Banking that matters. | UniCredit

MILAN, 10 FEBRUARY 2021

UNICREDIT: 4Q20 & FY20 GROUP RESULTS

SUCCESSFULLY NAVIGATING AN EXTRAORDINARY YEAR FROM A POSITION OF STRENGTH

UniCredit maintained its successful operational response throughout the year, delivering enhanced customer service, accelerated digital transformation, and Group-wide measures to protect the health, safety and wellbeing of all stakeholders

FY20 underlying net profit of €1.3 billion[1], ahead of guidance thanks to lower annual costs while booking €5 billion of LLPs[1,2] to properly reflect the current and future economic impact of Covid-19

FY20 stated Cost of Risk[3] at 105 basis points, at the lower end of guidance and anticipating future cost of default in the loan portfolio[4]; FY21 stated Cost of Risk expected close to 70 basis points

FY21 revenues and costs expected in line with previous guidance; underlying net profit of more than €3 billion

Solid balance sheet with very strong capital and liquidity position: FY20 pro forma fully loaded CET1 ratio at 15.08 per cent[5], pro forma CET1 MDA buffer fully loaded at 605 basis points[5]

FY20 Non Core gross NPEs down to €3.7 billion thanks to proactive and forward looking risk management; Group gross NPE ratio at 4.5 per cent[6]; Non Core runoff fully on track

Proposed capital distribution of €1.1 billion in ordinary and extraordinary distribution[7]

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[1] Underlying net profit is the basis for the ordinary capital distribution policy. For 2021, as an exception, the ordinary capital distribution will comply with the ECB's payout recommendations published on 15 Dec 20. Underlying net profit normalised for integration costs in Italy (-€1,272 m in 1Q20), additional real estate disposals (+€296 m in 1Q20), Yapi Kredi deconsolidation (-€1,576 m in 1Q20), regulatory headwinds impact on CoR (-€3 m in 1Q20, -€4 m in 2Q20, -€3 m in 3Q20 and -€519 m in 4Q20), revaluation of real estate (+€9 m in 1Q20, -€7 m in 2Q20, -€5 m in 3Q20 and +€23 m in 4Q20), Non Core rundown (-€98 m in 2Q20, -€4 m in 3Q20 and -€8 m in 4Q20) and goodwill impairment (-€878 m in 4Q20).

[2] Stated LLPs in FY20 (€4,996 m) based on reclassified Profit & Loss (P&L).

[3] Stated CoR based on reclassified P&L and Balance sheet (BS).

[4] Through increased overlays, proactive classification and regulatory headwinds including the new Definition of Default.

[5] Including pro forma deduction of ordinary share buyback of €179 m, subject to both ECB supervisory and AGM approvals; Stated CET1 ratio fully loaded at 15.14 per cent, including the deduction related to the cash dividend for €268 m and stated MDA buffer fully loaded at 611 bps.

[6] As at 31 Dec 2020 the Non-Performing Exposures do not incorporate the New Definition of Default classification. However, if the new classification criteria were implemented, the UniCredit Group gross Non-Performing Exposures (NPE) ratio - which at 31 Dec 2020 amounts to 4.5 per cent (5.3 per cent UniCredit S.p.A. ratio) - would have been slightly higher than that detected (approximately 4.8 per cent, and 5.8 per cent referred to UniCredit S.p.A.).

[7] Ordinary distribution (€447 m): 60 per cent cash (€268 m), 40 per cent Share buyback (€179 m) ('SBB'). Ordinary cash distribution: €0.12 per share, subject to AGM approval, Ex-dividend date 19 April 2021, record date 20 April 2021 and payment date 21 April 2021. Ordinary SBB distribution subject to supervisory and AGM approval. Ordinary SBB execution expected to commence after AGM in Apr 21. Extraordinary distribution (€652 m): 100 per cent SBB. Extraordinary SBB distribution subject to supervisory and AGM approval (and provided that on 30 Sep 21 the ECB will repeal the recommendation of 15 Dec 20). Extraordinary SBB execution expected to commence not before 01 Oct 21.

On 10 February 2021, the Board of Directors of UniCredit S.p.A. ("UniCredit" or "the Group") approved the FY20 consolidated results of the Group as at 31 December 2020.

The Group delivered underlying net profit of €1.3 billion for FY20, ahead of guidance of above €0.8 billion thanks to better costs, whilst booking €5 billion of loan loss provisions in 2020[1,2] as it continued to anticipate the current and future economic impact of the Covid-19 pandemic.

Commercial activity reflected the extended Covid-19 related restrictions present in all geographies with lower loan volumes by the year end, market rates pressure as well as lower investment and transactional fees, with improved performance whenever restrictions eased.

UniCredit maintained its successful operational response throughout the year, delivering enhanced customer service, accelerated digital transformation, and Group-wide measures to protect the health, safety and wellbeing of all stakeholders.

The Group's ability to successfully navigate this extraordinary year was underpinned by its diversified business model and its solid financial foundations with a very strong capital and liquidity position and a de-risked balance sheet following proactive and disciplined efforts over the last five years, including a 20 per cent reduction in the cost base since 2015.

UniCredit met the lower end of its stated cost of risk guidance for 2020, while maintaining and exceeding its Non Core rundown target with €3.4 billion in gross NPE disposals during the year, on track for rundown by FY21.

Operating costs were down thanks to strict cost discipline and lower HR costs more than offsetting Covid-19 related expenses. The Group's branch network optimisation and FTE reduction program is on track to meet the Team 23 target of around 8,000 FTE reductions and around 500 branch closures.

UniCredit expects FY21 underlying net profit of more than €3 billion and FY21 revenues and costs in-line with previous guidance, subject to the potential impact of the Covid-19 pandemic evolution on client activity and market rates stabilising.

For 2021, the ordinary capital distribution will comply with ECB recommendations on dividends issued on 15 December 2020, which for UniCredit limits distributions to €447 million[8] until 30 September 2021. Consequently, a proposal for an ordinary distribution of €268 million in cash and €179 million in share buybacks will be submitted to the AGM[7].

The extraordinary capital distribution intended for 2021 amounts to €652 million, fully in the form of share buybacks. It will be submitted to the AGM in April 2021 and execution should commence after 1 October 2021[7].

Combining these ordinary and extraordinary distributions, the total capital return to shareholders in 2021 is €1.1 billion, made up of €0.8 billion of share buybacks and €0.3 billion of cash dividends. The cash dividend is subject to AGM approval, while both buybacks are subject to AGM and regulatory approval.

[8] Calculated as 15 per cent ("ECB cap") of the cumulated stated net profits for the years 2019 and 2020, adjusted as per ECB recommendation. The additional 20 bps of CET1r limit, introduced by ECB, is less stringent for the Group thus it does not apply.

Jean Pierre Mustier, Chief Executive Officer of UniCredit S.p.A. :

"UniCredit's underlying net profit result was impressive given the impact of Covid-19 on all markets and the 5 billion in loan loss provisions[1,2] taken in 2020 in anticipation of future expected impacts.

Our ability to successfully navigate the last 12 months was possible thanks to the fundamental strengths of the bank with a fortress balance sheet, a deeply embedded risk and cost culture and a focus on delivering sustainable results for the long-term. The bank is well placed to continue to support clients and face the future with confidence.

UniCredit has also maintained its commitment to enhanced customer service, digital transformation and sustainability. The bank has a clear ESG roadmap that adheres to highest global standards - as demonstrated by UniCredit's best-in-class coal policy with total phase out by 2028.

I would like to extend my sincere thanks and deep gratitude to all UniCredit team members for their continued commitment, resilience and hard work during my time at the bank. Together, they have allowed UniCredit to prosper and to do the right thing for all our stakeholders, particularly through the Covid-19 pandemic.

I would also like to welcome my successor, Andrea Orcel, who will join the bank after the AGM in April. Andrea brings a wealth of experience to the bank and an impressive track record in international finance. He is well placed to take UniCredit on the next leg of its journey."

4Q20 KEY FIGURES

- **Revenues:** €4.2 bn, down 2.7 per cent Q/Q and down 12.6 per cent Y/Y, as a result of lower NII, partially compensated by stronger fees Q/Q
- **Net interest income**: €2.3 bn, down 2.3 per cent Q/Q on lower loan volumes and market rates pressure, partially offset by enhanced TLTRO3 terms in 4Q20 and beyond
- **Fees**: €1.5 bn, up 2.5 per cent Q/Q driven by investment and financing fees
  - **Investment fees**: €592 m, up 8.4 per cent Q/Q driven by strong commercial activity, in particular in AuM gross sales volumes in CB Italy
  - **Financing fees**: €397 m, up 7.0 per cent mainly thanks to higher global capital markets and loan fees
  - **Transactional fees**: €518 m, down 6.3 per cent Q/Q due to Covid-19 impact on GDP sensitive subcategories such as cards
- **Trading income**: €426 m, down 6.4 per cent Q/Q, with client driven activity up €47 m Q/Q
- **Dividends**: €124 m, down 6.8 per cent Y/Y on strategic disposals partially offset by financial investments
- **Operating costs:** €2.5 bn, up 2.0 per cent Q/Q due to seasonality and down 2.6 per cent Y/Y on continued cost discipline with branch network optimisation and FTE reduction on track
- **Underlying net profit[9]**: €0.2 bn in 4Q20 (4Q19: €1.4 bn; 3Q20: €0.7 bn)

[9] Normalised for regulatory headwinds impact on CoR (-€519 m in 4Q20), revaluation of real estate (+€23 m in 4Q20), Non Core rundown (-€8 m in 4Q20) and goodwill impairment (-€878 m in 4Q20).

- **Underlying RoTE**[10]: 1.6 per cent, down 3.8 p.p Q/Q

FY20 KEY FIGURES

- **Revenues**: €17.1 bn, down 9.0 per cent FY/FY
- **Net interest income**: €9.4 bn, down 6.3 per cent FY/FY mainly due to the impact of lower loan rates (-€1.1 bn FY/FY)
- **Fees**: €6.0 bn, down 5.2 per cent FY/FY
  - **Investment fees**: €2.2 bn, down 4.5 per cent FY/FY on lower management and performance fees
  - **Financing fees**: €1.6 bn, down 4.7 per cent FY/FY on lower insurance product sales activity in Italy and CEE
  - **Transactional fees**: €2.1 bn, down 6.3 per cent FY/FY
- **Trading income**: €1.4 bn, down 15.4 per cent FY/FY on lower client activity (-€0.3 bn FY/FY)
- **Dividends**: €0.4 bn, down 34.8 per cent FY/FY due to the reduction of non-strategic stakes
- **Operating costs:** €9.8 bn, down 1.2 per cent FY/FY thanks to strict cost discipline and lower HR costs more than offsetting Covid-19 related expenses
- **Underlying net profit**[1]: €1.3 bn (FY19: €4.7 bn) while proactively booking €5 bn of LLPs[1,2] to cover the current and future economic impact of Covid-19
- **Underlying RoTE**[10]: 2.5 per cent, down 6.8 p.p. FY/FY

FY20 CAPITAL, RISK & LIQUIDITY POSITION

- **Capital and liquidity**: Pro forma CET1 ratio fully loaded at 15.08 per cent[5] and high Liquidity Coverage Ratio at 178 per cent[11]
- **Pro forma CET1 MDA buffer fully loaded**[12]: 605 bps, up 67 bps Q/Q, well above 200-250 bps target
- **Cost of risk (CoR)**: FY20 stated CoR at 105 bps (lower end of 100-120 bps guidance) as a result of the proactive anticipation of future expected impacts
- **Gross NPE ratio** of 4.5 per cent[6]; Non Core rundown by FY21 confirmed with disposals of €3.4 bn during FY20

KEY HIGHLIGHTS

Net Interest Income was down quarter on quarter on lower loan volumes reflecting the Group's prudent approach to risk as well as the impact of early repayments. Customer loan rates reflected continued pressure from lower benchmark rates as well as lower yielding government guaranteed loans in Italy which substituted higher yielding short term facilities. Enhanced TLTRO3 terms partially offset these factors in the fourth quarter and will provide further support going forward.

Fees were up quarter on quarter driven by investment and financing fees. Group **investment fees** were up quarter on quarter driven by strong commercial activity, visible in gross sales volumes in Commercial Banking Italy, in

[10] Based on underlying net profit.
[11] Liquidity coverage ratio shown is the point in time ratio as of 31 Dec 20, regulatory figure published in pillar 3 as of 4Q20 will be 171 per cent (trailing 12M average).
[12] Including the deduction of ordinary share buyback of €179 m, subject to supervisory and AGM approval. Stated CET1 ratio fully loaded at 15.14 per cent and stated MDA buffer fully loaded at 611 bps.

particular for Assets under Management sales. **Financing fees** were up mainly thanks to higher global capital markets and loan fees in the quarter, while **transactional fees** were down, reflecting the impact of Covid-19 on GDP sensitive subcategories such as cards, following higher card volumes and payments activity in 3Q20.

Trading income was down over 6 per cent quarter on quarter and over 15 per cent for the full year, as stronger treasury results only partially offset lower client activity during 2020. Client driven trading income was up in 4Q20 quarter on quarter on higher Fixed Income & Currencies, partly offset by lower Equities & Commodities. FY20 Revenues from **dividends** were down 34.8 per cent full year on full year primarily due to the strategic disposals of Yapi Kredi and Mediobanca and the lower contribution from 3 Banken.

Operating costs were down 1.2 per cent for the full year thanks to strict cost discipline and lower HR costs, more than offsetting additional Covid-19 related expenses. Covid-19 related costs for FY20 were absorbed by wider Group cost savings including lower variable compensation. 4Q20 saw unusually high Non HR costs primarily due to IT expenses and security, partially offset by lower credit recovery expenses. FY21 costs in line with previous guidance, expected flat relative to FY19.

Team 23 target reductions of around 8,000 FTEs and around 500 branches are well on track thanks to the agreement with the Italian, German and Austrian trade unions already signed and fully booked in or before 1Q20[13]. Between Transform 2019 and Team 23, UniCredit will have reduced FTEs by around 24 per cent and branches by around 38 per cent in Western Europe.

UniCredit reported **underlying net profit[1]** of €1.3 billion for FY20, whilst booking €5 billion of LLPs in 2020[1,2] properly reflecting the current and future economic impact of Covid-19. UniCredit confirms its underlying net profit target of more than €3 billion for FY21.

Thanks to its significantly strengthened and de-risked balance sheet, UniCredit has a very strong **pro forma fully loaded CET1 capital ratio[5]** of 15.08 per cent. The pro forma **CET1 MDA buffer fully loaded** increased to an all-time high of 605 basis points in 4Q20, up 67 basis points quarter on quarter driven by lower risk weighted assets. The medium to long term CET1 MDA buffer target is confirmed at 200 to 250 basis points.

UniCredit's gross NPEs in the Non Core were €3.7 billion at the end of the year, below the €4.3 billion target. The Non Core rundown is well on track, and the rundown target by 2021 is confirmed. The Group excluding Non Core **gross NPE coverage** ratio stands at 55.8 per cent, although **gross NPEs** increased during the fourth quarter driven by the proactive classification of loans to unlikely to pay (UTP) across the Group.

FY20 Group stated cost of risk (CoR) for FY20 was 105 basis points, at the lower end of the 100-120 basis points guidance, including 46 basis points of overlays for the anticipation of future impacts. As a consequence, 4Q20 stated CoR stood at 179 basis points as expected, affected by seasonality, new DoD and overlays. FY21 Group stated CoR is expected to be close to 70 basis points with the underlying CoR[14] close to 60 basis points.

[13] See press release of 02 Apr 20 for details "UniCredit and Italian trade unions sign agreement related to Team 23 strategic plan". Integration costs in Germany & Austria have been booked in 4Q19 as per CMD'19 guidance.
[14] Underlying CoR is defined as stated CoR excluding regulatory headwinds.

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UNICREDIT FY20 & 4Q20 GROUP RESULTS – DETAILS OF CONFERENCE CALL

MILAN, 11 February 2021 – 10.00 CET

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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

UNICREDIT GROUP CONSOLIDATED RESULTS

(€ million)	FY19	FY20	FY/FY	4Q19	3Q20	4Q20	Q/Q	Y/Y
Total revenues	18,839	17,140	-9.0%	4,850	4,354	4,238	-2.7%	-12.6%
Operating costs	-9,929	-9,805	-1.2%	-2,525	-2,410	-2,458	+2.0%	-2.6%
LLP	-3,382	-4,996	+47.7%	-1,645	-741	-2,058	n.m.	+25.1%
Stated net profit	3,373	-2,785	n.m.	-835	680	-1,179	n.m.	+41.1%
Underlying net profit	4,675	1,264	-73.0%	1,416	692	204	-70.5%	-85.6%
Fully loaded CET1 ratio	13.22%	15.14%	+1.9 p.p.	13.22%	14.41%	15.14%	+0.7 p.p.	+1.9 p.p.
Underlying RoTE	9.2%	2.5%	-6.8 p.p.	10.8%	5.4%	1.6%	-3.8 p.p.	-9.2 p.p.
Loans (excl. repos) - bn	424	415	-2.3%	424	422	415	-1.6%	-2.3%
Gross NPE - bn	25	21	-16.0%	25	23	21	-6.4%	-16.0%
Deposits (excl. repos) - bn	420	460	+9.4%	420	445	460	+3.3%	+9.4%
Cost/income ratio	52.7%	57.2%	+4.5 p.p.	52.1%	55.3%	58.0%	+2.7 p.p.	+6.0 p.p.
Cost of risk (bps)	71	105	+34	137	63	179	+117	+43

Note: Group underlying net profit and RoTE exclude the net impact of Fineco disposal (+€1,176 m in 2Q19), Ocean Breeze disposal (-€178 m in 2Q19), the impact of REV (+€46 m in 1Q19, -€1 m in 2Q19, +€80 m in 3Q19 and -€45 m in 4Q19), other one-offs (-€173 m in 2Q19), disposal of 9 per cent Yapi Kredi (-€365 m in 4Q19), integration costs in Germany & Austria (-€319 m in 4Q19), Non Core LLPs given the update of Non Core rundown strategy (-€1,055 m in 4Q19 including -€6 m related to net interest) and impairment of intangible and other assets(-€468 m in 4Q19 o/w -€189 m software write-off and -€279 m other), Yapi Kredi deconsolidation (-€1,576 m in 1Q20), integration costs in Italy (-€1,272 m in 1Q20), additional real estate disposals (+€296 m in 1Q20), regulatory headwinds impact on CoR (-€3 m in 1Q20, -€4 m in 2Q20, -€3 m in 3Q20 and -€519 m in 4Q20), revaluation of real estate (+€9 m in 1Q20, -€7 m in 2Q20, -€5 m in 3Q20 and +€23 m in 4Q20), Non Core rundown (-€98 m in 2Q20, -€4 m in 3Q20 and -€8 m in 4Q20) and goodwill impairment (-€878 m in 4Q20). The fully loaded CET1 ratio is stated.

Revenues were down 9.0 per cent FY/FY to €17.1 bn in FY20 with a decrease in all revenue line items including lower NII (-6.3 per cent FY/FY), fees (-5.2 per cent FY/FY) and trading (-15.4 per cent FY/FY). The largest revenue contribution came from CB Italy, CIB and CEE. In 4Q20, revenues reached €4.2 bn (-2.7 per cent Q/Q and -12.6 per cent Y/Y) as a result of lower NII and trading, partially compensated by stronger fees Q/Q. FY21 revenues in line with the previous guidance.

In FY20, **NII**[15] was down 6.3 per cent FY/FY to €9.4 bn, mainly due to lower customer rates and volumes reflecting the Group's prudent approach, only partially offset by the positive effect of TLTRO3 and tiering. In 4Q20, NII was down 2.3 per cent Q/Q primarily due to lower contributions from loans, partially offset by TLTRO3. The quarter was characterised by further downwards pressure on key market rates as well as by excess liquidity in the system which contributed to the weak demand for credit. Performing volumes (resulting NII -€47 m Q/Q) were impacted by lower overall loan volumes which reflected the disciplined approach to risk and early repayments. Loan rates (NII -€54 m Q/Q) were affected by continued pressure on customer loan rates, as lower yielding government guaranteed loans in Italy which substituted short term facilities. These impacts were partially offset by the positive effect of TLTRO3 (NII +€37 m Q/Q)[16] term funding (NII +€24 m Q/Q) which benefitted from lower market rates and by deposits (NII +€12 m Q/Q). Looking forward, 1Q21 will likely see continued headwinds with abundant liquidity in the market, Euribor having already weakened further, demand for credit remaining weak given extended lockdowns and the expected further growth in guaranteed loans in Italy. Moving into the remainder of FY21, net interest income is expected to grow, subject to the anticipated recovery in GDP taking hold, the pace of which will be determined by the rate and timing at which restrictions ease.

[15] Net contribution from hedging strategy of non-maturity deposits in 4Q20 at €361.1 m, +€7.4 m Q/Q and +€7.0 m Y/Y whereas in FY20 at €1,390.0 m, -€11.4 m FY/FY.
[16] Managerial calculation. The €37 m quarterly positive impact is calculated applying additional 17 bps spread for 3Q20 and 4Q20 related to the TLTRO3 expiration prolongation effect on top of the "base benefit" (i.e. the difference between the cost of a 3Y borrow assuming CNL target achievement and reinvestment at the ECB deposit facility rate) related to the +€43.6 bn incremental take-up of TLTRO3 with respect to the previous TLTRO2 take-up, for details please see the press release of 18 Jun 20 "UniCredit: takes €94.3 billion in ECB TLTRO3 auction".

Fees and commission were up 2.5 per cent Q/Q, totalling €1,506 m in 4Q20 driven by investment and financing fees which showed an encouraging performance in the quarter:

- **Investment fees** were €592 m, up 8.4 per cent Q/Q helped by an especially strong contribution from upfront fees which recorded the highest level in over two years, mainly driven by Commercial Banking Italy;
- **Financing fees** totalled €397 m, up 7.0 per cent Q/Q thanks to healthy client activity in Capital Markets and in Structured Finance;
- **Transactional fees** amounted to €518 m, down 6.3 per cent Q/Q reflecting weaker client activity in GDP sensitive subcategories, notably cards.

FY20 **fees** closed the year in line with the guidance and were down 5.2 per cent FY/FY, totalling €6.0 bn reflecting the lockdown impact on client activity from 2Q20 onwards. Looking ahead, investment fees are expected to continue to benefit from liquidity-rich clients shifting deposits into AuM, subject to markets remaining buoyant. Financing and transactional fees are expected to benefit from the pick-up in client activity from 2Q21 onwards with the pace determined by the rate at which restrictions ease and GDP recovers.

Trading income totalled €1.4 bn in FY20, down 15.4 per cent FY/FY, as stronger treasury results only partially offset lower client activity (-€316 m FY/FY). Trading income ex-XVA[17] was down 14.8 per cent FY/FY.

Dividends and other income[18] were down 34.8 per cent FY/FY to €0.4 bn in FY20 due to the progressive reduction of the non-strategic stake in Yapi Kredi (-€110 m FY/FY) and the disposal of the stake in Mediobanca (-€73 m FY/FY).

Thanks to the bank's strict cost discipline, **operating costs** were down 1.2 per cent FY/FY to €9.8 bn thanks to lower HR costs more than offsetting Covid-19 related expenses:

- **HR costs** totalled €6.0 bn in FY20, down 2.9 per cent FY/FY mainly thanks to lower variable compensation;
- **Non HR costs**[19] totalled €3.8 bn in FY20, up 1.4 per cent FY/FY primarily due to higher Covid-19 related expenses.

FY21 cost guidance confirmed flat compared to FY19 levels.

Group **FTEs** stood at 82,107 at the end of FY20, down by 2,138 FY/FY. **Branch** numbers decreased by 227 FY/FY to 3,490 as at the end of 4Q20 (comprising 2,664 in Western Europe and 826 in CEE). Team 23 target reductions of around 8,000 FTEs and closure of around 500 branches are on track, also thanks to the agreement with the Italian, German and Austrian trade unions for the implementation of Team 23 already signed with restructuring provisions in or before 1Q20[13]. Cost/Income ratio was 58.0 per cent in 4Q20 (+2.7 p.p. Q/Q, +6.0 p.p. Y/Y) and 57.2 per cent in FY20 (+4.5 p.p. FY/FY).

Systemic charges increased by 8.2 per cent FY/FY to €958 m, mainly due to additional contribution to the Deposit Guarantee Scheme in 3Q20 and in line with the guidance at €0.95 bn.

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[17] Valuation adjustments (XVA) include: Debt/Credit Value Adjustment (DVA/CVA), Funding Valuation Adjustments (FuVA) and Hedging desk.
[18] Include dividends and equity investments. Yapi Kredi is valued by the equity method (at 32 per cent stake for Jan 20 and at 20 per cent thereafter) and contributes to the dividend line of the Group P&L based on managerial view.
[19] Non HR costs include "other administrative expenses", "recovery of expenses" and "amortisation, depreciation and impairment losses on intangible and tangible assets".

LLPs[20] totalled €5.0 bn in FY20 (+47.7 per cent FY/FY) of which €2.2 bn were specific LLPs[21], while regulatory headwinds on CoR were €572 m in FY20, including the new definition of default.

The FY20 stated Group CoR was 105 bps (+34 bps FY/FY), at the lower end of the guided range of 100-120 bps, this includes 47 bps of **specific CoR**[21] (+4 bps FY/FY), 46 bps of overlays on CoR and 12 bps of regulatory headwinds. In 4Q20, the stated Group CoR was 179 bps (+117 bps Q/Q) driven by a combination of anticipation of future expected impacts[4] and seasonality in 4Q20 including 89 bps of specific CoR, 42 bps of overlays on CoR and 49 bps of regulatory headwinds. FY21 stated Group CoR is expected to be close to 70 bps with underlying CoR[14] close to 60 bps.

The €886 m goodwill impairment in 2020 is almost exclusively due to the impairment in 4Q20 of the €878 m of goodwill allocated to Corporate & Investment Banking. This €878 m impairment stems from the execution of the impairment test process according to IAS36 and the ESMA Public Statement of 28 October 2020 recommending issuers, in light of the significant level of uncertainty linked to the Covid-19 pandemic, to make use of alternative scenarios. Based on the test results, on sensitivity analyses performed and in light of the high volatility and uncertainty around the current macroeconomic environment, the bank carried out the full impairment of the goodwill on the balance sheet. This impairment is a non-cash item with no impact on regulatory capital or tangible equity.

Profitability was underpinned by business and geographical diversification as CEE confirmed its position as a resilient contributor to the Group's profitability and Corporate & Investment Banking delivered a strong performance thanks to commercial revenues dynamics driven by client activity. As a result, **underlying net profit** was €204 m in 4Q20[9] or €1,264 m in FY20[1], demonstrating UniCredit's ability to successfully navigate an extraordinary year from a position of strength, whilst booking €5 bn of LLPs in 2020[1,2] to reflect the current and future expected economic impact of Covid-19. **Underlying RoTE for the Group**[10] was down 6.8 p.p. FY/FY to 2.5 per cent in FY20. The FY21 underlying net profit target above €3 bn is confirmed.

BALANCE SHEET

Average gross commercial performing loans[22,23] were €390.6 bn[24] at the end of Dec 20 (-2.4 per cent Q/Q, -2.7 per cent Y/Y). The main contributors were Commercial Banking Italy (€130.1 bn), Commercial Banking Germany (€85.4 bn) and Corporate & Investment Banking (€71.8 bn).

[20] The split of LLPs and Cost of Risk between the overlay and specific parts has been calculated applying the sum of quarterly LLPs data coherently with the quarterly staging dynamic.
[21] Specific LLPs: analytical and statistical LLPs related to non performing portfolio (stage 3), excluding changes in NPE selling scenario.
[22] Average gross commercial performing loans excluding repos are managerial figures and are calculated as daily averages.
[23] End of period accounting volumes calculated excluding repos and, for divisions, excluding also intercompany items. Customer loans including repos amounted to €450.5 bn as of 31 Dec 20 (-3.5 per cent Q/Q, -6.6 per cent Y/Y).
[24] Includes Group Corporate Centre and Non Core.

Group average commercial deposits[25,26] increased to €440.7 bn[24] as of 31 Dec 20 (+3.1 per cent Q/Q, +8.2 per cent Y/Y). The main contributors were Commercial Banking Italy (€168.5 bn), Commercial Banking Germany (€100.3 bn) and CEE (€71.7 bn).

Gross customer performing loan rates[27] were down 6 bps Q/Q at 2.07 per cent[24] in 4Q20 and down 36 bps Y/Y.

Total Financial Assets (TFA)[28] increased by 6.2 per cent Y/Y, reaching €748 bn as of 31 Dec 20:

- **Assets under management (AuM)** reached €203 bn, up 0.8 per cent Y/Y, thanks to net sales mainly in Commercial Banking Germany (+€1.5 bn in FY20);
- **Assets under custody (AuC)** increased by 7.7 per cent Q/Q to €146 bn and by 4.1 per cent Y/Y in 4Q20. This development was driven by strong performance in Commercial Banking Italy (+€1.2 bn in FY20);
- **Deposits** were up 3.4 per cent Q/Q and 10.0 per cent Y/Y and amounted to €398 bn mainly driven by positive net sales in Commercial Banking Italy and Commercial Banking Germany (+€40.6 bn in FY20).

Asset Quality

Group gross NPEs were €21.2 bn in 4Q20 (-6.4 per cent Q/Q and -16.0 per cent Y/Y) leading to an improved gross NPE ratio of 4.5 per cent[6] (-0.1 p.p. Q/Q, -0.5 p.p. Y/Y), while the net NPE ratio stood at 1.9 per cent (flat Q/Q, +0.1 p.p. Y/Y). The coverage ratio was down 1.4 p.p. Q/Q at 59.8 per cent (-5.4 p.p. Y/Y). The better than expected asset quality performance to date was possible thanks to the bank's strict underwriting discipline. Nonetheless, the gross NPE ratio is expected to increase through FY21 as government support measures run off. However, the Group's loan loss provisions build up in FY20 allows the bank to operate from a position of strength.

Group gross bad loans amounted to €7.6 bn in 4Q20 (-24.1 per cent Q/Q, -39.1 per cent Y/Y) with a coverage ratio of 78.4 per cent (+3.8 p.p. Q/Q, +2.1 p.p. Y/Y). **Group gross unlikely to pay** increased to €12.9 bn (+9.0 per cent Q/Q, +7.9 per cent Y/Y), with a coverage ratio of 50.4 per cent (-1.4 p.p. Q/Q, -5.5 p.p. Y/Y). **Group past due loans** were €0.8 bn (-13.2 per cent Q/Q, -12.8 per cent Y/Y) with a coverage ratio of 33.7 per cent (-2.2 p.p. Q/Q, flat Y/Y).

The **Group gross NPEs** excluding Non Core[29] increased to €17.6 bn in 4Q20 (+4.3 per cent Q/Q, +5.1 per cent Y/Y) on the back of the proactive classification to unlikely to pay (UTP) across the Group. The gross NPE ratio was at 3.8 per cent (+0.3 p.p. Q/Q, +0.4 p.p. Y/Y). Using the EBA's definition, the NPE ratio of the Group excluding Non Core was 2.6 per cent, for the third quarter in a row below the weighted average of other European banks at 2.8 per cent[30]. The coverage ratio decreased to 55.8 per cent (-0.3 p.p. Q/Q, -2.8 p.p. Y/Y) due the mix effect of more UTPs and less bad loans.

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[25] Average commercial deposits excluding repos are managerial figures and are calculated as daily averages. Deposits net of Group Bonds are placed by the network.

[26] End of period accounting volumes calculated excluding repos and, for divisions, also excluding intercompany items. EoP customer deposits including repos amounted to €498.4 bn as of 31 Dec 20 (+5.0 per cent Q/Q, +5.9 per cent Y/Y).

[27] Gross customer performing loan rates calculated assuming 365 days convention, adjusted for 360 days convention where analytically available, and based on average gross balances.

[28] Refers to Group commercial Total Financial Assets. Non-commercial elements, i.e. CIB, Group Corporate Centre, Non Core and Leasing/Factoring are excluded. Numbers are managerial figures.

[29] Gross non performing exposure end-of-period including gross bad loans, gross unlikely to pay and gross past due. Gross past due at €751 m in 4Q20 (-13.0 per cent Q/Q and -12.0 per cent Y/Y).

[30] Source: EBA risk dashboard (data as at 3Q20).

Group gross bad loans, excluding Non Core, were down to €5.6 bn (-11.2 per cent Q/Q, -25.5 per cent Y/Y) with a coverage ratio of 75.3 per cent (+4.8 p.p. Q/Q, +3.4 p.p. Y/Y). **Gross unlikely to pay** amounted to €11.2 bn (+16.1 per cent Q/Q, +34.6 per cent Y/Y) with a coverage ratio of 47.6 per cent (-0.9 p.p. Q/Q, -1.7 p.p. Y/Y).

The **Non Core rundown** is materially better than the target thanks to a continued proactive approach, driven by successful disposals of which €3.4 bn were done in FY20 and €1.4 bn in 4Q20. Gross loans[31] decreased to €3.7 bn (-37.2 per cent Q/Q, -57.0 per cent Y/Y). In 4Q20 the improvements in the Non Core gross NPEs was mainly driven by: i) disposals of €1.4 bn[32] (€3.4 bn in FY20), ii) write-offs of €0.6 bn (€1.0 bn in FY20), iii) recoveries and repayments of €0.2 bn (€0.5 bn in FY20) and iv) back to performing of €0.1 bn (€0.2 bn in FY20). Net NPEs fell to €0.8 bn (-€0.6 bn Q/Q, -€1.1 bn Y/Y) with a coverage ratio of 79.0 per cent (+2.9 p.p. Q/Q, +1.0 p.p. Y/Y). The FY21 runoff target is confirmed.

CAPITAL & FUNDING

The Group 4Q20 **pro forma CET1 ratio** fully loaded[33] was up 67 bps Q/Q to 15.08 per cent, mainly driven by +48 bps from RWA dynamics[34], +37 bps from other items[35], +6 bps from underlying net profit[1] and +3 bps from FVOCI[36], FX[37], DBO[38] and other. This was partly offset by -15 bps from non-operating items[39] and -5 bps from AT1/CASHES coupon/dividend accrual[40].

In 4Q20 the **pro forma fully loaded CET1 MDA buffer[41]** stood at 605 bps[42] (+67 bps Q/Q) mainly thanks to lower RWAs mostly driven by lower loan volumes across all divisions as well as the increase in guaranteed loans in Commercial Banking Italy and by the positive effect from the new regulatory treatment of software assets. The **medium to long term CET1 MDA buffer** target is confirmed in the 200 to 250 bps range while, in FY21 the MDA buffer is confirmed to be well above 300 bps. The ordinary capital distribution policy with 50 per cent payout of underlying net profit is confirmed (max 30 per cent cash, min 20 per cent share buyback). As an exception in 2021, in order to comply with the ECB recommendation issued on 15 Dec 2020, the ordinary distribution will be capped to the maximum allowed, which for UniCredit is €447 m. In addition, a resolution for an extraordinary distribution of capital after 1 October will also be submitted at the AGM in April for an amount of €652 m, entirely in the form of share buybacks[7]. Combining the planned ordinary and extraordinary distributions equates to a total capital return to shareholders in 2021 of €1.1 bn, made up of €0.8 bn of share buybacks and €0.3 bn of cash dividends[7].

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[31] Gross non performing exposure end-of-period including gross bad loans, gross unlikely to pay and gross past due.
[32] Including the disposal of a portfolio of Leasing real estate exposures closed in 4Q20.
[33] Adjusted for -6 bps of share buyback. CET1 ratio fully loaded was 15.14 per cent in 4Q20. Proposal of ordinary share buyback subject to supervisory and AGM approval.
[34] Of which regulation, models and procyclicality +3 bps.
[35] Of which intangibles +22 bps and Warsaw Stock Exchange delisting annulment +8 bps.
[36] In 4Q20 CET1 ratio impact from FVOCI +5 bps, o/w +4 bps due to BTP. BTP sensitivity: +10 bps parallel shift of BTP asset swap spreads has a -2.3 bps pre and -1.7 bps post tax impact on the fully loaded CET1 ratio as at 31 Dec 20.
[37] TRY sensitivity: 10 per cent depreciation of the TRY has around -1.8 bps net impact (capital) on the fully loaded CET1 ratio. Managerial data as at 31 Dec 20.
[38] DBO sensitivity: 10 bps decrease in discount rate has a -5.2 bps pre and -3.7 bps post tax impact on the fully loaded CET1 ratio as at 31 Dec 20.
[39] Including the new Definition of Default.
[40] Payment of coupon on AT1 instruments (€194 m pre tax in 4Q20, €449 m pre tax for FY20) and CASHES (€30 m pre and post tax in 4Q20, €122 m for FY20). Dividends accrued as 60 per cent of ECB cap (15 per cent of the cumulated 2019-2020 net profit adjusted by capital neutral items).
[41] Adjusted for -6 bps of share buyback. The MDA buffer fully loaded was 611 bps in 4Q20. Proposal of ordinary share buyback subject to supervisory and AGM approval.
[42] MDA buffer is regulatory relevant only versus the CET1 ratio Transitional, at 693 bps; Including deduction of ordinary share buyback of €179 m, subject to supervisory and AGM approval, pro forma transitional CET1 MDA buffer at 688 bps; CET1 MDA requirements at 9.03 per cent in 4Q20.

In 4Q20, the **pro forma transitional capital ratios**[43] were: **CET1** 15.90 per cent, **Tier 1** 18.16 per cent and **total capital** 20.66 per cent. All ratios are confirmed to be well above capital requirements[44].
RWA transitional[45] totalled €325.7 bn in 4Q20, down €10.7 bn since 30 Sep 20. In particular, Credit RWAs decreased by €7.8 bn and amounted to €283.6 bn. The main driver was -€5.6 bn from business evolution of which -€2.2 bn from new state guarantees. Market RWAs were down €1.3 bn Q/Q to €11.2 bn mainly due to the decreased interest rate risk exposure in the trading book. Operational RWAs were down €1.6 bn Q/Q to €30.9 bn, benefitting from a lower risk profile thanks to better trends in operational losses.

The **fully loaded leverage ratio** was 5.70 per cent, while the **transitional leverage ratio** stood at 6.21 per cent in 4Q20[46].

In Jan 21, UniCredit SpA has already successfully issued €2 bn dual tranche Senior Preferred (in 5Y and 10Y format), that are part of the 2021 Funding Plan. The issuance follows the successful completion of 2020 TLAC/MREL funding plan which also included the pre-funding of c.€2.0 bn for 2021 TLAC funding needs. The 2021 issuance plan is more skewed towards MREL instruments in preparation for the upcoming intermediate requirement in 2022, while bank capital needs are quite limited given the bank's very substantial capital buffers. UniCredit is **fully compliant with the TLAC requirement** of greater than 19.5 per cent[47] with a 4Q20 pro forma TLAC transitional ratio of 26.92 per cent and a pro forma TLAC MDA transitional buffer of 737 bps.

[43] CET1 capital, Tier 1 and Tier 2 capital are subject to transitional adjustments. Specifically, from 2Q20 CET1 capital ratio (and as a consequence also Tier 1 and Total Capital ratios) benefits from the application of the transitional arrangements foreseen by the regulation for IFRS9 provisions adopted by the Group in the quarter. This is the only difference between CET1 ratio transitional and CET1 ratio Fully Loaded. In addition, transitional adjustments are applicable to Additional Tier 1 and Tier 2 capital instruments subject to grandfathering.

[44] Capital requirements and buffers for UniCredit Group as of 31 Dec 20 (rounded figures): 9.03 per cent CET1 ratio computed as 4.50 per cent CET1 Pillar 1 minimum + 0.98 per cent Pillar 2 requirement (as 56.25 per cent of 1.75 per cent total P2R thanks to CRD5 art. 104a) + 3.54 per cent combined buffer requirements; 10.85 per cent Tier1 (T1) ratio computed as 6.00 per cent T1 Pillar 1 minimum + 1.31 per cent Pillar 2 requirement (75 per cent of 1.75 per cent total P2R thanks to CRD5 art. 104a) + 3.54 per cent combined buffer requirement; 13.29 per cent Total Capital (TC) ratio computed as 8.00 per cent TC Pillar 1 minimum + 1.75 per cent Pillar 2 requirement + 3.54 per cent combined buffer requirement.

[45] Business evolution: changes related to customer driven activities (mainly loans Including guaranteed loans). Regulation includes: regulatory changes (eg. CRR or CRD) determining variations of RWA; Procyclicality: change in macroeconomy or client's credit worthiness; Models: methodological changes to existing or new models. Business actions: initiatives to decrease RWA (e.g. securitisations, collateral related actions). FX effect: impact from exposures in foreign currencies. Other credit includes extraordinary/non-recurring disposals.

[46] The pro forma fully loaded leverage ratio was 5.68 per cent, while the pro forma transitional leverage ratio stood at 6.19 per cent in 4Q20. Pro forma for the ordinary SBB subject to regulatory approval.

[47] 4Q20 TLAC transitional ratio 26.97 per cent (o/w 24.47 per cent TLAC subordination ratio and 2.5 per cent senior preferred exemption) and MDA buffer of 743 bps. Current requirement 19.54 per cent (assuming combined capital buffer as of 4Q20) with 2.5 per cent senior exemption. Fully loaded requirement 21.54 per cent (assuming combined capital buffer as of 4Q20) with 3.5 per cent senior exemption.

DIVISIONAL HIGHLIGHTS[48,49]

COMMERCIAL BANKING ITALY

(€ million)	FY19	FY20	FY/FY	4Q19	3Q20	4Q20	Q/Q	Y/Y
Total revenues	7,062	6,341	*-10.2%*	1,757	1,565	1,530	*-2.3%*	*-12.9%*
Gross operating profit	3,280	2,673	*-18.5%*	824	647	636	*-1.8%*	*-22.8%*
Net operating profit	2,239	-8	*n.m.*	554	198	-500	*n.m.*	*n.m.*
Stated net profit/loss	1,350	-958	*n.m.*	410	97	-444	*n.m.*	*n.m.*
Stated RoAC	11.2%	-8.7%	*-19.9 p.p.*	13.4%	3.6%	-17.0%	*-20.6 p.p.*	*-30.4 p.p.*
Cost/income ratio	53.6%	57.8%	*+4.3 p.p.*	53.1%	58.7%	58.4%	*-0.2 p.p.*	*+5.3 p.p.*
Cost of risk (bps)	76	201	*+125*	80	135	342	*+207*	*+262*

NII was down 16.1 per cent Y/Y due to a reduction in overall customer rates partly from increased guaranteed business. Such trends included the substitution effect from short term facilities to lower yielding products. In 4Q20, NII was down 0.9 per cent Q/Q due to continued pressure on customer loan rates driven by Euribor impact and increased customer deposit volumes. Lower yielding government guaranteed loans continued substituting short term facilities, such effect was partially mitigated by the TLTRO3 benefit.

Fees were down 7.5 per cent FY/FY mainly due to lower financing fees (-14.8 per cent FY/FY) and by AuM upfront fees -7.6 per cent FY/FY as well as by lower transactional fees (-5.8 per cent FY/FY), both impacted by Covid-19. In 4Q20, fees were up 2.3 per cent Q/Q thanks to the best quarterly performance in AuM upfront fees in over two years (+26.0 per cent Q/Q).

Costs were down 3.0 per cent FY/FY at €3.7 bn mainly thanks to lower FTEs (-1,495 FY/FY) fully offsetting the renewal of the national labour contract. Costs totalled €0.9 bn in 4Q20 (-4.2 per cent Y/Y) thanks to lower HR expenses driven by FTEs exits.

LLPs amounted to -€2.7 bn in FY20 up €1.6 bn FY/FY. The FY20 stated CoR stood at 201 bps.

Stated net loss stood at -€958 m in FY20 with a **stated RoAC** of -8.7 per cent in FY20. **Underlying net profit**[50] stood at €8 m in FY20 with an **underlying RoAC**[50] of 0.1 per cent in FY20.

[48] Please consider that (i) all divisional figures in "Divisional Highlights" represent the contribution of each division to Group data; (ii) Return on Allocated Capital (RoAC) related to each division and shown 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 12.25 per cent, including deductions for shortfall and securitisations.
[49] Stated net profit/loss refers to the reclassified P&L.
[50] Normalised for one-offs (-€118 m) in 2Q19, non-operating items (-€56 m) in 4Q19, integration costs in Italy (-€742 m) in 1Q20 and regulatory headwind impact on CoR including new DoD (-€224 m) in 4Q20.

COMMERCIAL BANKING GERMANY

(€ million)	FY19	FY20	FY/FY	4Q19	3Q20	4Q20	Q/Q	Y/Y
Total revenues	2,404	2,354	-2.1%	646	565	584	+3.2%	-9.6%
Gross operating profit	778	703	-9.8%	230	164	169	+2.9%	-26.6%
Net operating profit	678	343	-49.4%	182	113	85	-24.9%	-53.4%
Stated net profit	552	167	-69.7%	90	50	16	-68.3%	-82.4%
Stated RoAC	11.9%	3.5%	-8.4 p.p.	7.7%	4.2%	1.1%	-3.1 p.p.	-6.7 p.p.
Cost/income ratio	67.6%	70.2%	+2.5 p.p.	64.4%	71.0%	71.1%	+0.1 p.p.	+6.7 p.p.
Cost of risk (bps)	12	41	+29	22	23	38	+15	+16

NII was flat FY/FY with TLTRO and tiering offsetting the market rates effect on loans and lower loan volumes In 4Q20, NII was down 0.6 per cent with similar dynamics vis à vis FY20.

Fees were down 1.0 per cent FY/FY, due to lower investment fees (-5.4 per cent FY/FY) and transactional fees (-2.1 per cent FY/FY) which partly offset the positive performance of financing fees (+8.7 per cent FY/FY). In 4Q20, fees were down 6.4 per cent Q/Q mainly driven by lower financing fees (-19.9 per cent Q/Q) and GDP sensitive transactional fees (-12.1 per cent Q/Q), such as cards.

Costs were up 1.6 per cent FY/FY at €1.7 bn with wage drift and Covid-19 related additional expenses partly offset by lower variable expenses and lower Non HR costs. In 4Q20, costs totalled €0.4 bn (-0.2 per cent Y/Y).

LLPs amounted to -€359 m in FY20 up €259 m FY/FY and up €33 m Q/Q to -€84 m in 4Q20 reflecting a forward looking approach to risk and a proactive UTP classification. The FY20 stated CoR stood at 41 bps.

In 4Q20, **integration costs** were up Q/Q to €25 m and included further restructuring charges for FTE reductions.

Stated net profit stood at €167 m in FY20 with a **stated RoAC** of 3.5 per cent in FY20. **Underlying net profit**[51] amounted to €191 m in FY20 with an **underlying RoAC**[51] of 4.0 per cent in FY20.

[51] Normalised for the impact of real estate valuation (+€24 m) in 1Q19, (+€6 m) in 2Q19, (+€79 m) in 3Q19 and (+€117 m) in 4Q19, non-operating items (-€158 m) in 4Q19, regulatory headwinds impact on CoR including new DoD (-€3 m) in 1Q20, (-€5 m) in 2Q20, (-€3 m) in 3Q20 and (-€13 m) in 4Q20, real estate valuation (-€1 m) in 2Q20, (-€1 m) in 3Q20 and (+€2 m) in 4Q20.

COMMERCIAL BANKING AUSTRIA

(€ million)	FY19	FY20	FY/FY	4Q19	3Q20	4Q20	Q/Q	Y/Y
Total revenues	1,546	1,363	-11.8%	415	358	360	+0.4%	-13.4%
Gross operating profit	577	371	-35.6%	168	116	105	-9.7%	-37.5%
Net operating profit	536	127	-76.3%	136	96	-35	n.m.	n.m.
Stated net profit/loss	563	-12	n.m.	222	76	-33	n.m.	n.m.
Stated RoAC	19.7%	-0.7%	-20.5 p.p.	30.9%	10.5%	-5.2%	-15.8 p.p.	-36.1 p.p.
Cost/income ratio	62.7%	72.7%	+10.1 p.p.	59.6%	67.6%	70.8%	+3.3 p.p.	+11.2 p.p.
Cost of risk (bps)	9	55	+46	28	18	127	+109	+99

NII was down 10.4 per cent FY/FY mainly due to the evolution of negative rates and lower higher margin yielding business such as consumer lending. In 4Q20, **NII** was up 1.5 per cent Q/Q thanks to the positive TLTRO3 effect which more than offset loan margins and volumes evolution.

Fees were down 4.5 per cent FY/FY reflecting the reduction in AuM fees and transactional fees due to the impact of Covid-19. In 4Q20, fees were up 4.9 per cent Q/Q thanks to investment fees (+11.2 per cent Q/Q), sustained by strong AuM upfront fees (+39.0 per cent Q/Q).

Dividends were down Q/Q and FY/FY driven by lower contribution from 3 Banken.

Operating costs were up 2.3 per cent FY/FY at €1.0 bn mainly due to a pension-related one-off in HR costs. In 4Q20, costs were up 2.9 per cent Y/Y at €0.3 bn affected by a non-recurring item in depreciation.

LLPs were up €204 m FY/FY at -€245 m. In 4Q20, LLPs were up €109 m Y/Y to -€140 m. The FY20 stated CoR stood at 55 bps.

Stated net loss stood at -€12 m in FY20 due to the non-recurring impairment of the 3 Banken Group (-€110 m) booked in net income from investment, resulting in a **stated RoAC** of -0.7 per cent in FY20. **Underlying net profit**[52] amounted to €25 m in FY20 resulting in an **underlying RoAC**[52] of 0.6 per cent in FY20.

[52] Normalised for the impact of real estate valuation (+€1 m) in 1Q19, (-€7 m) in 2Q19 and (+€3 m) in 4Q19, non-operating items (-€110 m) in 4Q19, real estate valuation (+€2 m) in 1Q20, (+€5 m) in 2Q20, (-€1 m) in 3Q20 and (-€1 m) in 4Q20 and regulatory headwind impact on CoR including new DoD (-€42 m) in 4Q20.

CEE

(€ million)	FY19	FY20	*FY/FY*	4Q19	3Q20	4Q20	*Q/Q*	*Y/Y*
Total revenues	4,001	3,422	*-11.0%*	1,027	823	790	*-2.7%*	*-17.7%*
Gross operating profit	2,466	1,937	*-18.1%*	620	458	423	*-6.4%*	*-26.7%*
Net operating profit	2,014	963	*-50.0%*	468	293	110	*-60.3%*	*-73.7%*
Stated net profit	1,398	603	*-54.8%*	304	226	44	*-78.0%*	*-82.7%*
Stated RoAC	16.7%	6.9%	*-9.8 p.p.*	14.3%	10.6%	1.2%	*-9.3 p.p.*	*-13.0 p.p.*
Cost/income ratio	38.4%	43.4%	*+5.0 p.p.*	39.6%	44.3%	46.5%	*+2.2 p.p.*	*+6.8 p.p.*
Cost of risk (bps)	68	150	*+83*	90	103	200	*+97*	*+111*

Note: Stated numbers at current FX. Variations Q/Q and Y/Y at constant FX (underlying net profit, RoAC, C/I, gross NPE ratio, coverage ratio and CoR variations at current FX). Yapi Kredi is valued by the equity method and contributes to the dividend line of the Group P&L based on managerial view. Revenues excludes dividends from Yapi Kredi which as of 1Q20 are no longer reported in CEE and now reported in Group Corporate Centre

NII was down 8.4 per cent FY/FY at constant FX due to rate cuts in several geographies affecting both customer loans rates and non-commercial NII partially offset by successful commercial actions on deposits. In 4Q20, NII was down 12.2 per cent Y/Y due to lower loan rates offset by lower depo rates.

Fees were down 11.1 per cent FY/FY mostly impacted by transactional fees due to the introduction of the EU Payment Regulation in Dec 2019 and lower financing fees. In 4Q20, fees up 5.0 per cent Q/Q at constant FX thanks to financing (+16.6 per cent Q/Q) and investment fees (+19.3 per cent Q/Q), with transactional fees (-1.9 per cent Q/Q) mainly impacted by lower turnover in payments and cards.

Operating costs were up 0.4 per cent FY/FY at constant FX well below inflation and driven by Non HR costs partially offset by lower variable costs. In 4Q20, costs were down 4.1 per cent Y/Y with better HR costs (-9.6 per cent Y/Y at constant FX) partially offset by Non HR costs increase for IT and Covid-19 expenses.

LLPs were -€974 m in FY20 reflecting a conservative approach to risk and proactive UTP classification with FY20 stated CoR at 150 bps.

In 4Q20, **integration costs** were up Q/Q to €47 m mainly in Russia and Croatia mainly due to FTE reductions and increasing digitalisation.

Stated net profit stood at €603 m in FY20 with a **stated RoAC** of 6.9 per cent in FY20. **Underlying net profit**[53] amounted to €671 m in FY20 with an **underlying RoAC**[53] of 7.8 per cent in FY20.

[53] Normalised for the impact of real estate valuation (+€1 m) in 1Q19, (+€1 m) in 2Q19, (-€1 m) in 3Q19 and (-€17 m) in 4Q19, non-operating items (-€16 m), integration costs in Italy (-€11 m) in 1Q20, real estate valuation (+€3 m) in 1Q20, (-€3 m) in 2Q20, (+€1 m) in 4Q20, regulatory headwinds impact on CoR including new DoD (+€1 m) in 2Q20 and (-€59 m) in 4Q20.

CIB

(€ million)	FY19	FY20	FY/FY	4Q19	3Q20	4Q20	Q/Q	Y/Y
Total revenues	3,985	3,947	-0.9%	1,044	1,072	1,092	+1.9%	+4.6%
Gross operating profit	2,436	2,422	-0.6%	639	699	704	+0.6%	+10.2%
Net operating profit	2,327	1,690	-27.4%	686	618	452	-26.9%	-34.1%
Stated net profit	1,413	936	-33.7%	369	394	354	-10.2%	-4.0%
Stated RoAC	12.8%	8.6%	-4.1 p.p.	13.4%	14.7%	13.6%	-1.1 p.p.	+0.2 p.p.
Cost/income ratio	38.9%	38.6%	-0.2 p.p.	38.8%	34.8%	35.6%	+0.8 p.p.	-3.3 p.p.
Cost of risk (bps)	8	51	+43	-13	23	77	+54	+90

NII was up 7.0 per cent FY/FY driven by higher volumes Y/Y and treasury more than offsetting the rate pressure. In 4Q20, NII was flat Q/Q with loan volume reduction driven by repayment of drawn credit facilities and pressure on customer rates offset by TLTRO3 benefit.

Fees were up 11.7 per cent FY/FY thanks to a significant growth in investment fees which more than offset lower GDP-sensitive transactional fees. In 4Q20, fees were up 27.7 per cent Q/Q driven by strong results both in global capital markets and structured finance, and higher investment fees from lower certificates sales.

Trading income was down 16.9 per cent FY/FY due to lower result from Equity & Commodities. The yearly result was characterised by solid customer business in Fixed Income & Currency and good treasury performance. In 4Q20, trading income was up 22.9 per cent Y/Y driven by XVA[17] and treasury thanks to positive Fair Value portfolio valuations and customer driven Equity & Commodities products.

Operating costs were down 1.6 per cent FY/FY mainly thanks to lower variable compensation and travel costs. In 4Q20, costs Improved by 4.2 per cent Y/Y thanks to lower Non HR and HR expenses despite Covid-19, resulting in a C/I ratio among the best in the industry[54].

LLPs were up to -€733 m in FY20 with a stated CoR at 51 bps. LLPs were up Y/Y reflecting a forward looking approach to risk and additional LLPs in 4Q20.

Stated net profit stood at €936 m in FY20 with a **stated RoAC** of 8.6 per cent in FY20. **Underlying net profit**[55] stood at €1,002 m in FY20. The **underlying RoAC**[55] was at 9.2 per cent in FY20.

[54] Source: selected sample of CIB divisions of European banks (data as of 3Q20).
[55] Normalised for disposal of Ocean Breeze (-€178 m) in 2Q19, non operating items (-€97 m) and real estate valuation (+€2 m) in 4Q19, integration costs in Italy (-€19 m) in 1Q20, real estate valuation (-€1 m) and regulatory headwinds impact on CoR including new DoD (-€46 m) in 4Q20.

GROUP CORPORATE CENTRE (GCC)

(€ million)	FY19	FY20	*FY/FY*	4Q19	3Q20	4Q20	Q/Q	Y/Y
Total revenues	-119	-241	*n.m.*	-10	-31	-97	*n.m.*	*n.m.*
Operating costs	-292	-369	*26.6%*	-69	-78	-118	*+51.1%*	*70.7%*
Gross operating profit	-410	-610	*+48.7%*	-79	-109	-215	*+96.7%*	*n.m.*
Stated net profit/loss	-220	-3,290	*n.m.*	-1,126	-197	-932	*n.m.*	*-17.3%*
FTE	14,042	14,047	*0.0%*	14,042	14,084	14,047	*-0.3%*	*0.0%*
Costs GCC/total costs	2.9%	3.8%	*+0.8 p.p.*	2.7%	3.3%	4.8%	*+1.6 p.p.*	*+2.1 p.p.*

Revenues[56] decreased to -€241 m in FY20 due to a lower dividend contribution from Yapi Kredi. In 4Q20, revenues were down €66 m Q/Q mainly due to lower NII affected by higher liquidity surplus (Q/Q) driven by lower loan volumes and higher deposits while fees were negatively impacted by non-recurring items.

Costs were up 26.6 per cent FY/FY mainly due to higher Non HR Covid-19 related expenses. In 4Q20, costs were up 70.7 per cent Y/Y mainly due to Non HR expenses impacted by depreciations and Covid-19 costs (€28 m in 4Q20).

Net income from Investments amounted to €153 m in 4Q20 and included +€154 m from the Yapi Kredi stake fair value evaluation in 4Q20[57].

Systemic charges were down Q/Q following additional contributions made in Italy in 3Q20.

Stated net loss stood at -€3,290 m in FY20, while the **underlying net loss**[58] increased by 45.5 per cent FY/FY to -€520 m in FY20.

[56] Revenues include dividends from Yapi Kredi which are no longer reported in CEE and now reported in Group Corporate Centre.
[57] Yapi Kredi included in Group Corporate Centre as a financial investment since 1Q20.
[58] Normalised for the impact of real estate valuation (+€21 m) in 1Q19, (-€1 m) in 2Q19, (+€2 m) in 3Q19 and (-€153 m) in 4Q19, Fineco disposal and other related effects (+€1,176 m) and other one-offs (-€33 m) in 2Q19, unwinding of Yapi Kredi joint venture (-€365 m), integration costs (-€73 m), Non Core accelerated rundown (-€348 m) and other non-operating items (-€90 m) in 4Q19, Yapi Kredi deconsolidation (-€1,576 m), Integration costs in Italy (-€489 m) and additional real estate disposals (+€296 m) in 1Q20, real estate valuation (+€4 m) in 1Q20, (-€8 m) in 2Q20, (-€3 m) in 3Q20 and (+€21 m) in 4Q20, CIB goodwill impairment (-€878 m) and regulatory headwinds impact on CoR including new DoD (-€136 m) in 4Q20.

Non Core

(€ million)	FY19	FY20	*FY/FY*	4Q19	3Q20	4Q20	*Q/Q*	*Y/Y*
Total revenues	-41	-46	*+12.5%*	-30	1	-21	*n.m.*	*-30.2%*
Operating costs	-177	-115	*-34.9%*	-46	-32	-21	*-34.1%*	*-54.9%*
Gross operating profit	-218	-161	*-25.9%*	-76	-31	-41	*+34.1%*	*-45.2%*
LLP	-1,632	-1	*-99.9%*	-1,188	31	-121	*n.m.*	*-89.8%*
Stated net profit/loss	-1,683	-233	*-86.2%*	-1,104	34	-184	*n.m.*	*-83.3%*
Gross customer loans	8,592	3,693	*-57.0%*	8,592	5,880	3,693	*-37.2%*	*-57.0%*
Net NPEs	1,886	775	*-58.9%*	1,886	1,402	775	*-44.7%*	*-58.9%*
NPE coverage ratio	78.1%	79.0%	*+1.0 p.p.*	78.1%	76.2%	79.0%	*+2.9 p.p.*	*+1.0 p.p.*
RWA	10,966	7,642	*-30.3%*	10,966	8,620	7,642	*-11.4%*	*-30.3%*

The 2020 **Non Core** rundown target has been exceeded. **Gross NPEs** stood at €3.7 bn in 4Q20, reduced by €2.2 bn Q/Q, mainly thanks to disposals. The runoff by FY21 is confirmed.

In FY20, **operating costs** were down -34.9 per cent FY/FY thanks to the reduction of both HR and non HR costs as a direct consequences of the reduction in the NPE portfolio due to the rundown action in place.

Stated net loss stood at -€233 m in FY20, while the **underlying net profit**[59] has improved to -€113 m in FY20 benefitting from lower LLPs FY/FY and an income taxes benefit of +€60 m related to the "Cura Italia decree".

[59] Normalised for other one-offs (-€22 m) in 2Q19 and (-€186 m) in 4Q19, real estate valuation (+€2 m) and Non Core accelerated rundown (-€707 m) in 4Q19, integration costs in Italy (-€10 m) in 1Q20, Non Core accelerated rundown (-€98 m) in 2Q20, (-€4 m) in 3Q20 and (-€8 m) in 4Q20.

GROUP TABLES

UNICREDIT GROUP: RECLASSIFIED INCOME STATEMENT

(€ million)	FY19	FY20	FY/FY	4Q19	3Q20	4Q20	Q/Q	Y/Y
Net interest	10,071	9,441	-6.3%	2,508	2,303	2,250	-2.3%	-10.3%
Dividends and other income from equity investments	637	415	-34.8%	133	128	124	-3.1%	-6.8%
Net fees and commissions	6,304	5,976	-5.2%	1,629	1,469	1,506	+2.5%	-7.6%
Net trading income	1,669	1,412	-15.4%	472	455	426	-6.4%	-9.6%
Net other expenses/income	156	(104)	n.m.	108	(1)	(69)	n.m.	n.m.
OPERATING INCOME	**18,839**	**17,140**	**-9.0%**	**4,850**	**4,354**	**4,238**	**-2.7%**	**-12.6%**
Payroll costs	(6,146)	(5,968)	-2.9%	(1,549)	(1,479)	(1,456)	-1.5%	-6.0%
Other administrative expenses	(3,279)	(3,223)	-1.7%	(858)	(788)	(827)	+4.8%	-3.7%
Recovery of expenses	592	523	-11.7%	150	124	147	+18.7%	-2.0%
Amort. deprec. and imp. losses on intang. & tang. assets	(1,096)	(1,137)	+3.7%	(267)	(266)	(323)	+21.2%	+20.8%
OPERATING COSTS	**(9,929)**	**(9,805)**	**-1.2%**	**(2,525)**	**(2,410)**	**(2,458)**	**+2.0%**	**-2.6%**
OPERATING PROFIT (LOSS)	**8,910**	**7,335**	**-17.7%**	**2,325**	**1,945**	**1,780**	**-8.5%**	**-23.5%**
Net write-downs on loans and provisions for guarantees and commitments	(3,382)	(4,996)	+47.7%	(1,645)	(741)	(2,058)	n.m.	+25.1%
NET OPERATING PROFIT (LOSS)	**5,527**	**2,339**	**-57.7%**	**681**	**1,204**	**(278)**	**n.m.**	**n.m.**
Other charges and provisions	(954)	(1,055)	+10.7%	(316)	(251)	(91)	-63.5%	-71.1%
- of which: systemic charges	*(886)*	*(958)*	+8.2%	*(82)*	*(201)*	*(53)*	-73.6%	-35.1%
Integration costs	(664)	(1,464)	n.m.	(657)	(30)	(82)	n.m.	-87.5%
Net income from investments	(844)	(1,365)	+61.7%	(665)	(141)	130	n.m.	n.m.
PROFIT (LOSS) BEFORE TAX	**3,065**	**(1,546)**	**n.m.**	**(958)**	**782**	**(322)**	**n.m.**	**-66.4%**
Income tax for the period	(890)	(344)	-61.3%	119	(97)	(34)	-64.9%	n.m.
NET PROFIT (LOSS)	**2,176**	**(1,890)**	**n.m.**	**(839)**	**685**	**(356)**	**n.m.**	**-57.6%**
Profit (Loss) from non-current assets held for sale, after tax	1,383	49	-96.5%	11	(0)	48	n.m.	n.m.
PROFIT (LOSS) FOR THE PERIOD	**3,559**	**(1,842)**	**n.m.**	**(828)**	**685**	**(308)**	**n.m.**	**-62.9%**
Minorities	(118)	(7)	-93.9%	(4)	(5)	8	n.m.	n.m.
NET PROFIT (LOSS) ATTRIBUTABLE TO THE GROUP BEFORE PPA	**3,441**	**(1,849)**	**n.m.**	**(832)**	**680**	**(300)**	**n.m.**	**-64.0%**
Purchase Price Allocation effect	(68)	(50)	-26.6%	(3)	(0)	(0)	-0.0%	-98.0%
Goodwill impairment	-	(886)	n.m.	-	-	(878)	n.m.	n.m.
NET PROFIT (LOSS) ATTRIBUTABLE TO THE GROUP	**3,373**	**(2,785)**	**n.m.**	**(835)**	**680**	**(1,179)**	**n.m.**	**+41.1%**

Note: Figures of Reclassified consolidated income statement have been restated, starting from Jun 20 and with reference to 2019 quarters and 1Q20, for interest income and expenses deriving from Trading Book instruments, excluded the economical hedging or funding banking book positions, that have been classified to the item "Net trading income".

UNICREDIT GROUP: RECLASSIFIED BALANCE SHEET

(€ million)	4Q19	3Q20	4Q20	Q/Q	Y/Y
ASSETS					
Cash and cash balances	17,305	37,900	101,707	*n.m.*	*n.m.*
Financial assets held for trading	63,280	73,165	72,705	*-0.6%*	*+14.9%*
Loans to banks	97,888	129,140	111,814	*-13.4%*	*+14.2%*
Loans to customers	482,574	466,776	450,550	*-3.5%*	*-6.6%*
Other financial assets	149,091	153,407	153,349	*-0.0%*	*+2.9%*
Hedging instruments	9,230	8,241	7,687	*-6.7%*	*-16.7%*
Property, plant and equipment	11,097	10,148	9,939	*-2.1%*	*-10.4%*
Goodwill	886	878	0	*-100.0%*	*-100.0%*
Other intangible assets	1,914	1,994	2,117	*+6.2%*	*+10.6%*
Tax assets	12,922	13,024	13,097	*+0.6%*	*+1.4%*
Non-current assets and disposal groups classified as held for sale	2,512	2,104	2,017	*-4.1%*	*-19.7%*
Other assets	6,949	6,575	6,473	*-1.5%*	*-6.9%*
Total assets	**855,647**	**903,353**	**931,456**	***+3.1%***	***+8.9%***
LIABILITIES AND SHAREHOLDERS' EQUITY					
Deposits from banks	135,563	163,775	172,465	*+5.3%*	*+27.2%*
Deposits from customers	470,570	474,790	498,440	*+5.0%*	*+5.9%*
Debt securities issued	96,301	101,588	102,524	*+0.9%*	*+6.5%*
Financial liabilities held for trading	41,483	47,812	47,787	*-0.1%*	*+15.2%*
Other financial liabilities	12,083	12,963	12,887	*-0.6%*	*+6.6%*
Hedging instruments	12,150	12,551	11,764	*-6.3%*	*-3.2%*
Tax liabilities	1,378	1,469	1,358	*-7.6%*	*-1.5%*
Liabilities included in disposal groups classified as held for sale	725	593	761	*+28.3%*	*+5.0%*
Other liabilities	23,608	26,722	23,529	*-11.9%*	*-0.3%*
Minorities	369	443	435	*-1.9%*	*+17.8%*
Group Shareholders' Equity:	61,416	60,645	59,507	*-1.9%*	*-3.1%*
- *Capital and reserves*	58,042	62,252	62,292	*+0.1%*	*+7.3%*
- *Net profit (loss)*	3,373	(1,606)	(2,785)	*+73.4%*	*n.m.*
Total liabilities and Shareholders' Equity	**855,647**	**903,353**	**931,456**	***+3.1%***	***+8.9%***

UNICREDIT GROUP: STAFF AND BRANCHES

(units)	4Q19	3Q20	4Q20	*Q/Q Δ*	*Y/Y Δ*
Employees(*)	84,245	83,621	82,107	*-1,514*	*-2,138*
Branches(**)	3,717	3,574	3,490	*-84*	*-227*
- o/w CB Italy, CB Germany, CB Austria	*2,846*	*2,726*	*2,664*	*-62*	*-182*
- o/w CEE	*871*	*848*	*826*	*-22*	*-45*

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. (**) CEE branches are excluding Yapi Kredi.

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	baa3
Fitch Ratings	F3	BBB-	STABLE	bbb-

Note: S&P: on 29 Oct 20, S&P has affirmed UniCredit's ratings at 'BBB' with negative outlook.
Moody's: on 26 Mar 20 Moody's has affirmed UniCredit's ratings at 'Baa1' with stable outlook.
Fitch: on 3 Nov 20, Fitch has affirmed UniCredit's ratings at 'BBB-' with stable outlook.

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 Finance", the information disclosed in this document corresponds to the accounting documents, books and records.

Milan, 10 February 2021

Manager charged with

preparing the financial reports

Stefano Porro