Banking that matters. UniCredit

MILAN, 6 AUGUST 2020

UNICREDIT: 2Q20 & 1H20 GROUP RESULTS

A PAN-EUROPEAN WINNER IN A STRONG POSITION TO SUPPORT ALL STAKEHOLDERS

2Q20 Underlying Net Profit of €0.5 bn; FY21 target of €3 to €3.5 bn confirmed

Very strong liquidity and capital position. 2Q20 CET1 MDA buffer fully loaded at 481 bps[1], up 44 bps Q/Q, well above 200-250 bps target

FY20 Cost of Risk target confirmed at 100-120 bps with LLPs in coming quarters already factored in

On 5 August 2020, the Board of Directors of UniCredit S.p.A. ("UniCredit" or "the Group") approved the consolidated First Half Financial Report as of 30 June 2020. Thanks to effective business continuity measures, accelerated digitalisation and strict cost discipline, the Group has been able to navigate the ongoing pandemic and is prepared to seize commercial opportunities to strengthen its client base and further support all its stakeholders.

The Group saw improved commercial performance in the latter stages of the period as most of its key markets emerged from lockdown. However, overall revenues were down in comparison with both 1Q20 and 2Q19 as the majority of the period was subject to Covid-19 related restrictions. This was partially offset by lower costs in the period. UniCredit will continue its conservative management approach, taking decisive actions to support value creation, combining a long-term focus with disciplined underwriting.

Thanks to its active balance sheet management, UniCredit enjoys a strong platform from which to grow its client franchises, underpinned by its fully agreed and provisioned Team 23 strategic plan.

[1] 2Q20 CET1 MDA transitional buffer 549 bps.

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

"Thanks to the successful execution of Transform 2019*, we have a strong liquidity position and very strong capital, with a CET1 MDA buffer fully loaded of 481 bps, well above our 200-250 bps target range*[2]*. This strength has allowed us to continue to support clients and communities across Europe during this challenging time. UniCredit is committed to being part of the solution and, throughout 2Q20, we have worked closely with governments in all of our countries to provide guaranteed loans and offer moratoria totalling over €41 bn."*

"We saw the first signs of a commercial recovery at the end of 2Q20 as economies began to open up across most of our core markets."

"Today, we confirm our FY20 cost of risk at 100-120 bps and have a conservative view on LLPs in the coming quarters. We also confirm our target of €3 to €3.5 bn underlying net profit for FY21 and, as previously announced, we have committed to reinstating our Team 23 *capital distribution policy*[3] *in 2021 for FY20 onwards, including gradually returning any excess capital to shareholders."*

"Thanks to our ongoing digital transformation — a central component of our Team 23 *strategy — we have quickly shifted our ways of working to reflect a new normality where remote services lead the way. I want to thank each and every one of our employees for their incredible commitment, resilience and continuing hard work during 1H. Together, we ensure UniCredit is and remains a pan-European winner."*

2Q20 KEY FIGURES

LOWER COSTS PARTIALLY OFFSET LOWER REVENUES; SIGNS OF COMMERCIAL RECOVERY IN JUNE

- **Revenues**: €4.2 bn, down 4.8 per cent Q/Q and 7.7 per cent Y/Y, as lockdowns in core markets for majority of quarter resulted in lower commercial fees
- **Net interest income**: €2.4 bn, down 4.0 per cent Q/Q[4], because of the impact of CEE rate cuts and changing business mix due to focus on higher-rated clients
- **Fees**: €1.4 bn, down 11.8 per cent Y/Y with emerging recovery in Jun 20 when total fees[5] were higher Y/Y for Italy (+6 per cent), Germany (+11 per cent) and Austria (+2 per cent)
- **Investment fees**: €487 m, down 16.8 per cent Y/Y with recovery towards the end of the quarter, driven by strong performance in Commercial Banking Italy

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[2] UniCredit remains committed to gradually returning excess capital to shareholders. The MDA buffer in FY20 and FY21 is expected to remain above 300 bps which is well above the 200-250 bps target range.
[3] Subject to ECB 4Q20 final recommendation on European banks distribution.
[4] Down 2.1 per cent including a tax-related one-off in the net interest line in CB Germany equal to +€50 m 1Q20.
[5] Managerial figures, normalised to maximise comparability and therefore not consistent with accounting data.

- **Trading income**: €357 m, up 105.9 per cent Q/Q. Client driven trading (excluding XVA[6]) up 79.1 per cent Q/Q with solid performance in certificates and fixed income. Non-client driven trading income up €113 m Q/Q mainly on treasury portfolio
- **Operating costs:** Down 2.0 per cent Q/Q and 0.2 per cent Y/Y on continued cost discipline, more than offsetting additional Covid-19 related expenses in 2Q20. Estimated total Covid-19-related costs for all of FY20 are expected to be absorbed by Group savings

UNDERLYING NET PROFIT OF €0.5 BN; FY21 TARGETS CONFIRMED

- **Underlying net profit[7]**: €0.5 bn (2Q19: €1.0 bn) with all divisions except Commercial Banking Austria returning to profitability
- **1H20 Underlying RoTE[8]**: 1.4 per cent, down 7.3 p.p 1H/1H
- **FY21 guidance confirmed**: FY21 underlying net profit target confirmed at €3-3.5 bn and 6 to 7 per cent underlying RoTE; well positioned to strengthen client base and provide continued stakeholder support

STRONG CAPITAL, RISK & LIQUIDITY POSITION THANKS TO SUCCESSFUL EXECUTION OF TRANSFORM 2019

- **Capital and liquidity**: CET1 ratio fully loaded at 13.85 per cent and high Liquidity Coverage Ratio at 173 per cent[9]
- **CET1 MDA buffer fully loaded**: 481 bps[1], up 280 bps Y/Y and 44 bps Q/Q, well above 200-250 bps target[2]
- **Risk**: 1H20 CoR at 91 bps and FY20 CoR confirmed at 100-120 bps; improved **gross NPE ratio** at 4.8 per cent; Non Core rundown by FY21 confirmed with disposals of €0.9 bn during the second quarter
- **Capital distribution**: *Team 23* capital distribution policy to be re-instated in 2021 for FY20 onwards[3]; 50 per cent of underlying net profit to be distributed to shareholders; commitment to gradually return excess capital above upper end of 200-250 bps target CET1 MDA buffer[2]

BUSINESS HIGHLIGHTS

- **State guaranteed loans and moratoria:** Supporting the economy with €35 bn loans under moratoria[10] and €7 bn loans under state guarantees[10], while maintaining a disciplined approach to risk
- **Ongoing digital transformation:** Enhanced customer experience and full-range of remote investment advisory services
- **Sustainability**: Group's ESG rating upgraded to 'A' by MSCI. Comprehensive update and strengthening of Nov 19 coal policy with total phase-out of coal sector financing in all markets by 2028

KEY HIGHLIGHTS

Net Interest Income was down in the quarter due to the pressure on customer loan rates from rate cuts in CEE and the US, as well as business mix effects as a consequence of the Group's conservative approach to risk which entails a cautious stance on consumer finance, pre-dating the pandemic. Fees showed some early signs of

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[6] Valuation adjustments (XVA) include: Debt/Credit Value Adjustment (DVA/CVA), Funding Valuation Adjustments (FuVA) and Hedging desk.
[7] Underlying net profit is the basis for capital distribution. Normalised for regulatory headwinds impact on CoR (-€4 m in 2Q20), revaluation of real estate (-€7 m in 2Q20) and Non Core rundown (-€98 m in 2Q20).
[8] Based on underlying net profit.
[9] EoP as of end of Jun 20.
[10] Granted moratoria and state guarantees loans, data as of 3 July 2020.

recovery towards the end of the quarter, with total fees for Commercial Banking Germany, Austria and Italy, as well as group investment fees higher in Jun 20 than they were for the same month in 2019[5].

During the quarter, UniCredit continued to play its part in supporting the economy by offering €35 bn of moratoria loans, whilst maintaining a disciplined approach to risk, with 71 per cent of loans at investment grade in Commercial Banking Italy. Overall moratoria volumes are stabilising, while state guaranteed volumes are growing steadily with €7 bn granted[10].

Client driven trading income (excluding XVA[6]) was up Q/Q strongly on increased activity in certificates and fixed income, while non-client driven trading income was up Y/Y mainly thanks to treasury. Revenues from dividends were down significantly, in line with the reduction of stakes such as Mediobanca and Yapi Kredi.

The Group's digital transformation as part of the overarching Team 23 strategy remained a key priority during the period with a focus on enhancing the customer experience and delivering increased productivity through accelerated digitalisation and remote banking initiatives.

Operating costs were down slightly year on year and 2.0 per cent quarter on quarter mainly thanks to the continued cost discipline which more than offset additional Covid-19 related expenses in 2Q20. All estimated Covid-19 related costs for FY20 will be absorbed by Group savings including lower variable compensation.

As a result, UniCredit reported underlying net profit of €0.5 bn, thanks to lower provisions after first quarter impairments following the update of the IFRS9 macro scenario and the booking of the majority of annual systemic charges in 1Q20.

Thanks to the successful execution of Transform 2019, UniCredit has significantly strengthened and de-risked its balance sheet. The bank has a very strong CET1 capital ratio fully loaded at 13.85 per cent. The CET1 MDA buffer fully loaded increased to 481 bps[1] in the second quarter up 44 bps.

The Group is fully committed to its strict underwriting discipline and proactive management of non-performing exposures. The Group gross NPEs coverage ratio is best-in-class and now stands at 62.7 per cent. The 2021 Non Core rundown is well on track, with disposals of €0.9 bn during the second quarter despite Covid-19. Gross NPE ratio for Group excluding Non Core, at 3.4 per cent, is confirmed close to average of European banks[11].

Cost of Risk (CoR), was down 26 bps Q/Q at 77 bps in 2Q20, while the 100-120 bps FY20 Group CoR as well as the FY21 Group CoR of 70-90 bps are confirmed.

As announced on 29 July 2020, UniCredit confirms that it will comply with the ECB's 2020 payout recommendations and not pay dividends nor do share buybacks in 2020. UniCredit will re-instate the Team 23 capital distribution policy[3] from 2021 onwards, distributing 50 per cent of underlying net profit to shareholders composed of a 30 per cent target cash dividend payout of the underlying net profit and 20 per cent for share buyback[2].

Based on the market environment at that time, the Group may also review the split between cash dividend and share buyback. The Group remains committed to gradually returning excess capital to shareholders, above the upper end of its 200-250 bps target CET1 MDA buffer. To conservatively account for its capital position,

[11] Source: EBA risk dashboard (data as at 1Q20).

UniCredit will already accrue the cash dividend for FY20 at a rate of 30 per cent of the underlying net profit already from 2Q20.

UniCredit's commitment to sustainability was further strengthened through a comprehensive update of the Nov 19 coal policy with a total phase-out of coal sector financing in all markets by 2028. The Group's sustainability efforts were recognised in Jun 20 by MSCI which upgraded its ESG rating to 'A' from 'BBB' thanks primarily to its management of human capital through the increased support of employee training programs. UniCredit has further reinforced its ESG commitment with the appointment of Roberta Marracino as Head of Group ESG Strategy and Impact Banking. She is also a member of the Executive Management Committee.

UniCredit's strong engagement on social issues was reflected in the Social Impact Banking (SIB) initiative which, through Microcredit and Impact Financing, has issued €170 m of loans to a total of over 4,000 beneficiaries. Additionally, UniCredit has placed €5.7 bn social bonds with 8 deals in 1H20 and supported European SMEs with over €6.4 bn of loans during the Covid-19 emergency.

As a recognition of UniCredit's continuous focus on supporting clients and communities, the Group won six awards at this year's Euromoney Awards for Excellence, being named best bank in Austria, Bosnia & Herzegovina, Bulgaria, Central & Eastern Europe (as well as best for transaction services in CEE) and Germany. As in previous years, the judging criteria of this widely recognised award include profitability, demonstrable growth, relative outperformance compared to peers and the ability to adapt to changing market conditions and client needs.

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UNICREDIT 2Q20 GROUP RESULTS – DETAILS OF CONFERENCE CALL

MILAN, 6 August 2020 – 10.00 CET

CONFERENCE CALL DIAL IN

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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)	1H19	1H20	*1H/1H*	2Q19	1Q20	2Q20	*Q/Q*	*Y/Y*
Total revenues	9,285	8,548	*-7.9%*	4,518	4,378	4,170	*-4.8%*	*-7.7%*
o/w net interest	5,044	4,887	*-3.1%*	2,507	2,494	2,393	*-4.0%*	*-4.5%*
o/w fees	3,106	3,001	*-3.4%*	1,565	1,620	1,380	*-14.8%*	*-11.8%*
o/w trading	784	530	*-32.4%*	300	173	357	*n.m.*	*+18.7%*
Operating costs	-4,958	-4,937	*-0.4%*	-2,448	-2,493	-2,444	*-2.0%*	*-0.2%*
LLP	-1,175	-2,198	*+87.1%*	-707	-1,261	-937	*-25.7%*	*+32.5%*
Stated net profit/loss	3,028	-2,286	*n.m.*	1,853	-2,706	420	*n.m.*	*-77.4%*
Underlying net profit/loss	2,158	368	*-82.9%*	1,029	-159	528	*n.m.*	*-48.7%*
CET1 MDA buffer (bps)	201	481	*+280*	201	436	481	*+44*	*+280*
Underlying RoTE	8.7%	1.4%	*-7.3 p.p.*	8.2%	-1.2%	4.1%	*+5.4 p.p.*	*-4.1 p.p.*
Cost/income ratio	53.4%	57.8%	*+4.4 p.p.*	54.2%	56.9%	58.6%	*+1.7 p.p.*	*+4.4 p.p.*
Stated cost of risk (bps)	50	91	*+40*	60	104	77	*-26*	*+17*

Note: Group underlying net profit and RoTE exclude the impact of Fineco disposal (+€1,176 m in 2Q19), the disposal of Ocean Breeze (-€178 m in 2Q19), the impact of REV (-€1 m in 2Q19 and +€46 m in 1Q19), other one-offs (-€173 m in 2Q19), Yapi 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 and -€4 m in 2Q20), revaluation of real estate (+€9 m in 1Q20 and -€7 m in 2Q20) and Non Core rundown (-€98 m in 2Q20).
Please note that the 1H/1H change in CoR is a managerial figure.

Revenues were down 4.8 per cent Q/Q and 7.7 per cent Y/Y with lockdowns in place for much of the period across core markets leading to significantly lower economic activity. The Group saw improved commercial performance in the latter stages of the period as most of its key markets emerged from Covid-19 related lockdowns.

NII was down 4.0 per cent Q/Q due to commercial dynamics (-€54 m Q/Q) and other factors[12] (-€57 m Q/Q). Adjusted for a one-off tax item in CB Germany of €50 m in 1Q20[4], NII was down only 2.1 per cent Q/Q. Commercial dynamics were impacted by the pressure on customer loan rates from rate cuts in CEE and the US as well as business mix effects. The impact from lower base rates was partially offset by a positive impact on the contribution from deposits (+€34 m Q/Q). NII was also affected by the reclassification of the net interest contribution deriving from Trading Book instruments in the Trading Profit line. The prior quarters have been restated accordingly.

Fees and commission were down 11.8 per cent Y/Y (-3.4 per cent 1H/1H) and showed early signs of recovery towards the end of the quarter, with total fees for CB Germany, CB Austria and CB Italy, as well as Group investment fees higher in June than they were for the same month in 2019:

- **Investment fees** were €487 m, down 16.8 per cent Y/Y reflecting impact of lockdowns from mid-Mar 20 onwards with clear signs of recovery starting from Jun 20. Commercial recovery visible in the sales volumes, in particular for certificates sales in Italy;
- **Financing fees** totalled €402 m, down 0.9 per cent Y/Y supported by record results in Debt Capital Markets in CIB, mitigating lower credit protection insurance sales in Italy due to the cautious stance on consumer finance in CB Italy;

[12] Other include: margin from impaired loans, time value, days effect, FX effect, one-offs and other minor items.

- **Transactional fees** amounted to €491 m, down 14.4 per cent Y/Y reflecting lower transaction volumes in CB Italy. Clear sign of recovery started from Jun 20 with card volumes in western Europe back to the level of last year.

Trading income was up 105.9 per cent Q/Q, despite negative XVA[6] (-€93m Q/Q). Client driven trading income (excluding XVA[6]) was up €164 m (+79.1 per cent Q/Q) in 2Q20 with solid performance in certificates and fixed income. Non-client driven trading income was up €113 m (+345 per cent Q/Q) mainly thanks to treasury. Trading income was also affected by the reclassification of the net interest contribution deriving from Trading Book instruments.

Dividends and other income[13] were significantly down (-59.8 per cent Y/Y) due to the reduction of non-strategic stakes in Yapi (-€41 m Y/Y) and Mediobanca (-€15 m Y/Y) as well as lower contribution from other financial investments (-€36 m Y/Y).

Operating costs were down 0.2 per cent Y/Y and 2.0 per cent Q/Q mainly thanks to the continued cost discipline which more than offset Covid-19 related expenses:

- **HR costs** totalled €1.5 bn in 2Q20 (-1.8 per cent Y/Y), mainly thanks to lower group FTEs (-1.4 per cent Y/Y) and variable compensation;
- **Non HR costs**[14] were €952 m in 2Q20, up 2.5 per cent Y/Y primarily due to higher IT costs related to Covid-19, partially offset by lower credit recovery costs in Non Core, marketing and travel expenses.

Group **FTEs** stood at 83,685 at the end of 2Q20 down 0.3 per cent Q/Q. **Branch** numbers decreased by 120 Y/Y to 3,639 as at the end of 2Q20 (comprising 2,787 in Western Europe and 852 in CEE). C/I ratio was 58.6 per cent in 2Q20 (+4.4 p.p. Y/Y, +1.7 p.p. Q/Q) and 57.8 per cent in 1H20 (+4.4 p.p. 1H/1H).

LLPs[15] totalled €937 m in 2Q20 (-25.7 per cent Q/Q) of which €522 m were specific LLPs[16] reflecting disciplined underwriting and €409 m were overlays on LLPs[17] increasing the forward-looking coverage to reflect Covid-19 economic impact on the portfolio. The specific cost of risk, excluding the overlays on LLPs was 43 bps, still under control despite Covid-19[18].

Proactive risk management is an integral part of the Group's DNA. As result, **Specific cost of Risk[15]** was down 11 bps 1H/1H at 32 bps in 1H20. The 100-120 bps FY20 CoR guidance is confirmed. FY21 Group CoR guidance is confirmed at 70-90 bps.

Net income from investments was -€92 m in 2Q20 affected by the accelerated rundown of Non Core (-€87 m) and impairment of financial assets in Austria (-€63 m), partially offset by mark-to-market gains on the remaining stake in Yapi (+€74 m).

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[13] Include dividends and equity investments. Yapi 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.
[14] Non HR costs include "other administrative expenses", "recovery of expenses" and "amortisation, depreciation and impairment losses on intangible and tangible assets".
[15] The split of LLPs and Cost of Risk between the Overlay and Specific parts has been computed applying the sum of quarterly LLPs data coherently with the quarterly staging dynamic.
[16] Specific LLPs: analytical and statistical LLPs related to non performing portfolio (stage 3). Specific CoR deriving from provisions on the non performing portfolio (stage 3).
[17] Includes IFRS9 macro, sector based provisioning, pro-active staging and coverage increases. All LLPs are related to performing portfolios (stage 1 and 2).
[18] The 1Q20 underlying CoR of 29 bps (excludes regulatory headwinds (0 bps in 1Q20) and IFRS9 macro scenario) is the reported underlying cost of risk in the quarter. The comparable specific CoR for 1Q20 is 20 bps.

Income tax was -€73 m in 2Q20, mainly driven by the geographic mix of taxable profits (mainly in CEE) and a tax credit recognition in Italy.

Underlying net profit[7] was €528 m in 2Q20 or €368 m in 1H20 with all divisions rebounding. As a result the **underlying RoTE for the Group**[19] in 1H20 was 1.4 per cent.

BALANCE SHEET

Average gross commercial performing loans[20,21] were €409.1 bn[22] at the end of Jun 20 (+2.4 per cent Q/Q, +2.3 per cent Y/Y). The main contributors were CB Italy (€130.2 bn), CB Germany (€87.6 bn) and CIB (€81.6 bn).

Group average commercial deposits[23,24] increased to €413.7 bn[22] at the end of Jun 20 (+1.1 per cent Q/Q, +4.3 per cent Y/Y). The main contributors were CB Italy (€157.8 bn), CB Germany (€89.4 bn) and CEE (€71.5 bn).

Gross customer performing loan rates[25] were down 16 bps Q/Q at 2.22 per cent[22] in 2Q20 and down 30 bps Y/Y.

Total Financial Assets (TFA)[26] increased by 5.6 per cent Q/Q, reaching €700 bn as of 30 Jun 20:

- **Assets under management (AuM)** reached €191 bn, up 6.1 per cent Q/Q, thanks to positive AuM sales (+€0.2 bn in 2Q20) and a strong market performance (+€10.8 bn in 2Q20);
- **Assets under custody (AuC)** increased by 12.5 per cent Q/Q to €133 bn in 2Q20. This development was driven by both, positive net sales (+€3.5 bn in 2Q20) and a strong market performance (+€11.1 bn in 2Q20);
- **Deposits** were up 3.2 per cent Q/Q and amounted to €376 bn.

ASSET QUALITY

Group gross NPEs were down by 31.2 per cent Y/Y and 5.0 per cent Q/Q to €23.7 bn in 2Q20 with an improved **gross NPE ratio** of 4.8 per cent (-0.1 p.p. Q/Q, -2.2 p.p. Y/Y), while the **net NPE ratio** stood at 1.8 per cent. The coverage ratio was down 2.5 p.p. Q/Q at 62.7 per cent (+1.8 p.p. Y/Y).

Group gross bad loans amounted to €10.8 bn in 2Q20 (-14.4 per cent Q/Q, -43.7 per cent Y/Y) with a coverage ratio of 75.2 per cent (-1.6 p.p. Q/Q, +3.0 p.p. Y/Y). **Group gross unlikely to pay** increased to €12.0 bn (+4.2 per

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[19] Underlying net profit normalised for Yapi deconsolidation (-€1,576 m), integration costs in Italy (-€1,272 m), additional real estate disposals (+€296 m), regulatory headwinds impact on CoR (-€3 m) and real estate valuation (+€9 m) in 1Q20 and regulatory headwinds impact on CoR (-€4 m), Non Core accelerated rundown (-€98 m) and real estate valuation (-€7 m) in 2Q20.

[20] Average gross commercial performing loans excluding repos are managerial figures and are calculated as daily averages.

[21] End of period accounting volumes calculated excluding repos and, for divisions, excluding also intercompany items. Customer loans including repos amounted to €479.3 bn as of 30 Jun 20 (-2.2 per cent Q/Q, +2.1 per cent Y/Y).

[22] Includes Group Corporate Centre and Non Core.

[23] Average commercial deposits excluding repos are managerial figures and are calculated as daily averages. Deposits net of Group Bonds.

[24] End of period accounting volumes calculated excluding repos and, for divisions, also excluding intercompany items. EoP customer deposits including repos amounted to €468.3 bn as of 30 Jun 20 (+2.9 per cent Q/Q, +3.4 per cent Y/Y).

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

[26] 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.

cent Q/Q, -16.7 per cent Y/Y), with a coverage ratio of 53.6 per cent (-1.1 p.p. Q/Q, +5.7 p.p. Y/Y). **Group past due loans** were €0.9 bn (+10.5 per cent Q/Q, +0.2 per cent Y/Y) with a coverage ratio of 36.0 per cent.

The **Group excluding Non Core** gross NPEs[27] decreased to €16.7 bn in 2Q20 (-0.7 per cent Q/Q, -10.9 per cent Y/Y). The gross NPE ratio was flat Q/Q at 3.4 per cent (-0.5 p.p. Y/Y). The NPE ratio for Group excluding Non Core was below the average of European banks. The NPL ratio for UniCredit using the EBA definition is 2.7 per cent in 2Q20 compared to the weighted average of EBA sample banks[11] of 3.0 per cent. The coverage ratio decreased to 56.9 per cent (-2.0 p.p. Q/Q) mainly due to the disposal activity of unsecured portfolios.

Group excluding Non Core gross bad loans were down to €6.6 bn (-12.3 per cent Q/Q, -27.3 per cent Y/Y) with a coverage ratio of 71.0 per cent (-1.2 p.p. Q/Q, +1.4 p.p. Y/Y). **Gross unlikely to pay** amounted to €9.2 bn (+8.4 per cent Q/Q, +4.8 per cent Y/Y) with a coverage ratio of 48.9 per cent.

The Non Core rundown is well on track with €0.9 bn further disposals in 2Q20. Gross loans decreased to €7.0 bn (-€1.1 bn Q/Q, -€8.7 bn Y/Y). The improvement in the Non Core gross NPEs was mainly driven by: i) disposals of €0.9 bn, ii) write-offs of €0.1 bn and iii) recoveries of €0.1 bn. Net NPEs fell to €1.6 bn (-€0.1 bn Q/Q, -€3.7 bn Y/Y) with a coverage ratio of 76.7 per cent (-1.8 p.p. Q/Q, +10.7 p.p. Y/Y).

CAPITAL & FUNDING

The Group 2Q20 **CET1 ratio** fully loaded was up 41 bps Q/Q to 13.85 per cent, mainly driven by +40 bps from RWA dynamics[28] and +15 bps from underlying net profit[7]. This was partly offset by -9 bps AT1/CASHES coupon[29], -7 bps FVOCI[30], FX[31], DBO[32] and +3 bps from other impact, including -3 bps from extraordinary items[33] and +6 bps from other items.

The **CET1 MDA buffer** fully loaded is expected to be well above 200-250 bps target range throughout the year, thanks to underlying net profit and lower RWAs. In 2Q20 the CET1 MDA fully loaded stood at 481 bps[34] (+44 bps Q/Q) thanks to the underlying net profit and lower RWAs also thanks to the SME supporting factor.

In 2Q20, the **transitional capital ratios**[35,36] were: **CET1** 14.54 per cent, **Tier 1** 16.63 per cent and **total capital** 19.44 per cent. All ratios are confirmed to be well above capital requirements[37].

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[27] Gross NPEs including gross bad loans, gross unlikely to pay and gross past due. Gross past due at €936 m in 2Q20 (+10.9 per cent Q/Q and +2.0 per cent Y/Y).
[28] Of which regulation, models and procyclicality +9 bps.
[29] Payment of coupon on AT1 instruments (€187 m pre tax in 2Q20, €452 m pre tax expected for FY20) and CASHES (€30 m pre and post tax in 2Q20, €122 m expected for FY20). Dividends accrued based on 30 per cent of 1H20 underlying net profit.
[30] In 2Q20 CET1 ratio impact from FVOCI +2 bps, o/w +3 bps due to BTP. BTP sensitivity: +10bps parallel shift of BTP asset swap spreads has a -2.1 bps pre and -1.6 bps post tax impact on the fully loaded CET1 ratio as at 30 June 2020.
[31] TRY sensitivity: 10 per cent depreciation of the TRY has -1.5 bps net impact (capital) on the fully loaded CET1 ratio. Managerial data as at 30 June 2020.
[32] DBO sensitivity: 10bps decrease in discount rate has a -4.2 bps pre and -3.2 bps post tax impact on the fully loaded CET1 ratio as at 30 June 2020.
[33] Mainly related to Non Core accelerated rundown (-3bps).
[34] MDA buffer for CET1 is regulatory relevant only versus the CET1 ratio Transitional, as 549 bps; CET1 MDA requirements decreased from 9.08 per cent in 1Q20 to 9.04 per cent in 2Q20 thanks to CcyB.
[35] 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 Tier 2 Capital ratios) benefits from the application of the transitional arrangements foreseen by the regulation for IFRS9 provisions adopted by the Group in the quarter. As of 2Q2020 this is the only difference between CET1 ratio transitional and CET1 ratio Fully Loaded. In addition to this, transitional adjustments are still applicable with reference to the 20 per cent of the phase-out limit for the Additional Tier 1 and Tier 2 capital instruments subject to grandfathering, as per CRR article 486.
[36] CET1 ratio fully loaded at 13.85 per cent and MDA buffer at 481 bps.
[37] Capital requirements and buffers for UniCredit Group as of 30 Jun 20 (rounded figures): 9.04 per cent CET1 ratio computed as 4.50 per cent CET1 Pillar 1 minimum + 0.98 per cent Pillar 2 requirements (as 56.25 per cent of P2R binding in 2020: 1.75 per cent)+ 3.56 per cent combined capital buffer, including CRD5 art. 104a; 10.87 per cent Tier1 (T1) ratio computed as 6.00 per cent T1 Pillar 1 minimum + 1.31 per cent Pillar 2 requirements + 3.56 per cent combined capital buffer, including CRD5

RWAs[38] totalled €350.7 bn in 2Q20, down €10.3 bn since Mar 20. In particular, credit RWAs decreased by €11.6 bn and amounted to €302.2 bn. The main drivers were: -€9.1 bn from business evolution and -€2.4 bn from regulation. Market RWAs were up €1.0 bn Q/Q to €15.6 bn due higher average VaR. Operational RWAs were up €0.3 bn Q/Q to €32.9 bn.

The **fully loaded leverage ratio** was 5.13 per cent, while the **transitional leverage ratio stood at** 5.58 per cent in 2Q20.

UniCredit has completed the subordinated TLAC funding plan for FY20 thanks to significant funding activity that raised TLAC eligible instruments at very attractive levels. On 15 Jul 20 UniCredit has issued €1.25 bn 7NC6 Senior Non-Preferred as pre-funding for 2021 TLAC needs. Potential market windows will be considered for further pre-funding of the 2021 TLAC funding needs during the remainder of the year. UniCredit is **fully compliant with the TLAC requirement** of greater than 19.6 per cent[39] with a 2Q20 TLAC transitional ratio of 24.90 per cent[41] and a TLAC MDA transitional buffer of 534 bps[41], well above the upper end of the target range of 50-100 bps.

art. 104a; 13.31 per cent Total Capital (TC) ratio computed as 8.00 per cent TC Pillar 1 minimum + 1.75 per cent Pillar 2 requirement + 3.56 per cent combined buffer requirement, including CRD5 art.104a.

[38] 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.

[39] 2Q20 TLAC transitional ratio 24.90 per cent (o/w 22.40 per cent TLAC subordination ratio and 2.5 per cent senior preferred exemption) and MDA buffer of 534 bps. Fully loaded requirement of 21.56 per cent (assuming combined capital buffer as of 2Q20) with 3.5 per cent senior exemption.

DIVISIONAL QUARTERLY HIGHLIGHTS[40]

COMMERCIAL BANKING ITALY

(€ million)	1H19	1H20	*1H/1H*	2Q19	1Q20	2Q20	*Q/Q*	*Y/Y*
Total revenues	3,563	3,246	*-8.9%*	1,787	1,702	1,545	*-9.2%*	*-13.6%*
o/w net interest	1,674	1,534	*-8.3%*	831	780	755	*-3.2%*	*-9.2%*
o/w fees	1,829	1,692	*-7.5%*	917	917	775	*-15.5%*	*-15.5%*
Operating costs	-1,905	-1,856	*-2.6%*	-950	-930	-926	*-0.5%*	*-2.5%*
Gross operating profit	1,658	1,390	*-16.1%*	837	771	619	*-19.8%*	*-26.1%*
Net operating profit	1,136	295	*-74.0%*	521	122	173	*+41.6%*	*-66.8%*
Stated net profit	617	-611	*n.m.*	233	-719	108	*n.m.*	*-53.7%*
Underlying net Profit	736	131	*-82.2%*	351	23	107	*n.m.*	*-69.4%*
Stated RoAC	10.6%	-10.7%	*-21.2 p.p.*	7.7%	-24.7%	3.8%	*+28.5 p.p.*	*-3.9 p.p.*
Underlying RoAC	12.6%	2.3%	*-10.3 p.p.*	11.6%	0.8%	3.8%	*+3.0 p.p.*	*-7.8 p.p.*
Cost/income ratio	53.5%	57.2%	*+3.7 p.p.*	53.1%	54.7%	59.9%	*+5.3 p.p.*	*+6.8 p.p.*
Cost of risk (bps)	76	164	*+88*	92	193	134	*-60*	*+41*

CB Italy performance was affected by lower commercial activity due to lockdown.

Revenues were €3.2 bn in 1H20, down 8.9 per cent 1H/1H.

NII was down 3.2 per cent Q/Q mainly due to pressure both on S/T and ML/T loan rates, reduced lending volumes and a product mix reflecting a conservative approach to risk.

In 2Q20, **fees** were down 15.5 per cent Y/Y reflecting the "negative GDP impact" on consumers (upfront AUM fees and credit/debit cards), of not fully digitalised products (Non Life Insurance) and of the bank risk appetite (consumer finance/credit insurance) with first signs of recovery starting to be seen in Jun 20 (total fees above Jun 19). **Costs** were down 2.5 per cent Y/Y mainly thanks to lower FTEs and variable costs reduction.

LLPs were up 41.1 per cent Y/Y due to overlay provisioning on some sectors due to Covid-19. FY20 CoR guidance is confirmed at 200-240 bps.

Underlying net profit[41] stood at €107 m in 2Q20 with an **underlying RoAC**[43] of 2.3 per cent in 1H20.

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[40] Please consider that (i) all divisional figures in "Divisional Quarterly Highlights" represent the contribution of each division to Group data; (ii) Return on Allocated Capital (RoAC) related to each division and 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 as for plan horizon, including deductions for shortfall and securitisations.

[41] Normalised for other one-offs (-€118 m) in 2Q19 and integration costs in Italy (-€742 m) in 1Q20.

Commercial Banking Germany

(€ million)	1H19	1H20	1H/1H	2Q19	1Q20	2Q20	Q/Q	Y/Y
Total revenues	1,185	1,205	+1.7%	589	622	584	-6.1%	-0.9%
o/w net interest	767	800	+4.3%	384	420	380	-9.3%	-0.9%
o/w fees	359	365	+1.6%	175	196	169	-13.9%	-3.5%
Operating costs	-813	-835	+2.8%	-397	-424	-411	-3.1%	+3.6%
Gross operating profit	372	370	-0.6%	192	197	172	-12.6%	-10.1%
Net operating profit	347	145	-58.2%	188	45	100	n.m.	-46.5%
Stated net profit	297	102	-65.8%	156	16	86	n.m.	-44.9%
Underlying net Profit	267	110	-58.7%	150	19	91	n.m.	-39.1%
Stated RoAC	12.8%	4.3%	-8.6 p.p.	13.5%	1.2%	7.3%	+6.2 p.p.	-6.2 p.p.
Underlying RoAC	11.5%	4.7%	-6.9 p.p.	13.0%	1.5%	7.8%	+6.3 p.p.	-5.2 p.p.
Cost/income ratio	68.6%	69.3%	+0.7 p.p.	67.4%	68.2%	70.4%	+2.2 p.p.	+3.0 p.p.
Cost of risk (bps)	6	51	+45	2	69	32	-37	+30

NII was down 9.3 per cent Q/Q driven by a material one-off item in 1Q20 linked to a tax litigation case. Adjusted for this, NII was down 0.5 per cent Q/Q. Resilient fees performance (+1.6 per cent 1H/1H) despite the lockdown. All fee categories already rebounding above 2019 levels in June.

Costs were up 3.6 per cent Y/Y due to higher pension scheme costs and Covid-19 related additional costs partly offset by variable costs reduction.

2Q20 LLPs were down to €72 m reflecting conservative approach to risk, with 1H20 CoR at 51 bps. FY20 CoR guidance is confirmed at 40-60 bps.

Underlying net profit[42] amounted to €91 m in 2Q20 with an **underlying RoAC**[44] of 4.7 per cent in 1H20.

[42] Normalised for the impact of REV (+€24 m) in 1Q19 and (+€6 m) in 2Q19, regulatory headwinds impact on CoR (-€3 m) in 1Q20 and (-€5 m) in 2Q20, real estate valuation (-€1 m) in 2Q20.

Commercial Banking Austria

(€ million)	1H19	1H20	1H/1H	2Q19	1Q20	2Q20	Q/Q	Y/Y
Total revenues	741	645	*-12.9%*	387	342	303	*-11.4%*	*-21.6%*
o/w net interest	340	311	*-8.6%*	172	155	156	*+0.2%*	*-9.7%*
o/w fees	293	287	*-1.9%*	148	160	127	*-20.6%*	*-14.2%*
Operating costs	-479	-495	*+3.2%*	-224	-252	-242	*-3.8%*	*+8.2%*
Gross operating profit	262	150	*-42.5%*	162	90	61	*-32.5%*	*-62.7%*
Net operating profit	271	66	*-75.7%*	164	5	61	*n.m.*	*-62.8%*
Stated net profit	224	-55	*n.m.*	156	-58	3	*n.m.*	*-98.4%*
Underlying net Profit	231	-62	*n.m.*	164	-59	-2	*-96.3%*	*n.m.*
Stated RoAC	15.8%	-4.2%	*-20.0 p.p.*	22.1%	-8.6%	0.0%	*+8.6 p.p.*	*-22.1 p.p.*
Underlying RoAC	16.3%	-4.7%	*-20.9 p.p.*	23.1%	-8.8%	-0.7%	*+8.1 p.p.*	*-23.8 p.p.*
Cost/income ratio	64.7%	76.7%	*+12.0 p.p.*	58.0%	73.7%	80.0%	*+6.3 p.p.*	*+22.0 p.p.*
Cost of risk (bps)	-4	38	*+42*	-2	75	-1	*-76*	*+1*

NII was up 0.2 per cent Q/Q with higher volumes compensating customer rate compression. **Fees** were down 14.2 per cent Y/Y as investment fees as well as transactional fees from card business were affected by the lockdown. A recovery started in June with flat fees vs Jun 19.

Operating costs were up 8.2 per cent Y/Y, impacted by a material one-off pension related item in 2Q19. Adjusting for this, costs -2.3 per cent Y/Y.

LLPs were benefitted from releases in the quarter. FY20 CoR guidance is confirmed at 50-60 bps.

Stated net profit stood at €3 m in 2Q20 due to the non-recurring impairment of the 3 Banken Group (-€63 m) booked in net income from investment in 2Q20. **Underlying net profit**[43] amounted to -€2 m in 2Q20 resulting in an **underlying RoAC**[45] of -4.7 per cent in 1H20.

[43] Normalised for the impact of REV (+€1 m) in 1Q19 and (-€7 m) in 2Q19, real estate valuation (+€2 m) in 1Q20 and (+€5 m) in 2Q20.

CEE

(€ million)	1H19	1H20	*1H/1H*	2Q19	1Q20	2Q20	*Q/Q*	*Y/Y*
Total revenues	1,991	1,809	*-7.2%*	1,000	959	850	*-8.5%*	*-11.6%*
o/w net interest	1,286	1,190	*-5.5%*	644	631	559	*-8.6%*	*-9.8%*
o/w fees	405	360	*-9.1%*	201	187	173	*-5.0%*	*-10.8%*
Operating costs	-750	-753	*+2.4%*	-385	-381	-372	*+0.3%*	*-0.1%*
Gross operating profit	1,241	1,056	*-13.1%*	614	578	478	*-14.2%*	*-18.8%*
Net operating profit	1,056	560	*-45.6%*	529	281	279	*+4.7%*	*-44.3%*
Stated net profit	727	333	*-53.0%*	417	115	218	*n.m.*	*-45.0%*
Underlying net Profit	726	344	*-52.6%*	416	123	220	*78.5%*	*-47.1%*
Stated RoAC	17.6%	7.7%	*-9.9 p.p.*	19.9%	4.9%	10.7%	*+5.9 p.p.*	*-9.1 p.p.*
Underlying RoAC	17.6%	8.0%	*-9.6 p.p.*	19.8%	5.3%	10.8%	*+5.5 p.p.*	*-9.0 p.p.*
Cost/income ratio	37.7%	41.6%	*+4.0 p.p.*	38.5%	39.8%	43.8%	*+4.0 p.p.*	*+5.2 p.p.*
Cost of risk (bps)	56	149	*+93*	52	177	121	*-56*	*+69*

Note: Stated numbers at current FX. Variations Q/Q and Y/Y at constant FX (RoAC, C/I, gross NPE ratio, coverage ratio and CoR variations at current FX). Yapi 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 which are no longer reported in CEE and now reported in Group Corporate Centre

NII was down 8.6 per cent Q/Q at constant FX due to lower base rates and lower income from government bonds and the replicating portfolio. **Fees** declined by 10.8 per cent Y/Y at constant FX with transactional fees (-15.9 per cent Y/Y) mainly impacted by implementation of EU cross-border payment regulation from Dec 19 and lower turnover in payments and cards. Fees partly offset by CPI change of methodology in Croatia in 2Q19.

Operating costs were flat (-0.1 per cent Y/Y) at constant FX thanks to variable costs reduction compensating Covid-19 expenses.

LLPs were -€199 m in 2Q20 reflecting conservative approach to risk with 1H20 CoR at 149 bps. FY20 cost of risk guidance is confirmed at 140-160 bps.

CEE remains one of the **main contributors** to the Group's bottom line, generating a **stated net profit of €218 m in 2Q20**, down 45.0 per cent Y/Y at constant FX. **Underlying net profit**[44] amounted to €220 m in 2Q20 with an **underlying RoAC**[46] of 8.0 per cent in 1H20.

[44] Normalised for the impact of REV (+€2 m) in 1H19, integration costs in Italy (-€11 m) and revaluation of real estate (+€3 m) in 1Q20, regulatory headwinds Impact on CoR in (+€5 m) and revaluation of real estate (-€3 m) in 2Q20.

CIB

(€ million)	1H19	1H20	*1H/1H*	2Q19	1Q20	2Q20	*Q/Q*	*Y/Y*
Total revenues	1,926	1,783	*-7.5%*	886	809	974	*+20.4%*	*+9.9%*
o/w net interest	1,093	1,202	*+10.0%*	544	583	619	*+6.2%*	*+13.8%*
o/w fees	242	308	*+27.2%*	132	172	136	*-21.2%*	*+2.6%*
o/w trading	552	264	*-52.2%*	209	59	205	*n.m.*	*-1.7%*
Operating costs	-778	-763	*-1.8%*	-384	-399	-364	*-8.8%*	*-5.1%*
Gross operating profit	1,148	1,019	*-11.3%*	503	410	610	*+48.9%*	*+21.3%*
Net operating profit	998	620	*-37.9%*	396	252	367	*+45.6%*	*-7.3%*
Stated net profit/loss	612	188	*-69.3%*	110	-23	210	*n.m.*	*+91.4%*
Underlying net Profit	789	207	*-73.8%*	288	-3	210	*n.m.*	*-26.9%*
Stated RoAC	11.2%	3.4%	*-7.8 p.p.*	4.0%	-0.8%	7.5%	*+8.3 p.p.*	*+3.4 p.p.*
Underlying RoAC	14.5%	3.7%	*-10.8 p.p.*	10.5%	-0.1%	7.5%	*+7.6 p.p.*	*-3.0 p.p.*
Cost/income ratio	40.4%	42.8%	*+2.4 p.p.*	43.3%	49.4%	37.4%	*-12.0 p.p.*	*-5.9 p.p.*
Cost of risk (bps)	23	53	*+30*	33	42	64	*+23*	*+31*

NII was strong at €619 m in 2Q20 (+6.2 per cent Q/Q) thanks to large drawdowns of credit facilities at end of 1Q20 and higher average volumes in the investment portfolio**. Fees** were up 2.6 per cent Y/Y thanks to record DCM quarter partially compensated by a fee rebate to the network from strong certificate sales.

Trading income was very good at €205 m in 2Q20 with strong client driven trading income despite negative XVA (-€107 m Q/Q) driven by solid performance in certificates and fixed income. Positive non client driven trading income (up €98 m Q/Q) was supported by MtM FVO bond portfolio.

Operating costs were down 5.1 per cent Y/Y thanks to lower variable compensation and NHR costs.

LLPs stood at -€242 m in 2Q20 with CoR at 64 bps, reflecting increased provisioning on specific single names. FY20 cost of risk guidance is confirmed at 30-50 bps.

Underlying net profit[45] stood at €210 m in 2Q20, with no one-offs in the quarter. The **underlying RoAC**[47] was at 3.7 per cent in 1H20.

Group Corporate Centre (GCC)

(€ million)	1H19	1H20	*1H/1H*	2Q19	1Q20	2Q20	Q/Q	Y/Y
Total revenues	-115	-114	*-0.9%*	-126	-48	-66	*+39.1%*	*-47.5%*
Operating costs	-149	-172	*+15.5%*	-67	-75	-97	*+30.1%*	*46.4%*
Gross operating profit	-264	-286	*+8.4%*	-192	-122	-164	*+33.6%*	*-15.0%*
Stated net profit/loss	950	-2,161	*n.m.*	991	-2,035	-125	*-93.8%*	*n.m.*
Underlying net profit/loss	-213	-387	*+81.6%*	-151	-271	-117	*-56.8%*	*-22.7%*
FTE	14,103	14,012	*-0.6%*	14,103	13,957	14,012	*+0.4%*	*-0.6%*
Costs GCC/total costs	3.0%	3.5%	*+0.5 p.p.*	2.7%	3.0%	4.0%	*+1.0 p.p.*	*+1.3 p.p.*

[45] Normalised for the impact of Ocean Breeze (-€178 m) in 2Q19 and integration costs in Italy (-€19 m) in 1Q20.

Revenues[46] improved by €60 m Y/Y mainly due to higher trading income despite lower dividends from the reduced Yapi stake (-€41 m Y/Y) and disposal of Mediobanca (-€15 m Y/Y).

Net income from Investments amounted to +€66 m in 2Q20 and included +€74 m from the Yapi stake valuation adjustment[47].

The **underlying net loss**[48] decreased by 56.8 per cent Q/Q to €117 m in 2Q20.

Non Core

(€ million)	1H19	1H20	*1H/1H*	2Q19	1Q20	2Q20	*Q/Q*	*Y/Y*
Total revenues	-6	-27	*n.m.*	-5	-8	-19	*n.m.*	*n.m.*
Operating costs	-84	-62	*-26.0%*	-42	-31	-32	*2.4%*	*-24.5%*
Gross operating profit	-90	-89	*-1.2%*	-47	-39	-50	*+30.8%*	*+8.4%*
LLP	-297	89	*n.m.*	-194	77	12	*-84.5%*	*n.m.*
Stated net loss	-399	-82	*-79.4%*	-211	-2	-80	*n.m.*	*-62.1%*
Undelying net profit/loss	-377	26	*n.m.*	-189	8	17	*n.m.*	*n.m.*
Gross customer loans	15,679	6,973	*-55.5%*	15,679	8,099	6,973	*-13.9%*	*-55.5%*
NPE coverage ratio	66.0%	76.7%	*+10.7 p.p.*	*66.0%*	*78.4%*	*76.7%*	*-1.8 p.p.*	*+10.7 p.p.*
Net NPEs	5,333	1,626	*-69.5%*	5,333	1,746	1,626	*-6.9%*	*-69.5%*
RWA	15,240	9,187	*-39.7%*	15,240	9,633	9,187	*-4.6%*	*-39.7%*

The Non Core rundown remains well on track in 2Q20. **Gross NPEs** stood at €7.0 bn in 2Q20, reduced by €1.1 bn Q/Q, with all actions contributing, including disposals, write-offs and recoveries. The guidance on the Non Core stated net profit given at CMD'19 is confirmed[49].

In 2Q20, **operating costs** were down -24.5 per cent Y/Y thanks to lower credit recovery costs connected to lower NPE stock.

Net income from investment in the quarter included a non-recurring charge linked to the accelerated rundown balanced by additional LLP write-backs.

The **underlying net profit**[50] has improved to €17 m in 2Q20.

[46] Revenues include dividends from Yapi which are no longer reported in CEE and now reported in Group Corporate Centre.
[47] Yapi included in Group Corporate Centre as a financial investment since 1Q20.
[48] Normalised for the impact of REV (+€21 m) in 1Q19, Fineco disposal and other related effects (+€1,176 m), other one-offs (-€33 m) and impact of REV (-€1 m) in 2Q19, Yapi 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 and (-€8 m) in 2Q20.
[49] Non Core net loss from CMD'19: FY20 <-€130 m, FY21 <-€80 m.
[50] Normalised for other one-offs in Non Core (-€22 m) in 2Q19, integration costs in Italy (-€10 m) in 1Q20, Non Core accelerated rundown (-€98 m) in 2Q20.

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GROUP TABLES

UNICREDIT GROUP: RECLASSIFIED INCOME STATEMENT

(€ million)	1H19	1H20	H/H	2Q19	1Q20	2Q20	Q/Q	Y/Y
Net interest	5,044	4,887	*-3.1%*	2,507	2,494	2,393	*-4.0%*	*-4.5%*
Dividends and other income from equity investments	321	164	*-49.0%*	154	102	62	*-39.0%*	*-59.8%*
Net fees and commissions	3,106	3,001	*-3.4%*	1,565	1,620	1,380	*-14.8%*	*-11.8%*
Net trading income	784	530	*-32.4%*	300	173	357	*n.m.*	*+18.7%*
Net other expenses/income	31	(34)	*n.m.*	(8)	(11)	(22)	*+99.5%*	*n.m.*
OPERATING INCOME	**9,285**	**8,548**	***-7.9%***	**4,518**	**4,378**	**4,170**	***-4.8%***	***-7.7%***
Payroll costs	(3,075)	(3,034)	*-1.3%*	(1,519)	(1,542)	(1,492)	*-3.2%*	*-1.8%*
Other administrative expenses	(1,635)	(1,608)	*-1.7%*	(803)	(812)	(797)	*-1.8%*	*-0.8%*
Recovery of expenses	301	253	*-15.9%*	151	125	128	*+2.4%*	*-15.0%*
Amort. deprec. and imp. losses on intang. & tang. assets	(549)	(548)	*-0.0%*	(276)	(265)	(284)	*+7.2%*	*+2.7%*
OPERATING COSTS	**(4,958)**	**(4,937)**	***-0.4%***	**(2,448)**	**(2,493)**	**(2,444)**	***-2.0%***	***-0.2%***
OPERATING PROFIT (LOSS)	**4,328**	**3,610**	***-16.6%***	**2,070**	**1,885**	**1,726**	***-8.4%***	***-16.6%***
Net write-downs on loans and provisions for guarantees and commitments	(1,175)	(2,198)	*+87.1%*	(707)	(1,261)	(937)	*-25.7%*	*+32.5%*
NET OPERATING PROFIT (LOSS)	**3,153**	**1,412**	***-55.2%***	**1,362**	**624**	**788**	***+26.3%***	***-42.1%***
Other charges and provisions	(450)	(713)	*+58.5%*	(236)	(528)	(185)	*-64.9%*	*-21.6%*
- of which: systemic charges	*(656)*	*(703)*	*+7.2%*	*(118)*	*(538)*	*(166)*	*-69.2%*	*+40.3%*
Integration costs	(5)	(1,352)	*n.m.*	(2)	(1,347)	(6)	*-99.6%*	*n.m.*
Net income from investments	(221)	(1,353)	*n.m.*	(311)	(1,261)	(92)	*-92.7%*	*-70.3%*
PROFIT (LOSS) BEFORE TAX	**2,478**	**(2,007)**	***n.m.***	**814**	**(2,512)**	**505**	***n.m.***	***-37.9%***
Income tax for the period	(670)	(213)	*-68.2%*	(176)	(140)	(73)	*-48.1%*	*-58.8%*
NET PROFIT (LOSS)	**1,808**	**(2,219)**	***n.m.***	**637**	**(2,652)**	**432**	***n.m.***	***-32.1%***
Profit (Loss) from non-current assets held for sale after tax	1,372	1	*-99.9%*	1,307	(0)	1	*n.m.*	*-99.9%*
PROFIT (LOSS) FOR THE PERIOD	**3,180**	**(2,219)**	***n.m.***	**1,944**	**(2,652)**	**433**	***n.m.***	***-77.7%***
Minorities	(88)	(10)	*-88.5%*	(29)	(5)	(6)	*+23.1%*	*-80.5%*
NET PROFIT (LOSS) ATTRIBUTABLE TO THE GROUP BEFORE PPA	**3,092**	**(2,229)**	***n.m.***	**1,916**	**(2,656)**	**428**	***n.m.***	***-77.7%***
Purchase Price Allocation effect	(64)	(50)	*-22.6%*	(63)	(50)	(0)	*-99.9%*	*-99.9%*
Goodwill impairment	-	(8)	*n.m.*	-	-	(8)	*n.m.*	*n.m.*
NET PROFIT (LOSS) ATTRIBUTABLE TO THE GROUP	**3,028**	**(2,286)**	***n.m.***	**1,853**	**(2,706)**	**420**	***n.m.***	***-77.4%***

Note: Figures of Reclassified consolidated income statement of 2019 were restated, as indicated in year-end 2019 consolidated financial statements:
• with reference to first quarter, to reflect "loss of control" on FinecoBank S.p.A. following the completion on 8 May 2019 of the accelerated bookbuilding (ABB) of No.103.5 million ordinary shares of the company, settled on 10 May 19;
• to reflect adoption of fair value model for the measurement of the Real Estate portfolio, with retrospective application from 1 Jan 18 for held for investment assets (IAS40);
• following the reclassification starting from June 2019:
- of revenues for "Dividends from other financial assets mandatorily at fair value" to the item "Net trading income";
- of some expenses incurred in handling the recovery process of non-performing exposures to the item "Other administrative expenses" (previously included in the item "Net fees and commissions");
- of some expenses for payment services and cards that, were reclassified from the item "Other administrative expenses" to the item "Net fees and commissions";
- of net results from sales & purchases and re-measurement of physical gold, precious stones and metals that were reclassified from the item "Net other expenses/income" to the item "Net trading income" when entered into in contemplation with other trading book exposures or "Net income from investments" otherwise;
- of some non-recoverable expenses incurred for customer financial transaction taxes that were reclassified from the item "Other administrative expenses" to the item "Net fees and commissions" or when otherwise recovered/debited, the related income has been included in the item "Recovery of expenses" (from the item "Net fees and commissions");

- of some expenses for local tax on corporate revenues (i.e. Municipality and Innovation Tax in Hungary) that were reclassified from the item "Other administrative expenses" to the item "Income tax for the period".

Moreover, starting from Jun 20, with reference 2019 quarters and first quarter 2020, interest income and expenses deriving from Trading Book instruments, excluded the economical hedging or funding banking book positions, have been classified to Net trading income.

UNICREDIT GROUP: RECLASSIFIED BALANCE SHEET

(€ million)	2Q19	1Q20	2Q20	Q/Q	Y/Y
ASSETS					
Cash and cash balances	32,578	20,726	17,342	*-16.3%*	*-46.8%*
Financial assets held for trading	67,344	69,756	67,236	*-3.6%*	*-0.2%*
Loans to banks	77,911	94,525	126,541	*+33.9%*	*+62.4%*
Loans to customers	469,298	489,973	479,253	*-2.2%*	*+2.1%*
Other financial assets	138,438	151,907	155,884	*+2.6%*	*+12.6%*
Hedging instruments	9,801	11,051	11,445	*+3.6%*	*+16.8%*
Property, plant and equipment	9,549	10,519	10,242	*-2.6%*	*+7.3%*
Goodwill	886	886	878	*-0.9%*	*-0.9%*
Other intangible assets	1,915	1,865	1,957	*+4.9%*	*+2.2%*
Tax assets	12,780	12,955	12,978	*+0.2%*	*+1.5%*
Non-current assets and disposal groups classified as held for sale	3,286	2,045	1,984	*-3.0%*	*-39.6%*
Other assets	8,824	6,542	6,994	*+6.9%*	*-20.7%*
Total assets	**832,611**	**872,753**	**892,735**	***+2.3%***	***+7.2%***
LIABILITIES AND SHAREHOLDERS' EQUITY					
Deposits from banks	132,695	161,497	164,843	*+2.1%*	*+24.2%*
Deposits from customers	453,019	454,956	468,315	*+2.9%*	*+3.4%*
Debt securities issued	92,434	95,197	95,902	*+0.7%*	*+3.8%*
Financial liabilities held for trading	40,410	46,785	45,551	*-2.6%*	*+12.7%*
Other financial liabilities	13,689	11,094	12,656	*+14.1%*	*-7.5%*
Hedging instruments	13,848	14,236	15,029	*+5.6%*	*+8.5%*
Tax liabilities	1,020	1,509	1,454	*-3.6%*	*+42.6%*
Liabilities included in disposal groups classified as held for sale	632	559	615	*+9.9%*	*-2.7%*
Other liabilities	24,948	25,669	27,186	*+5.9%*	*+9.0%*
Minorities	445	430	437	*+1.6%*	*-1.7%*
Group Shareholders' Equity:	59,471	60,820	60,748	*-0.1%*	*+2.1%*
- Capital and reserves	56,443	63,526	63,034	*-0.8%*	*+11.7%*
- Net profit (loss)	3,028	(2,706)	(2,286)	*-15.5%*	*n.m.*
Total liabilities and Shareholders' Equity	**832,611**	**872,753**	**892,735**	***+2.3%***	***+7.2%***

Note: Data of Reclassified consolidated balance sheet related to 2019 were restated, as indicated in year-end 2019 consolidated financial statements, to reflect the adoption of the fair value model for the measurement of the Real Estate portfolio, with retrospective application from 1 Jan 18 for held for investment properties (IAS40).

UNICREDIT GROUP: STAFF AND BRANCHES

(units)	2Q19	1Q20	2Q20	Q/Q	Y/Y
Employees(*)	84,836	83,942	83,685	*-257*	*-1,151*
Branches	3,759	3,650	3,639	*-11*	*-120*
- o/w CB Italy, CB Germany, CB Austria	*2,884*	*2,787*	*2,787*	*0*	*-97*
- o/w CEE	*875*	*863*	*852*	*-11*	*-23*

Note: (*)FTE data: number of employees counted for the rate of presence. Please consider that Group FTEs are shown excluding all companies that have been classified as "discontinued operations" under IFRS5 and Ocean Breeze. CEE branches are excluding Yapi.

UNICREDIT GROUP: RATINGS

	SHORT-TERM DEBT	MEDIUM AND LONG-TERM DEBT	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 Apr 20, UniCredit's outlook was changed to negative from stable.
Moody's: on 26 Mar 20 Moody's has affirmed UniCredit's ratings at 'Baa1' with stable outlook.
Fitch Ratings: on 12 May 20, Fitch has downgraded UniCredit to 'BBB-' with 'stable' outlook, aligning it to the Italian sovereign.

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, 5 August 2020

Manager charged with

preparing the financial reports