UniCredit 4Q21 Pre Close Call with Sell-Side Analysts

17:30 CEST – Monday, 10 January 2022

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Good afternoon and welcome to our 4Q 2021 pre close call. I'm Magda Palczynska, Head of Group Investor Relations at UniCredit, and together with my colleagues from the IR team I would like to thank you for participating today.

Whilst I'm sure most of you are familiar with the structure of this call, a quick reminder that the purpose of it is to provide the sell-side community with a summary of trends in the quarter, based on comments we've made at investor events during the quarter as well as any other, relevant public statements we have made.

Given our Strategy Day on December 9th this call will be shorter than usual. I will go through the prepared remarks before opening up to Q&A. As this is an open line, please make sure your microphones are muted until we get to the Q&A session.

As done in prior occasions, we will publish the script of the prepared remarks on our website and we will be recording the call for internal compliance purposes only, as the recording will not be made available externally.

Beginning as usual with **net interest income**, I would remind you that at 92 days, 4Q21 has an equal number of days to 3Q21. Based on the trends seen so far in the quarter, the commercial dynamics of NII appear broadly in line with those of recent quarters, with supportive loan volume dynamics, excluding the impact deriving from the fair value adjustment for IFRS5.

On **fees**, trends overall remained supportive through the months of October and November, consistent with the post 3Q21 results message, when we said that "*we expect an ongoing positive contribution from management fees, while the upfront component is expected to normalise over time from the recent exceptional high levels. Financing fees will be correlated to the demand for credit.*" In December we had the normal seasonal effect of slowing client activity.

Looking at our **overall revenues**, our guidance for FY21 remains at around 17.5 billion, meaning give or take a few hundred million.

Let's now turn to **costs**, where we confirm our expectation of around 9.9 billion for FY21.

Moving on to **asset quality**. Our FY21 guidance for underlying cost of risk of circa 30 basis points is confirmed, whilst on a stated basis we now expect stated loan loss provisions of around 1.6 billion. As part of this, regulatory headwinds on LLPs for FY21 are expected to be closer to 0.4 billion net of tax, versus the 0.2 billion previously communicated.

Next, we have a few comments on the below the NOP lines:

- On **systemic charges**, we confirm our FY21 guidance of close to 1 billion.

- On **integration costs (combined HR, digital and real estate)**, a reminder that we expect this quarter to bear the one-off charges connected to the new strategy plan initiatives. We provided an estimated net profit impact of around negative 0.9bn and this remains valid.

- On **Profit from Investments**, I would remind you of the expected charges related to the fair value adjustment for IFRS5 of around negative 0.7bn impact on 2021 net profit, and the FX reserve impact from the Yapi disposal of around negative 1.6bn impact on 2021 net profit, with the latter being capital neutral.

- The **tax line** is expected to include the benefit of the DTA write-up, which is capital neutral. This is expected to be broadly in line with the positive 1.3bn estimate provided at strategy day.

Turning to the **underlying net profit**, we confirm the above 3.7 billion guidance which we provided with 3Q21 results.

Finally on **capital**, we expect our pro-forma CET1 ratio at year end to be between 13.5% and 14%. This fully includes the previously communicated extraordinary share buyback of 652 million, the absorption of the regulatory headwinds for FY21, and is pro-forma for the expected and previously communicated distribution of 3.7 billion on the FY21 results, subject to AGM and supervisory approvals. This is to be composed of a cash dividend based on a payout ratio of circa 30 per cent of underlying net profit, with the balance in share buybacks. We intend to cancel the shares we buyback.

As a reminder at Strategy Day we set out a new definition of Group net profit going forward. Underlying net profit will be replaced with Stated net profit adjusted for AT1, CASHES coupons and impacts from DTAs from tax loss carry forward. RoTE will be based on this net profit definition. Underlying CoR therefore will not be reported and we will be focusing on gross and net NPE and the weighted average cost of risk.

Before opening up to Q&A: our 4Q21 results will be on Friday 28 January 22. I'd like to make a comment about how we will run the results calls going forward. We will be strict about taking two questions only – if more are asked we will only answer the first two. We had numerous complaints from investors following the third quarter call. Please keep that in mind and I appreciate your cooperation in this.

With that, we can now open up to questions. Please use the "raise your hand" function on Webex if you joined us online. If necessary, we will take questions from those dialedin over the phone. The IR team will also be available in the coming days before we enter quiet period on Thursday 13 January, close of business.