/2018	Under Review

### Historical Investment Recommendation Changes

UNICREDIT - Historical Investment Recommendation (-1Y)		UNICREDIT - Historical Investment Recommendation (-1Y)	
Date	Covered Bonds	Date	Senior Unsecured
		25/05/2018	Hold

UNICREDIT - Historical Investment Recommendation (-1Y)	
Date	Subordinated
25/05/2018	Hold

UNICREDIT - Historical Investment Recommendation (-1Y)	
Date	Hybrids
13/05/2019	Hold
15/04/2019	Buy
25/05/2018	Hold

UNICREDIT - Historical Investment Recommendation (-1Y)	
Date	SNP
25/05/2018	Hold

### Credit Views Allocations

Intesa Sanpaolo Research Credit View distribution at August 2019			
Number of Companies subject to credit views: 28**			
	Positive	Neutral	Negative
Total Credit Research coverage - last credit view (%)	21	64	14
of which Intesa Sanpaolo's clients* (%)	83	56	50

(\* ) Companies on behalf of whom Intesa Sanpaolo and the other companies of the Intesa Sanpaolo Group have provided corporate and investment banking services in the last 12 months; percentage of clients in each rating category; \*\* Total number of companies covered is 32.

### Investment recommendations

Banca IMI's recommendations on the issuer(s) bonds or relative CDS are based on the following rating system:

Investment recommendations	
Recommendation	Definition
BUY	We expect the bond or CDS subject to the recommendation to outperform the reference index, sector or benchmark in a period up to six months
HOLD	We expect the bond or CDS subject to the recommendation to perform in line with the reference index, sector or benchmark in a period up to six months
SELL	We expect the bond or CDS subject to the recommendation to underperform the reference index, sector or benchmark in a period up to six months

### Company specific disclosures

Intesa Sanpaolo S.p.A. and the other companies belonging to the Intesa Sanpaolo Banking Group (jointly also the "Intesa Sanpaolo Banking Group") have adopted written guidelines "Modello di Organizzazione, Gestione e Controllo" pursuant to Legislative Decree 8 June, 2001 no. 231 (available at the Intesa Sanpaolo website, webpage [http://www.group.intesasnpaolo.com/script/sir0/si09/governance/eng\\_wp\\_governance.jsp](http://www.group.intesasnpaolo.com/script/sir0/si09/governance/eng_wp_governance.jsp), along with a summary sheet, webpage <https://www.bancaimi.com/en/bancaimi/chisiamo/documentazione/normative>) setting forth practices and procedures, in accordance with applicable regulations by the competent Italian authorities and best international practice, including those known as Information Barriers, to restrict the flow of information, namely inside and/or confidential information, to prevent the misuse of such information and to prevent any conflicts of interest arising from the many activities of the Intesa Sanpaolo Banking Group which may adversely affect the interests of the customer in accordance with current regulations.

In particular, the description of the measures taken to manage interest and conflicts of interest – related to Articles 5 and 6 of the Commission Delegated Regulation (EU) 2016/958 of 9 March 2016 supplementing Regulation (EU) No. 596/2014 of the European Parliament and of the Council with regard to regulatory technical standards for the technical arrangements for objective presentation of investment recommendations or other information recommending or suggesting an investment strategy and for disclosure of particular interests or indications of conflicts of interest as subsequently amended and supplemented, the FINRA Rule 2241, as well as the FCA Conduct of Business Sourcebook rules COBS 12.4 - between the Intesa Sanpaolo Banking Group and issuers of financial instruments, and their group companies, and referred to in research products produced by analysts at Intesa Sanpaolo S.p.A. is available in the "Rules for Research " and in the extract of the "Corporate model on the management of inside information and conflicts of interest" published on the website of Intesa Sanpaolo S.p.A..

At the Intesa Sanpaolo website, webpage [http://www.group.intesasnpaolo.com/script/sir0/si09/studi/eng\\_archivio\\_conflitti\\_mad.jsp](http://www.group.intesasnpaolo.com/script/sir0/si09/studi/eng_archivio_conflitti_mad.jsp) you can find the archive of disclosure of interests or conflicts of interest of the Intesa Sanpaolo Banking Group in compliance with the applicable laws and regulations.

Furthermore, we disclose the following information on the Intesa Sanpaolo Banking Group's conflicts of interest:

1. One or more of the companies of the Intesa Sanpaolo Banking Group plan to solicit investment banking business or intends to seek compensation from Unicredit SPA in the next three months
2. One or more of the companies of the Intesa Sanpaolo Banking Group have issued financial instruments linked to UNICREDIT SPA



**Intesa Sanpaolo Research Department – Head of Research Gregorio De Felice**

**Head of Equity & Credit Research**

Giampaolo Trasi +39 02 8794 9803 giampaolo.trasi@intesaspaolo.com

**Credit Research**

Maria Grazia Antola (Head)	Banking	+39 02 8794 1114	maria.antola@intesaspaolo.com
Alessandro Chiodini	Utilities	+39 02 8794 1115	alessandro.chiodini@intesaspaolo.com
Melanie Gavin	Telecoms & High Yield	+39 02 8794 1118	melanie.gavin@intesaspaolo.com
Bedri Nuredini	Industrials & High Yield	+39 02 8794 2838	bedri.nuredini@intesaspaolo.com
Maria Gabriella Tronconi	Industrials & High Yield	+39 02 8794 1117	maria.tronconi@intesaspaolo.com
Barbara Pizzarelli	Research Assistant	+39 02 8794 1116	barbara.pizzarelli@intesaspaolo.com

**Banca IMI SpA**

Largo Mattioli, 3  
20121 Milan, Italy  
Tel: +39 02 7261 1

**Banca IMI  
Securities Corp.**

1 William Street  
10004 New York, NY, USA  
Tel: (1) 212 326 1100

**Banca IMI  
London Branch**

90 Queen Street  
London EC4N 1SA, UK  
Tel +44 207 894 2600

SAMPLE