

MILAN, 06 MAY 2021

## UNICREDIT: 1Q21 GROUP RESULTS

### EXCELLENT FEES AND SEASONALLY LOW COST OF RISK UNDERPIN STRONG PROFITABILITY

**1Q21 underlying net profit of €0.9 billion<sup>1</sup> thanks to a rebound in revenues, low cost of risk and continued cost discipline**

**Stated Cost of Risk<sup>2</sup> at 15 basis points in 1Q21 thanks to seasonality, write-backs and the anticipation of future economic impacts<sup>3</sup> taken in 2020. FY21 underlying Cost of Risk now expected below 60 basis points<sup>4</sup>**

**Rock-solid balance sheet with very strong capital and liquidity position: 1Q21 fully loaded CET1 ratio at 15.92 per cent<sup>5</sup>, fully loaded CET1 MDA buffer at record high 689 basis points<sup>5</sup>**

**FY21 revenues broadly in line with the consensus<sup>6</sup> and costs expected in line with FY19 levels; underlying net profit expected broadly in line with previous guidance**

On 05 May 2021, the Board of Directors of UniCredit S.p.A. (“UniCredit” or “the Group”) approved the consolidated results of the Group as at 31 March 2021.

In 1Q21, the Group delivered revenues of €4.7 billion, boosted by a rebound in trading income and record fees which together more than offset persistent net interest income headwinds. The excellent fee performance was underpinned by very strong investment fees, testament to the strength of UniCredit’s distribution network.

The Group’s continued focus on cost efficiency and strong cost discipline resulted in significant operating leverage in 1Q21, leading to the lowest cost/income ratio in more than a decade at 51.5 per cent. This was possible thanks to faster than expected FTE reductions resulting in lower HR costs year on year and better Non HR costs year on year driven by lower travel and real estate expenses.

The stated cost of risk<sup>2</sup> for the Group was very low in 1Q21 as a result of seasonality as well as write-backs and UniCredit’s anticipation of future economic impacts<sup>3</sup> taken in 2020. The FY21 underlying cost of risk is now expected to be below 60 basis points. This guidance includes modest overlay provisions through the rest of FY21.

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<sup>1</sup> Underlying net profit is the basis for the ordinary distribution policy. Underlying net profit normalised for revaluation of real estate (+€4 m in 1Q21).

<sup>2</sup> Stated CoR based on reclassified P&L and Balance sheet (BS).

<sup>3</sup> Anticipation of future economic impacts: increased overlays, proactive classification and regulatory headwinds including new Definition of Default.

<sup>4</sup> Underlying CoR: defined as stated CoR excluding regulatory headwinds.

<sup>5</sup> Including the deduction of the share buyback of €179 m, but not yet including the extraordinary share buyback of €652 m already approved by the AGM and subject to ECB approval (provided that on 30 Sep 21 the ECB will repeal the recommendation of 15 Dec 20).

<sup>6</sup> Based on company compiled consensus published on 26 Apr 21 at <https://www.unicreditgroup.eu/en/investors/equity-investors/consensus.html>.

The Group delivered a strong underlying net profit of €0.9 billion for 1Q21 thanks to a rebound in revenues, despite the ongoing impact of lockdowns on client activity in the quarter, as well as to a lower cost of risk.

UniCredit's rock solid balance sheet and strong capital and liquidity position are reflected in the fully loaded CET1 ratio at 15.92 per cent<sup>5</sup> with a record-high fully loaded CET1 MDA buffer at 689 basis points<sup>5</sup> and a Liquidity Coverage Ratio at 183 per cent<sup>7</sup> in 1Q21.

In 2021, the ordinary distribution is €447 million<sup>8</sup>, the cash distribution of €268 million was paid on 21 April 2021 and the SBB distribution of €179 million, approved by ECB and AGM, is expected to be completed by the end of 3Q21. In addition, a resolution for an extraordinary distribution after 1 October 2021 has been approved by the AGM in April for an amount of €652 million, entirely in the form of share buybacks, subject to ECB approval.

Combining the ordinary and extraordinary distributions for a total amount of €1.1 billion would equate to a total yield of around 6 per cent in FY21<sup>9</sup>. The ordinary distribution policy is confirmed at 50 per cent of underlying net profit<sup>1</sup>, with the cash dividend being accrued at 30 per cent.

UniCredit expects FY21 underlying net profit broadly in line with previous guidance with revenues broadly in line with the consensus<sup>6</sup>. FY21 costs are confirmed in-line with FY19 levels. The full Non Core runoff by FY21 is confirmed.

The strategic review initiated following the arrival of the new CEO and the new Board of Directors is expected to be concluded in 2H21 and will be communicated at a Capital Markets Day.

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<sup>7</sup> Liquidity coverage ratio shown is point in time ratio as of 31 Mar 21, regulatory figure published in Pillar 3 as of 1Q21 will be 180 per cent (trailing 12M average).

<sup>8</sup> 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 approved by AGM and paid on 21 Apr 21. Ordinary SBB execution approved by ECB and AGM and expected to be completed by end 3Q21. Extraordinary distribution (€652 m): 100 per cent SBB. Extraordinary SBB distribution approved by AGM in April 2021 and subject to supervisory approval (and provided that on 30 Sept 21 the ECB will repeal the recommendation of 15 Dec 20). Extraordinary SBB execution expected to commence not before 1 Oct 21.

<sup>9</sup> FY21 dividend yield calculated as FY21 total distribution of €1,099 m (FY21 ordinary distribution of €447 m + FY21 extraordinary distribution of € 652 m which is subject to supervisory approval and provided that on 30 Sept 21 the ECB will repeal the recommendation of 15 Dec 20) divided by the market cap as at 03 May 21 equal to €19,509 m, resulting in an estimated FY21 dividend yield of 5.6 per cent.

**Andrea Orcel, Chief Executive Officer of UniCredit S.p.A. :**

*“A strong net profit driven by a notable uptick in fees and trading, a seasonally low cost of risk supported by write-backs, and continued cost discipline: all of them more than offsetting persistent headwinds to net interest income. I congratulate the whole team for the hard work and determination that has led to this positive result.*

*Following decisions taken on risk appetite in the past, net interest income will likely continue to face headwinds also relative to competitors for some time. We may also not benefit to the same extent in the future from the compensating positive factors we have seen this quarter.*

*As we look to the future, it will take time to re-energise and strengthen the business, moving from a period of active retrenchment to one defined by disciplined profitable growth and healthy organic capital generation.*

*We will reinforce client centricity in everything we do. We will deliver increased integration of technology and simplify the business as we seek to remove blockers and obstacles that prevent us from adequately serving our clients.*

*Time is required to ensure that changes are done, always in the long term best interest of this business, with the immediate focus being the assessment, review and delivery of a plan that will determine our strategy for the coming years.”*

**Stefano Porro, Chief Financial Officer of UniCredit S.p.A. :**

*“UniCredit’s underlying net profit has improved in the first quarter to €0.9 billion. This is a strong performance and an encouraging start to the year given the continuing impact of Covid-19 on economies and people’s lives.*

*We saw a rebound in our revenues, with the highest level of fees in over five years and a strong pick-up in trading activity. This recovery in top-line performance, coupled with strict cost discipline saw us deliver our lowest cost-income ratio in over a decade at 51.5 per cent. We also saw a low cost of risk as credit quality remained stable.*

*This has allowed us to return capital to shareholders, with a total capital return planned for this year of over €1 billion through dividends and buybacks, which would translate into a yield of around 6 per cent. We have done this while maintaining our capital strength, closing the quarter with a fully loaded CET1 ratio of 15.92 per cent and a record CET1 MDA buffer for the bank.*

*This is a performance that all UniCredit team members should be proud of and it gives us a strong base on which to build our future. I look forward to working with Andrea and the board on the new strategic plan.”*

## 1Q21 KEY FIGURES

- **Revenues:** €4.7 bn, up 10.6 per cent Q/Q and up 7.1 per cent Y/Y driven by excellent fees and buoyant mostly client-related trading
- **Net interest income:** €2.2 bn, down 3.1 per cent Q/Q with lower market rates, competition and government guaranteed loans in Italy impacting loan rates. Volumes were affected by weak demand mainly in Corporate & Investment Banking as clients continued to enjoy very liquid balance sheets. These effects were partially offset by positive Q/Q contribution from deposits driven by successful commercial actions lowering customer remuneration. Adjusting for the days effect and TLTRO3 catch-up payment in 4Q20, NII was down 1.0 per cent Q/Q
- **Fees:** €1.7 bn, up 4.3 per cent Y/Y, the highest level in over five years<sup>10</sup>, despite an outstanding 1Q20 and continued lockdowns
  - **Investment fees:** €717 m, up 15.5 per cent Y/Y, supported by higher AuM sales mainly in Commercial Banking Italy and higher average volumes
  - **Financing fees:** €431 m, down 1.8 per cent Y/Y reflecting weaker lending activity due to lockdown extensions resulting in lower credit protection insurance sales
  - **Transactional fees:** €542 m, down 3.5 per cent Y/Y impacted by lower GDP sensitive transaction fees such as cards and payments
- **Trading income:** €639 m, up €466 m Y/Y, with client driven trading income up 87.1 per cent Y/Y, excluding the volatile XVA component<sup>11</sup>, thanks to a strong performance in fixed income. Non-client driven trading up €109 m Y/Y mainly thanks to Treasury
- **Dividends:** €112 m, up 9.7 per cent Y/Y with the lower contribution from Yapi more than offset by other equity and financial investments
- **Operating costs:** €2.4 bn, down 3.1 per cent Y/Y. Thanks to the resulting significant positive operating jaws, the C/I ratio came in at 51.5 per cent, the lowest in over a decade. Total FY21 costs are expected in line with FY19 levels
- **Underlying net profit**<sup>1</sup>: €0.9 bn in 1Q21 (4Q20: €0.2 bn; 1Q20: -€0.2 bn). FY21 underlying net profit expected broadly in line with previous guidance
- **Underlying RoTE**<sup>12</sup>: 6.9 per cent, up 5.3 p.p Q/Q driven by higher revenues and seasonally low CoR

## 1Q21 CAPITAL, RISK & LIQUIDITY POSITION

- **Capital and liquidity:** Fully loaded CET1 ratio at 15.92 per cent<sup>5</sup> and high Liquidity Coverage Ratio at 183 per cent<sup>7</sup>
- **CET1 MDA buffer fully loaded:** 689 bps<sup>5</sup>, up 78 bps Q/Q, expected to be above 400 bps in FY21 with a 200-250 bps target
- **Cost of risk (CoR):** 1Q21 stated CoR<sup>2</sup> at 15 bps, down 165 bps Q/Q impacted by seasonality and further supported by write-backs and the anticipation of future economic impacts taken in 2020<sup>3</sup>. FY21 Group underlying CoR is now expected below 60 bps
- **Gross NPE ratio** at 4.8 per cent<sup>13</sup>; full Non Core rundown by FY21 confirmed

<sup>10</sup> On a constant perimeter basis.

<sup>11</sup> Valuation adjustments (XVA) include: Debt/Credit Value Adjustment (DVA/CVA), Funding Valuation Adjustments (FuVA) and Hedging desk.

<sup>12</sup> Based on underlying net profit.

<sup>13</sup> The Non-Performing Exposures incorporate the New Definition of Default classification. However, if the new classification criteria were excluded, the UniCredit Group gross Non-Performing Exposures (NPE) ratio - which at 31 Mar 2021 amounts to 4.8 per cent - would have been lower than that (approximately 4.6 per cent.).

## KEY HIGHLIGHTS

**Net Interest Income** was down quarter on quarter on lower loan customer rates and weak volumes, partially offset by lower term funding costs. Customer loan rates reflected continued pressure from competition and the growth of the government guaranteed loan book. Additionally, weak demand for credit impacted loan volumes, albeit at a much smaller rate than in 4Q20. These negative effects were partially offset by successful commercial actions lowering customer remuneration on deposits and by lower term funding costs which benefitted from lower market rates. Adjusting for the two fewer days in the quarter, and the non-recurring TLTRO3 catch-up payment in the prior quarter, net interest income was down 1.0 per cent quarter on quarter.

**Fees** were up year on year, despite an outstanding 1Q20 and continued lockdowns, reaching the highest level in over five years. The strength in Group fees was thanks to **investment fees** which were up year on year driven by exceptional commercial activity, visible in gross sales volumes, with Commercial Banking Italy recording its highest gross sales since 2018. **Financing fees** were down year on year reflecting weaker lending activity due to lockdown extensions. **Transactional fees** were down year on year impacted by lower GDP sensitive transaction fees such as cards and payments.

**Trading income** was strongly up year on year thanks to a supportive market environment. Client driven trading income was solid and increased year on year in 1Q21 thanks to higher fixed income. Non-client driven trading income was up year on year mainly thanks to Treasury.

**Revenues from dividends** were up 9.7 per cent year on year in 1Q21 with the lower contribution from Yapi Kredi more than offset by other equity and financial investments.

**Operating costs** were down 3.1 per cent year on year thanks to a continued focus on cost efficiency, resulting in a quarterly cost/income ratio of 51.5 per cent, the lowest in over a decade. HR costs were lower year on year thanks to lower FTEs mainly in Commercial Banking Italy and CEE and lower pension costs in Commercial Banking Austria. Non HR costs were better year on year thanks to lower travel and real estate expenses. The FY21 costs are expected in line with FY19.

**Group stated cost of risk (CoR)<sup>2</sup>** for 1Q21 was 15 basis points, made up of 18 basis points of specific LLPs less 3 basis points of releases from overlay LLPs. The low cost of risk reflects the usual seasonality seen in the first quarter, as well as the anticipation of future economic impacts taken in 2020<sup>3</sup> and some write backs. The FY21 underlying CoR<sup>4</sup> for the Group is now expected to be below 60 basis points.

UniCredit reported **underlying net profit<sup>1</sup>** of €883 million in 1Q21. This strong performance reflected a rebound in revenues, despite the ongoing impact of lockdowns on client activity in the quarter, as well as significant positive operating jaws and a lower cost of risk. The FY21 underlying net profit is expected broadly in line with previous guidance.

Thanks to its rock-solid balance sheet, UniCredit has a very strong **fully loaded CET1 capital ratio** of 15.92 per cent<sup>5</sup>. The **CET1 MDA buffer fully loaded** increased to 689 basis points in 1Q21<sup>5</sup>, up 78 basis points quarter on quarter, a record-high for the bank. The CET1 MDA buffer target is 200 to 250 basis points.

UniCredit's gross NPEs in the Non Core were €3.6 billion as at 31 Mar 2021, down €0.1 billion as the first quarter is seasonally quiet. The full runoff target by 2021 is confirmed.

Investor Relations:  
Tel. +39-02-886-21028  
e-mail: [investorrelations@unicredit.eu](mailto:investorrelations@unicredit.eu)

Media Relations:  
Tel. +39-02-886-23569  
e-mail: [mediarelations@unicredit.eu](mailto:mediarelations@unicredit.eu)

## UNICREDIT 1Q21 GROUP RESULTS – DETAILS OF CONFERENCE CALL

MILAN, 06 May 2021 – 10.00 CET

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**ITALY: +39 02 805 88 11**

**UK: +44 1 212818003**

**USA: +1 718 7058794**

THE **CONFERENCE CALL** WILL ALSO BE **AVAILABLE** VIA **LIVE AUDIO WEBCAST** AT

<https://www.unicreditgroup.eu/en/investors/group-results.html>, WHERE THE SLIDES WILL BE DOWNLOADABLE

## UNICREDIT GROUP CONSOLIDATED RESULTS

(€ million)	1Q20	4Q20	1Q21	Q/Q	Y/Y
Total revenues	4,378	4,238	4,687	+10.6%	+7.1%
o/w Net interest	2,494	2,250	2,180	-3.1%	-12.6%
o/w Fees	1,620	1,506	1,689	+12.2%	+4.3%
o/w Trading	173	426	639	+49.8%	n.m.
Operating costs	-2,493	-2,458	-2,415	-1.8%	-3.1%
Gross operating profit	1,885	1,780	2,272	+27.7%	+20.6%
Net operating profit	624	-278	2,105	n.m.	n.m.
Stated net profit/loss	-2,706	-1,179	887	n.m.	n.m.
Underlying net profit/loss	-159	204	883	n.m.	n.m.
CET1 MDA buffer (bps)	436	611	689	+78	+253
Underlying RoTE	-1.2%	1.6%	6.9%	+5.3 p.p.	+8.1 p.p.
Customers loans excl. repos and IC - bn	434	415	417	+0.6%	-3.8%
Gross NPE - bn	25	21	22	+5.5%	-10.0%
Deposits (excl. repos) - bn	423	460	454	-1.4%	+7.2%
Cost/income ratio	56.9%	58.0%	51.5%	-6.5 p.p.	-5.4 p.p.
Stated cost of risk (bps)	104	179	15	-165	-89

**Note:** Group underlying net profit and RoTE exclude the impact of the 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 -€519 m in 4Q20), revaluation of real estate (+€9 m in 1Q20, +€23 m in 4Q20 and +€4 m in 1Q21), Non Core rundown (-€8 m in 4Q20) and goodwill impairment (-€878 m in 4Q20).

**Revenues** were up 7.1 per cent Y/Y to €4.7 bn in 1Q21 with stronger fees (+4.3 per cent Y/Y) and trading (+€466 m Y/Y) more than offsetting lower NII (-12.6 per cent Y/Y). The largest revenue contributions came from Commercial Banking Italy, Corporate and Investment Banking and CEE. FY21 revenues are expected broadly in line with consensus<sup>6</sup>.

In 1Q21, **NII**<sup>14</sup> was down 3.1 per cent Q/Q to €2.2 bn, mainly due to lower customer rates (contributing -€48 m Q/Q to NII) impacted by lower market rates, competition and lower yielding government guaranteed loans as well as the impact of weak demand on volumes (-€13 m Q/Q) mainly in Corporate & Investment Banking. These effects were partially offset by a positive Q/Q contribution from deposits (+€28 m Q/Q) driven by successful commercial actions lowering customer remuneration. Additional headwinds came from the negative effect of TLTRO3 (-€18 m Q/Q)<sup>15</sup> given the absence of the catch-up payment booked in 4Q20 and from Treasury and the investment portfolio (-€18 m Q/Q), partially offset by term funding (+€24 m Q/Q). Adjusting for days effect (-€29 m Q/Q) and the TLTRO3 catch up payment in 4Q20 (-€18 m Q/Q), the Q/Q decrease in NII would have been 1.0 per cent Q/Q. Looking forward into the rest of FY21, some headwinds could still affect NII until a sustained economic recovery takes hold.

**Fees and commission** were up 4.3 per cent Y/Y, totalling €1.7 bn in 1Q21 delivering an extremely strong performance despite an outstanding 1Q20 and continued lockdowns resulting in the highest quarterly fee income since before the launch of Transform 2019:

<sup>14</sup> Net contribution from hedging strategy of non-maturity deposits in 1Q21 at €362.6 m, -€2.4 m Q/Q and +€9.0 m Y/Y.

<sup>15</sup> Managerial calculation. The ECB Governing Council in December 2020 extended the more favorable conditions referred to TLTRO3 to the period June 2021 - June 2022, subject to the achievement of certain thresholds. These more favorable conditions, compared to the incremental adoption of TLTRO2 for both 3Q20 and 4Q20, were recognized in 4Q20 with reference to the amounts accrued from the subscription date of the securities (June 2020).



- **Investment fees** were €717 m, up 15.5 per cent Y/Y driven by a strong commercial activity resulting in higher AuM gross sales (mainly in Commercial Banking Italy) and AuM management fees thanks to higher average volumes;
- **Financing fees** totalled €431 m, down 1.8 per cent Y/Y reflecting weaker lending activity due to lockdown extension resulting in lower credit protection insurance sales;
- **Transactional fees** amounted to €542 m, down 3.5 per cent Y/Y impacted by lower GDP sensitive transaction fees such as cards and payments.

Investment fees are expected to continue to benefit from liquidity-rich clients shifting deposits into AuMs, subject to markets remaining buoyant. While for financing and transactional fees, client activity is expected to pick up from 2H21 onwards, with the pace determined by the rate at which restrictions ease and GDP recovers.

**Trading income** was €639 m in 1Q21, up €466 m Y/Y. Client driven trading income was up 87.1 per cent Y/Y, excluding the volatile XVA component<sup>11</sup>, thanks to a strong performance in fixed income. Non-client driven trading income was up €109 m Y/Y mainly thanks to Treasury. 1Q21 trading income also supported by XVA<sup>11</sup> (+€179 m Y/Y). Trading is expected to normalise at a run rate of around €350 m per quarter excluding XVA<sup>11</sup> for the rest of the year.

**Dividends and other income**<sup>16</sup> were up 9.7 per cent Y/Y to €112 m in 1Q21 with the lower contribution from Yapi Kredi (-€22 m Y/Y) more than offset by other equity and financial investments (+€31 m Y/Y).

**Net other expenses/income** were up €137 m Q/Q sustained by the SIA agreement renegotiation<sup>17</sup>.

The quarter was characterized by significant positive operating jaws with **operating costs** down 3.1 per cent Y/Y to €2.4 bn resulting in a C/I ratio of 51.5 per cent, the lowest in over a decade:

- **HR costs** totalled €1.5 bn in 1Q21, down 4.0 per cent Y/Y principally thanks to lower FTEs mainly in Commercial Banking Italy and CEE and lower pension costs in Commercial Banking Austria;
- **Non HR costs**<sup>18</sup> totalled €0.9 bn in 1Q21, down 1.7 per cent Y/Y primarily thanks to lower travel and real estate expenses.

FY21 costs are expected in line with FY19 levels.

Group **FTEs** stood at 82,003 at the end of 1Q21, down by 1,940 Y/Y. **Branch** numbers decreased by 170 Y/Y to 3,480 as at the end of 1Q21 (comprising of 2,664 branches in western Europe and 816 in CEE).

**LLPs** totalled €167 m in 1Q21 (-86.7 per cent Y/Y), of which €204 m were specific LLPs<sup>19</sup>, thanks to seasonality and further supported by write-backs in 1Q21 and the anticipation of future economic impacts taken in 2020<sup>3</sup>.

In 1Q21, the stated Group CoR was 15 bps (-165 bps Q/Q) reflecting a seasonally low CoR further supported by write-backs and anticipation of future economic impacts taken in 2020<sup>3</sup>. 1Q21 CoR includes 18 bps of specific CoR and -3 bps of overlays on CoR<sup>20</sup>. The FY21 underlying CoR<sup>4</sup> for the Group is now expected to be below 60 bps. This guidance includes very modest overlay provisions through the rest of FY21, largely driven by the expected PD deterioration and the provision increase following the exposure migration to Stage 2.

<sup>16</sup> Include dividends and equity investments. Yapi Kredi is valued by the equity method (at 32 per cent stake for January 2020 and at 20 per cent thereafter) and contributes to the dividend line of the Group P&L based on managerial view.

<sup>17</sup> UniCredit and SIA sign a revised agreement for card processing services (see press release on 12 Feb 21).

<sup>18</sup> Non HR costs include "other administrative expenses", "recovery of expenses" and "amortisation, depreciation and impairment losses on intangible and tangible assets".

<sup>19</sup> Specific LLPs: analytical and statistical LLPs related to non performing portfolio (stage 3), excluding changes in NPE selling scenario.

<sup>20</sup> Includes among others: IFRS9 macro, sector based provisioning, proactive classification and coverage increases in Stage 2.



**Systemic charges** increased by 15.3 per cent Y/Y to €620 m, reflecting a higher contribution to the Single Resolution Fund due to the growth in 2021 of the SRF target level following the system wide expansion of customer deposits in 2020. As customary, the majority of the yearly systemic charges were booked in 1Q21. The FY21 guidance is close to €1 bn.

**Profit on investments** was down €325 m Q/Q driven by -€225 m Yapi Kredi stake FV evaluation in 1Q21.

All the business divisions returned to profitability already in 1Q21 despite booking the majority of yearly systemic charges in the first quarter. Corporate & Investment Banking and Commercial Banking Italy delivered a strong performance and were supported by positive revenue dynamics in the quarter. As a result, **underlying net profit** stood at €883 m in 1Q21<sup>1</sup>. **Underlying RoTE for the Group**<sup>12</sup> was up 5.3 p.p. Q/Q to 6.9 per cent in 1Q21. The FY21 underlying net profit is expected broadly in line with previous guidance.

## BALANCE SHEET

**Average gross commercial performing loans**<sup>21</sup> were €388.7 bn<sup>22</sup> as of 31 Mar 21 (-0.5 per cent Q/Q, -2.7 per cent Y/Y). The main contributors were Commercial Banking Italy (€130.8 bn), Commercial Banking Germany (€85.3 bn) and Corporate & Investment Banking (€69.5 bn).

All the divisions, except Corporate & Investment Banking, reported a loan growth in their end-of-period balances over the quarter with Commercial Banking Italy reporting the highest end-of-period lending volumes since 4Q19.

**Gross customer performing loan rates**<sup>23</sup> were down 5 bps Q/Q at 2.02 per cent<sup>22</sup> in 1Q21 and down 37 bps Y/Y.

**Group average commercial deposits**<sup>24</sup> increased to €446.7 bn<sup>22</sup> as of 31 Mar 21 (+1.4 per cent Q/Q, +9.2 per cent Y/Y). The main contributors were Commercial Banking Italy (€170.4 bn), Commercial Banking Germany (€101.9 bn) and CEE (€72.8 bn).

All the divisions, except CEE, reported a deposit reduction in their end-of-period balances over the quarter.

**Total Financial Assets (TFA)**<sup>25</sup> increased by 13.8 per cent Y/Y, reaching €754 bn as of 31 Mar 21:

- **Assets under management (AuM)** reached €211 bn, up 16.7 per cent Y/Y driven by strong market performance in Commercial Banking Italy;
- **Assets under custody (AuC)** increased by 25.2 per cent Y/Y to €148 bn in 1Q21. This development was driven by strong market performance in Commercial Banking Germany and Commercial Banking Italy;

<sup>21</sup> Average gross commercial performing loans excluding repos are managerial figures and are calculated as daily averages.

<sup>22</sup> Includes Group Corporate Centre and Non Core.

<sup>23</sup> Gross customer performing loan rates calculated assuming 365 days convention, adjusted for 360 days convention where analytically available, and based on average gross balances.

<sup>24</sup> Average commercial deposits excluding repos are managerial figures and are calculated as daily averages. Deposits net of Group Bonds are placed by the network.

<sup>25</sup> 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.

- **Deposits** were up 8.6 per cent Y/Y and amounted to €395 bn mainly driven by strong net sales in Commercial Banking Italy and Commercial Banking Germany.

## ASSET QUALITY

(€ million)	Bad exposures	Unlikely to pay	Non performing past-due	Total non performing	Performing	Total Loans
<b>As at 31 March 2021 (*)</b>						
Gross exposure	7,596	13,681	1,147	<b>22,424</b>	441,010	<b>463,434</b>
<i>as a percentage of total loans(**)</i>	1.6%	3.0%	0.2%	<b>4.8%</b>	95.2%	
Writedowns	5,942	6,731	386	<b>13,060</b>	3,683	<b>16,743</b>
<i>as a percentage of gross value</i>	78.2%	49.2%	33.7%	<b>58.2%</b>	0.8%	
Carrying value	1,654	6,950	761	<b>9,364</b>	437,326	<b>446,691</b>
<i>as a percentage of total loans</i>	0.4%	1.6%	0.2%	<b>2.1%</b>	97.9%	
<b>As at 31 December 2020 (*)</b>						
Gross exposure	7,613	12,874	759	<b>21,246</b>	446,157	<b>467,403</b>
<i>as a percentage of total loans(**)</i>	1.6%	2.8%	0.2%	<b>4.5%</b>	95.5%	
Writedowns	5,967	6,492	256	<b>12,716</b>	4,138	<b>16,853</b>
<i>as a percentage of gross value</i>	78.4%	50.4%	33.7%	<b>59.8%</b>	0.9%	
Carrying value	1,645	6,381	503	<b>8,530</b>	442,019	<b>450,550</b>
<i>as a percentage of total loans</i>	0.4%	1.4%	0.1%	<b>1.9%</b>	98.1%	

**Note:** (\*) Total loans to customers exclude the receivables arising from subleases recognised due to the application of IFRS16. (\*\*) Group gross Non-Performing Exposures ratio moved from 4.55 per cent as at 31 December 2020 to 4.84 per cent as at 31 March 2021 as a result of entry into force, starting from 1 Jan 21, of the New Definition of Default that reviewed the guidelines for classifying credit exposures as non performing. Evaluation effects on total write-downs were already recognized in December 2020 on performing exposures in application of IFRS9.

**Group gross NPEs** were €22.4 bn in 1Q21 (+5.5 per cent Q/Q and -10.0 per cent Y/Y) leading to a gross NPE ratio of 4.8 per cent<sup>13</sup> (+0.3 p.p. Q/Q, -0.1 p.p. Y/Y), while the net NPE ratio stood at 2.1 per cent (+0.2 p.p. Q/Q, +0.3 p.p. Y/Y). The coverage ratio was down 1.6 p.p. Q/Q at 58.2 per cent (-7.0 p.p. Y/Y).

**Group gross bad loans** amounted to €7.6 bn in 1Q21 (-0.2 per cent Q/Q, -39.6 per cent Y/Y) with a coverage ratio of 78.2 per cent (-0.2 p.p. Q/Q, +1.4 p.p. Y/Y). **Group gross unlikely to pay** increased to €13.7 bn (+6.3 per cent Q/Q, +19.2 per cent Y/Y), with a coverage ratio of 49.2 per cent (-1.2 p.p. Q/Q, -5.5 p.p. Y/Y). **Group past due loans** were €1.1 bn (+51.0 per cent Q/Q, +33.7 per cent Y/Y) with a coverage ratio of 33.7 per cent (flat Q/Q, -1.8 p.p. Y/Y).

**Group gross NPEs excluding Non Core**<sup>26</sup> increased to €18.8 bn in 1Q21 (+7.3 per cent Q/Q, +12.0 per cent Y/Y). The gross NPE ratio stood at 4.1 per cent<sup>27</sup> (+0.3 p.p. Q/Q, +0.7 p.p. Y/Y) mainly driven by the first application of the new definition of default<sup>28</sup>. Using the EBA's definition, the NPE ratio of the Group excluding Non Core was in line with the weighted average of other European banks<sup>29</sup>. The coverage ratio decreased to 54.3 per cent (-1.6 p.p.

<sup>26</sup> Gross non performing exposure end-of-period including gross bad loans, gross unlikely to pay and gross past due. Gross past due at €1,137 m in 1Q21 (+51.4 per cent Q/Q and +34.8 per cent Y/Y).

<sup>27</sup> The Non-Performing Exposures incorporate the New Definition of Default classification. However, if the new classification criteria were excluded, the UniCredit Group excluding Non Core gross Non-Performing Exposures (NPE) ratio - which at 31 Mar 2021 amounts to 4.1 per cent - would have been lower than that (approximately 3.9 per cent).

<sup>28</sup> Loans classification following the application of the new definition of default as per EBA guideline.

<sup>29</sup> Source: EBA risk dashboard (data as at 4Q20). UniCredit's EBA like NPL average was equal to 2.8 per cent (2.7 per cent net of DoD), whereas the European average was 2.6 per cent.

Q/Q, -4.6 p.p. Y/Y) mainly due to the increase in UTPs driven by the first application of the new definition of default<sup>28</sup>.

**Group gross bad loans, excluding Non Core**, increased to €5.6 bn (+0.5 per cent Q/Q, -25.0 per cent Y/Y) with a coverage ratio of 75.1 per cent (-0.2 p.p. Q/Q, +2.9 p.p. Y/Y). **Gross unlikely to pay** amounted to €12.1 bn (+7.7 per cent Q/Q, +42.5 per cent Y/Y) with a coverage ratio of 46.5 per cent (-1.1 p.p. Q/Q, -2.9 p.p. Y/Y).

The full **Non Core** runoff is confirmed by the end of FY21. In a seasonally quiet quarter, the Non Core portfolio was down 2.7 per cent Q/Q in 1Q21. Gross loans<sup>30</sup> decreased to €3.6 bn (-2.7 per cent Q/Q, -55.6 per cent Y/Y). In 1Q21 the improvement in the Non Core gross NPEs was mainly driven by write-offs of €0.1 bn.

## CAPITAL & FUNDING

The Group 1Q21 **CET1 ratio** fully loaded was up 78 bps Q/Q to 15.92 per cent<sup>5</sup>, mainly driven by +52 bps from RWA dynamics, +27 bps from underlying net profit<sup>1</sup>, +11 bps from FVOCI<sup>31</sup>, FX<sup>32</sup>, DBO<sup>33</sup> and +4 bps from other items<sup>34</sup>. This was partly offset by -10 bps from AT1/CASHES coupon, dividend accrual<sup>35</sup> and the ordinary share buyback<sup>36</sup> of -5 bps.

In 1Q21 the **fully loaded CET1 MDA buffer**<sup>37</sup> stood at 689 bps<sup>5</sup> (+78 bps Q/Q) mainly thanks to lower RWAs and underlying net profit. The FY21 Fully Loaded CET1 MDA buffer is expected above 400 bps with a CET1 MDA buffer target at 200-250 bps. The ordinary distribution policy is confirmed at 50 per cent of underlying net profit (maximum 30 per cent cash, minimum 20 per cent share buyback)<sup>8</sup>. In 2021, the ordinary distribution is €447 m: the cash distribution of €268 m was paid on 21 Apr 21 and the SBB distribution of €179 m, approved by ECB and AGM, is expected to be completed by the end of 3Q21. In addition, a resolution for an extraordinary distribution after 1 Oct 21 has been approved by the AGM in April 2021 for an amount of €652 m, entirely in the form of share buybacks<sup>8</sup>. Combining the 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<sup>8</sup>, resulting in a total yield of around 6 per cent in FY21<sup>9</sup>.

In 1Q21, the **transitional capital ratios** were: **CET1** 16.54 per cent, **Tier 1** 18.80 per cent and **total capital** 21.60 per cent. All ratios are all well above the minimum regulatory capital requirements<sup>38</sup>.

**RWA transitional**<sup>39</sup> totalled €314.9 bn in 1Q21, down €10.8 bn since 31 Dec 20. In particular, Credit RWAs decreased by €10.2 bn and amounted to €273.4 bn. The main driver was business evolution (-€4.1 bn Q/Q) of which -€2.2 bn from new state guarantees with the balance mainly reflecting lower loans and -€2.5 from

<sup>30</sup> Gross non performing exposure end-of-period including gross bad loans, gross unlikely to pay and gross past due.

<sup>31</sup> In 1Q21 CET1 ratio impact from FVOCI -1 bps, o/w +0 bps due to BTP. BTP sensitivity: +10 bps parallel shift of BTP asset swap spreads has a -2.6 bps pre and -1.9 bps post tax impact on the fully loaded CET1 ratio as at 31 Mar.

<sup>32</sup> TRY sensitivity: 10 per cent depreciation of the TRY has around -1.2 bps net impact (capital) on the fully loaded CET1 ratio. Managerial data as at 31 Mar 21.

<sup>33</sup> DBO sensitivity: 10 bps decrease in discount rate has a -4.8 bps pre and -3.4 bps post tax impact on the fully loaded CET1 ratio as at 31 Mar 21.

<sup>34</sup> Including non-operating items.

<sup>35</sup> Payment of coupon on AT1 instruments (€34 m pre tax in 1Q21, €488 m pre tax expected for FY21) and CASHES (€30 m pre and post tax in 1Q21, €122 m expected for FY21). Dividends accrual based on 30 per cent of 1Q21 underlying net profit.

<sup>36</sup> Ordinary share buyback approved by the ECB and AGM.

<sup>37</sup> MDA buffer is regulatory relevant only versus the CET1 ratio transitional, at 751 bps; CET1 MDA requirements at 9.03 per cent in 1Q21.

<sup>38</sup> Capital requirements for UniCredit Group as of 31 Mar 21 (rounded figures): 9.03 per cent for CET1 ratio, 10.86 per cent for Tier 1 ratio and 13.30 per cent for Total Capital ratio.

<sup>39</sup> Business evolution: changes related to customer driven activities (mainly loans. Including guaranteed loans). Regulatory headwinds 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.

regulatory headwinds of which -€0.7 bn from procyclicality. Market RWAs were down €0.6 bn Q/Q to €10.7 bn partially due to technical reasons. Operational RWAs were flat Q/Q (-€27 m Q/Q) to €30.8 bn.

In January 2021, UniCredit SpA successfully issued €2 bn dual tranche Senior Preferreds (in 5Y and 10Y format), that are part of the 2021 Funding Plan. 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<sup>40</sup> with a 1Q21 TLAC transitional ratio of 27.30 per cent and a TLAC MDA transitional buffer of 775 bps.

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<sup>40</sup> 1Q21 TLAC transitional ratio 27.30 per cent (o/w 24.80 per cent TLAC subordination ratio and 2.5 per cent senior preferred exemption) and MDA buffer of 775 bps. Current requirement 19.55 per cent (assuming combined capital buffer as of 1Q21) with 2.50 per cent senior exemption. Fully loaded requirement 21.55 per cent (assuming combined capital buffer as of 1Q21) with 3.50 per cent senior exemption.

DIVISIONAL HIGHLIGHTS<sup>41</sup>

## COMMERCIAL BANKING ITALY

(€ million)	1Q20	4Q20	1Q21	Q/Q	Y/Y
Total revenues	1,702	1,530	1,707	+11.6%	+0.3%
o/w Net Interest	780	674	638	-5.3%	-18.1%
o/w Fees	917	852	970	+13.8%	+5.8%
Operating costs	-930	-894	-915	+2.3%	-1.7%
Gross operating profit	771	636	792	+24.6%	+2.7%
Net operating profit	122	-500	592	<i>n.m.</i>	<i>n.m.</i>
Stated Net profit/loss	-719	-444	385	<i>n.m.</i>	<i>n.m.</i>
Underlying Net Profit	23	-220	385	<i>n.m.</i>	<i>n.m.</i>
Stated RoAC	-24.7%	-17.0%	16.3%	+33.3 p.p.	+41.0 p.p.
Underlying RoAC	0.8%	-8.4%	16.3%	+24.7 p.p.	+15.5 p.p.
Cost/income ratio	54.7%	58.4%	53.6%	-4.8 p.p.	-1.1 p.p.
Cost of risk (bps)	193	342	60	-282	-133

**NII** was down 5.3 per cent Q/Q in 1Q21 due to lower Euribor and a reduction in overall customer rates, while the impact from lower yielding loans under government schemes was moderate. Adjusting for days effect (-€5 m Q/Q) and TLTRO3 one-off in 4Q20 (-€18 m Q/Q), NII was down 2.0 per cent Q/Q.

**Fees** were up 5.8 per cent Y/Y despite 1Q20 being only partially affected by ca. three weeks of lockdowns. The impressive fee performance was driven by AuM upfront fees (up 52.1 per cent Y/Y).

**Net other expenses/income** was up €103 m Q/Q to €51 m in 1Q21, sustained by the SIA agreement renegotiation<sup>17</sup>.

**Costs were** down 1.7 per cent Y/Y at €915 m thanks to lower HR expenses driven by FTEs exits (-1,388 Y/Y).

**LLPs** amounted to -€200 m in 1Q21 down 82.4 per cent Q/Q with 1Q21 stated CoR<sup>2</sup> at 60 bps, reflecting seasonality and anticipation of future economic impacts taken in 2020<sup>3</sup>.

**Stated and underlying net profit**<sup>42</sup> stood at €385 m in 1Q21 with an **underlying RoAC**<sup>42</sup> of 16.3 per cent in 1Q21.

<sup>41</sup> 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 11.75 per cent as for plan horizon, including deductions for shortfall and securitisations.

<sup>42</sup> Normalised for the impact of 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)	1Q20	4Q20	1Q21	Q/Q	Y/Y
Total revenues	622	584	602	+3.2%	-3.1%
o/w Net Interest	420	362	352	-2.9%	-16.2%
o/w Fees	196	166	205	+23.3%	+4.3%
Operating costs	-424	-415	-425	+2.6%	+0.3%
Gross operating profit	197	169	177	+4.9%	-10.4%
Net operating profit	45	85	187	<i>n.m.</i>	<i>n.m.</i>
Stated Net profit	16	16	68	<i>n.m.</i>	<i>n.m.</i>
Underlying Net Profit	19	27	68	<i>n.m.</i>	<i>n.m.</i>
Stated RoAC	1.2%	1.1%	6.5%	+5.4 p.p.	+5.4 p.p.
Underlying RoAC	1.5%	2.0%	6.5%	+4.5 p.p.	+5.1 p.p.
Cost/income ratio	68.2%	71.1%	70.6%	-0.5 p.p.	+2.4 p.p.
Cost of risk (bps)	69	38	-5	-43	-74

**NII** was down 2.9 per cent Q/Q impacted by continued pressure on loan rates partially compensated by repricing actions on deposits. 1Q21 was characterized by the first signs of recovery on loans demand.

**Fees** were up 4.3 per cent Y/Y, supported by investment (+10.3 per cent Y/Y) and financing fees (+5.2 per cent Y/Y), more than offsetting GDP sensitive transactional fees (-6.3 per cent Y/Y).

**Costs** were up 0.3 per cent Y/Y at €425 m with an HR cost reduction offset by higher IT expenses.

The 1Q21 **stated CoR<sup>2</sup>** stood at -5 bps (down 43 bps Q/Q) reflecting seasonality and supported by write-backs.

**Stated** and **underlying net profit<sup>43</sup>** amounted to €68 m in 1Q21 with an **underlying RoAC<sup>43</sup>** of 6.5 per cent in 1Q21.

<sup>43</sup> Normalised for regulatory headwinds impact on CoR including new DoD (-€3 m) in 1Q20 and (-€13 m) in 4Q20, real estate valuation (+€ 2 m) in 4Q20.

## COMMERCIAL BANKING AUSTRIA

(€ million)	1Q20	4Q20	1Q21	Q/Q	Y/Y
Total revenues	342	360	371	+3.2%	+8.6%
o/w Net Interest	155	154	142	-8.0%	-8.7%
o/w Fees	160	149	152	+2.1%	-5.0%
Operating costs	-252	-255	-238	-6.7%	-5.7%
Gross operating profit	90	105	133	+27.2%	+48.7%
Net operating profit	5	-35	171	<i>n.m.</i>	<i>n.m.</i>
Stated Net profit/loss	-58	-33	89	<i>n.m.</i>	<i>n.m.</i>
Underlying Net Profit	-59	10	89	<i>n.m.</i>	<i>n.m.</i>
Stated RoAC	-8.6%	-5.2%	14.6%	+19.8 p.p.	+23.1 p.p.
Underlying RoAC	-8.8%	1.1%	14.5%	+13.4 p.p.	+23.3 p.p.
Cost/income ratio	73.7%	70.8%	64.1%	-6.8 p.p.	-9.7 p.p.
Cost of risk (bps)	75	127	-34	-161	-110

**NII** was down 8.0 per cent Q/Q due to non-commercial items with an abundance of liquidity partially compensated by repricing actions on deposits.

**Fees** were down 5.0 per cent Y/Y mainly due to GDP sensitive transactional fees (-8.8 per cent Y/Y), only partially compensated by investment fees returning to 1Q20 levels.

**Trading income** was up €43 m Y/Y thanks to non-recurring items and positive XVA<sup>11</sup>.

**Operating costs** were down 5.7 per cent Y/Y at €238 m thanks to HR costs impacted by a material one-off pension release occurred in 1Q21. Adjusting for this item, costs were down 0.6 per cent Y/Y.

The 1Q21 **stated CoR<sup>2</sup>** stood at -34 bps with LLPs releases driven by write-backs.

**Stated and underlying net profit<sup>44</sup>** amounted to €89 m in 1Q21 resulting in an **underlying RoAC<sup>44</sup>** of 14.5 per cent in 1Q21.

<sup>44</sup> Normalised for the impact of real estate valuation (+€2 m) in 1Q20 and (-€1 m) in 4Q20 and regulatory headwind impact on CoR including new DoD (-€42 m) in 4Q20.



CEE

(€ million)	1Q20	4Q20	1Q21	Q/Q	Y/Y
Total revenues	959	790	851	+6.3%	-7.5%
o/w Net Interest	631	540	551	+0.9%	-8.3%
o/w Fees	187	181	174	-4.8%	-4.4%
Operating costs	-381	-367	-364	-1.6%	-0.3%
Gross operating profit	578	423	487	+13.1%	-12.3%
Net operating profit	281	110	373	n.m.	+37.6%
Stated Net profit	115	44	213	n.m.	+90.4%
Underlying Net Profit	123	102	209	n.m.	+69.7%
Stated RoAC	4.9%	1.2%	11.5%	+10.3 p.p.	+6.6 p.p.
Underlying RoAC	5.3%	4.7%	11.3%	+6.6 p.p.	+6.0 p.p.
Cost/income ratio	39.8%	46.5%	42.8%	-3.7 p.p.	+3.0 p.p.
Cost of risk (bps)	177	200	72	-129	-105

**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 is valued by the equity method and contributes to the dividend line of the Group P&L based on managerial view.

**NII** was up 0.9 per cent Q/Q at constant FX supported by repricing actions on deposits and non-commercial items. Adjusting for days effect (-€11 m Q/Q), net interest income was up 2.8 per cent Q/Q.

**Fees** were down 4.4 per cent Y/Y at constant FX mainly due to financing fees (-15.4 per cent Y/Y) impacted by prolonged lockdowns.

**Operating costs** were down 0.3 per cent Y/Y at constant FX. Decreasing HR costs (-2.3 per cent Y/Y at constant FX) followed FTEs dynamics and were partially offset by higher Non HR costs (+2.0 per cent Y/Y at constant FX) driven by depreciation.

**LLPs** were -€114 m in 1Q21 (-63.4 per cent Q/Q at constant FX) with 1Q21 **stated CoR<sup>2</sup>** at 72 bps reflecting the quarter's seasonality.

**Stated net profit** stood at €213 m in 1Q21 with a **stated RoAC** of 11.5 per cent in 1Q21. **Underlying net profit<sup>45</sup>** amounted to €209 m in 1Q21 with an **underlying RoAC<sup>45</sup>** of 11.3 per cent in 1Q21.

<sup>45</sup> Normalised for the impact of integration costs in Italy (-€11 m) in 1Q20, real estate valuation (+€3 m) in 1Q20 and (+€1 m) in 4Q20, regulatory headwinds impact on CoR including new DoD (-€59 m) in 4Q20, real estate valuation (+€4 m) in 1Q21.

## CIB

(€ million)	1Q20	4Q20	1Q21	Q/Q	Y/Y
Total revenues	809	1,092	1,216	+11.3%	+50.3%
o/w Net Interest	583	609	585	-3.9%	+0.4%
o/w Fees	172	175	193	+10.5%	+11.8%
o/w Trading	59	288	437	+51.9%	n.m.
o/w XVA	-40	74	86	+15.5%	n.m.
Operating costs	-399	-388	-398	+2.5%	-0.3%
Gross operating profit	410	704	817	+16.1%	+99.6%
Net operating profit	252	452	885	+95.7%	n.m.
Stated Net profit/loss	-23	354	408	+15.2%	n.m.
Underlying Net Profit	-3	400	408	1.9%	n.m.
Stated RoAC	-0.8%	13.6%	16.8%	+3.3 p.p.	+17.6 p.p.
Underlying RoAC	-0.1%	15.3%	16.8%	+1.5 p.p.	+16.9 p.p.
Cost/income ratio	49.4%	35.6%	32.7%	-2.8 p.p.	-16.6 p.p.
Cost of risk (bps)	42	77	-22	-100	-64

**NII** was down 3.9 per cent Q/Q due to lending volumes affected by slow demand and by the TLTRO benefit booked in 4Q20. The pressure on loan customer rates was more than offset by customer deposit repricing .

**Fees** were up 11.8 per cent Y/Y recording the strongest performance since 2015 and were sustained by financing fees thanks to intense capital markets and structured finance customer activity.

**Trading income** was up 51.9 per cent Q/Q and amounted to €379 m Y/Y thanks to client driven income up 139.1 per cent Y/Y, with strong performance in fixed income and Treasury, also supported by positive XVA dynamics<sup>11</sup>.

**Operating costs** were down 0.3 per cent Y/Y thanks to lower Non HR and HR expenses despite Covid-19 expenses.

**LLPs** were up to €67 m in 1Q21 with a **stated CoR**<sup>2</sup> at -22 bps. LLPs releases were driven by write-backs.

**Stated** and **underlying net profit**<sup>46</sup> stood at €408 m in 1Q21. The **underlying RoAC**<sup>46</sup> was at 16.8 per cent in 1Q21.

<sup>46</sup> Normalised for 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)	1Q20	4Q20	1Q21	Q/Q	Y/Y
Total revenues	-48	-97	-42	-56.0%	-10.6%
Operating costs	-75	-118	-54	-54.3%	-27.8%
Gross operating profit	-122	-215	-97	-55.1%	-21.2%
Stated net loss	-2,035	-932	-255	-72.7%	-87.5%
Underlying net profit/loss	-271	62	-254	<i>n.m.</i>	-6.2%
FTE	13,957	14,047	14,050	+3	+93
Costs GCC/total costs	3.0%	4.8%	2.2%	-2.6 p.p.	-0.8 p.p.

**Revenues**<sup>47</sup> improved to -€42 m in 1Q21 supported by lower funding costs thanks to more favourable market rates and lower volumes.

**Costs** were down 27.8 per cent Y/Y thanks to both HR and Non HR costs driven by lower travel expenses.

**Net income from Investments** amounted to -€226 m in 1Q21 and was negatively impacted by -€225 m Yapi Kredi stake FV evaluation in 1Q21<sup>48</sup>.

The majority of the **systemic charges** were booked in 1Q21, with the Single Resolution Fund yearly contribution fully charged in 1Q21.

**Stated net loss** stood at -€255 m in 1Q21, while the **underlying net loss**<sup>49</sup> at -€254 m in 1Q21.

<sup>47</sup> Revenues include dividends from Yapi Kredi which are no longer reported in CEE and now reported in Group Corporate Centre.

<sup>48</sup> Yapi Kredi included in Group Corporate Centre as a financial investment since 1Q20.

<sup>49</sup> Normalised for the impact of 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 (+€21 m) in 4Q20, CIB goodwill impairment (-€878 m) and regulatory headwinds impact on CoR including new DoD (-€136 m) in 4Q20, real estate valuation (-€1 m) in 1Q21.

## NON CORE

(€ million)	1Q20	4Q20	1Q21	Q/Q	Y/Y
Total revenues	-8	-21	-17	-15.6%	n.m.
Operating costs	-31	-21	-21	0.4%	-32.2%
Gross operating profit	-39	-41	-38	-7.5%	-0.6%
LLP	77	-121	27	n.m.	-64.5%
Stated net loss	-2	-184	-21	-88.5%	n.m.
Undelying net profit/loss	8	-177	-22	-87.5%	n.m.
Gross customer loans	8,099	3,693	3,593	-2.7%	-55.6%
NPE coverage ratio	78.4%	79.0%	79.1%	+0.1 p.p.	+0.7 p.p.
Net NPEs	1,746	775	750	-3.3%	-57.1%
RWA	9,633	7,642	6,139	-19.7%	-36.3%

**Gross NPEs** stood at €3.6 bn in 1Q21, down 2.7 per cent Q/Q in a seasonally quiet quarter. The full runoff by FY21 and the CMD19 net loss guidance<sup>50</sup> are confirmed.

In 1Q21, **operating costs** were down 32.2 per cent Y/Y thanks to lower FTE and lower credit recovery costs, both related to lower NPE stock.

**LLPs** releases totalled €27 m in 1Q21 driven by client repayments.

**Stated net loss** stood at -€21 m in 1Q21, while the **underlying net loss**<sup>51</sup> has improved compared to 4Q20 to -€22 m in 1Q21.

<sup>50</sup> Non Core net loss from CMD'19: FY21 <-€80 m.

<sup>51</sup> Normalised for integration costs in Italy (-€10 m) in 1Q20, Non Core accelerated rundown (-€8 m) in 4Q20, real estate valuation (+€1 m) in 1Q21.

## SIGNIFICANT EVENTS DURING AND AFTER 1Q21

With reference to the main events that occurred during 1Q21 and after 31 Mar 21, refer to section “Subsequent events” in the Consolidated report on operations, which is an integral part of 2020 Annual Report and Accounts of UniCredit group as well as the press releases published on the UniCredit group website. Here below therefore, the main financial press releases published after 10 Feb 21 (date of approval of 2020 Annual Report and Accounts of UniCredit Group):

- “Pietro Carlo Padoan and Andrea Orcel appointed respectively as Chairman and Chief Executive Officer of UniCredit S.p.A. Appointment of Corporate Offices and Board Committees members” (press release published on 15 Apr 21);
- “UniCredit: The Shareholder’s Meeting approves the 2020 Financial Statements” (press release published on 15 Apr 21);
- “Composition of share capital” (press release published on 31 Mar 21);
- “List for the renewal of the Board of Directors and submission of a candidature of substitute Statutory Auditor” (press release published on 19 Mar 21);
- “Ranieri de Marchis appointed UniCredit General Manager ad interim” (press release published on 10 Feb 21).

## OUTLOOK

Eurozone GDP is likely to expand by 3.5 per cent in 2021 and by 4.4 per cent in 2022. The vaccination campaign is proceeding slowly and restrictions are likely to be loosened gradually. On the other hand, economic damage from recent lockdowns has been less than expected and the manufacturing sector is doing well. These opposite forces are likely to broadly offset each other, leaving the time when eurozone GDP will recover its pre-crisis level at around mid-2022. We expect the European Central Bank to extend the PEPP beyond March 2022, although with a reduced envelope.

GROUP TABLES<sup>52</sup>

## UNICREDIT GROUP: RECLASSIFIED INCOME STATEMENT

(€ million)	1Q20	4Q20	1Q21	Q/Q	Y/Y
Net interest	2,494	2,250	2,180	-3.1%	-12.6%
Dividends and other income from equity investments	102	124	112	-9.8%	+9.7%
Net fees and commissions	1,620	1,506	1,689	+12.2%	+4.3%
Net trading income	173	426	639	+49.8%	n.m.
Net other expenses/income	(11)	(69)	68	n.m.	n.m.
<b>OPERATING INCOME</b>	<b>4,378</b>	<b>4,238</b>	<b>4,687</b>	<b>+10.6%</b>	<b>+7.1%</b>
Payroll costs	(1,542)	(1,456)	(1,480)	+1.7%	-4.0%
Other administrative expenses	(812)	(827)	(794)	-3.9%	-2.2%
Recovery of expenses	125	147	129	-11.9%	+3.5%
Amort. deprec. and imp. losses on intang. & tang. assets	(265)	(323)	(270)	-16.2%	+2.2%
<b>OPERATING COSTS</b>	<b>(2,493)</b>	<b>(2,458)</b>	<b>(2,415)</b>	<b>-1.8%</b>	<b>-3.1%</b>
<b>OPERATING PROFIT (LOSS)</b>	<b>1,885</b>	<b>1,780</b>	<b>2,272</b>	<b>+27.7%</b>	<b>+20.6%</b>
Net write-downs on loans and provisions for guarantees and commitments	(1,261)	(2,058)	(167)	-91.9%	-86.7%
<b>NET OPERATING PROFIT (LOSS)</b>	<b>624</b>	<b>(278)</b>	<b>2,105</b>	<b>n.m.</b>	<b>n.m.</b>
Other charges and provisions	(528)	(91)	(702)	n.m.	+33.0%
- of which: systemic charges	(538)	(53)	(620)	n.m.	+15.3%
Integration costs	(1,347)	(82)	(0)	-99.9%	-100.0%
Net income from investments	(1,261)	130	(195)	n.m.	-84.5%
<b>PROFIT (LOSS) BEFORE TAX</b>	<b>(2,512)</b>	<b>(322)</b>	<b>1,207</b>	<b>n.m.</b>	<b>n.m.</b>
Income tax for the period	(140)	(34)	(314)	n.m.	n.m.
<b>NET PROFIT (LOSS)</b>	<b>(2,652)</b>	<b>(356)</b>	<b>893</b>	<b>n.m.</b>	<b>n.m.</b>
Profit (Loss) from non-current assets held for sale after tax	(0)	48	1	-97.5%	n.m.
<b>PROFIT (LOSS) FOR THE PERIOD</b>	<b>(2,652)</b>	<b>(308)</b>	<b>894</b>	<b>n.m.</b>	<b>n.m.</b>
Minorities	(5)	8	(7)	n.m.	+48.7%
<b>NET PROFIT (LOSS) ATTRIBUTABLE TO THE GROUP BEFORE PPA</b>	<b>(2,656)</b>	<b>(300)</b>	<b>888</b>	<b>n.m.</b>	<b>n.m.</b>
Purchase Price Allocation effect	(50)	(0)	(0)	+0.0%	-99.9%
Goodwill impairment	-	(878)	-	n.m.	n.m.
<b>NET PROFIT (LOSS) ATTRIBUTABLE TO THE GROUP</b>	<b>(2,706)</b>	<b>(1,179)</b>	<b>887</b>	<b>n.m.</b>	<b>n.m.</b>

**Note:** Figures of Reclassified consolidated income statement have been restated, starting from June 2020 and with reference to the first quarter 2020, 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".

<sup>52</sup> Any discrepancies between data are solely due to the effect of rounding.

UNICREDIT GROUP: RECLASSIFIED BALANCE SHEET

(€ million)	1Q20	4Q20	1Q21	Q/Q	Y/Y
<b>ASSETS</b>					
Cash and cash balances	20,726	101,707	111,079	+9.2%	n.m.
Financial assets held for trading	69,756	72,705	73,925	+1.7%	+6.0%
Loans to banks	94,525	111,814	113,554	+1.6%	+20.1%
Loans to customers	489,973	450,550	446,691	-0.9%	-8.8%
Other financial assets	151,907	153,349	158,337	+3.3%	+4.2%
Hedging instruments	11,051	7,687	6,607	-14.1%	-40.2%
Property, plant and equipment	10,519	9,939	9,817	-1.2%	-6.7%
Goodwill	886	0	0	+0.0%	-100.0%
Other intangible assets	1,865	2,117	2,116	-0.0%	+13.5%
Tax assets	12,955	13,097	12,831	-2.0%	-1.0%
Non-current assets and disposal groups classified as held for sale	2,045	2,017	1,003	-50.3%	-50.9%
Other assets	6,542	6,473	6,206	-4.1%	-5.1%
<b>Total assets</b>	<b>872,753</b>	<b>931,456</b>	<b>942,165</b>	<b>+1.1%</b>	<b>+8.0%</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>					
Deposits from banks	161,497	172,465	189,419	+9.8%	+17.3%
Deposits from customers	454,956	498,440	497,394	-0.2%	+9.3%
Debt securities issued	95,197	102,524	98,876	-3.6%	+3.9%
Financial liabilities held for trading	46,785	47,787	46,428	-2.8%	-0.8%
Other financial liabilities	11,094	12,887	12,326	-4.4%	+11.1%
Hedging instruments	14,236	11,764	9,056	-23.0%	-36.4%
Tax liabilities	1,509	1,358	1,113	-18.0%	-26.2%
Liabilities included in disposal groups classified as held for sale	559	761	651	-14.5%	+16.4%
Other liabilities	25,669	23,529	25,803	+9.7%	+0.5%
Minorities	430	435	440	+1.1%	+2.2%
Group Shareholders' Equity:	60,820	59,507	60,660	+1.9%	-0.3%
- Capital and reserves	63,526	62,292	59,772	-4.0%	-5.9%
- Net profit (loss)	(2,706)	(2,785)	887	n.m.	n.m.
<b>Total liabilities and Shareholders' Equity</b>	<b>872,753</b>	<b>931,456</b>	<b>942,165</b>	<b>+1.1%</b>	<b>+8.0%</b>



## UNICREDIT GROUP: SHAREHOLDERS' EQUITY

(€ million)	
<b>Shareholders' equity as at 31 December 2020</b>	<b>59,507</b>
Charges related to transaction denominated "Cashes"	-30
Change in reserve related coupon on AT1 instruments	-24
Change in the valuation of hedging for financial risks	-81
Change in the valuation reserve relating to the financial assets and liabilities at fair value	-47
Change in the valuation reserve of the companies accounted for using the equity method	62
Exchange differences reserve <sup>(1)</sup>	80
Change in the valuation reserve relating to the actuarial gains/losses on defined benefit plans <sup>(2)</sup>	323
Other changes	-17
Net profit (loss) for the period	887
<b>Shareholders' equity as at 31 March 2021</b>	<b>60,660</b>

**Note:** <sup>(1)</sup> This effect is mainly due to the impact of Russian Ruble for +€79 m. <sup>(2)</sup> Mainly referred to the increase in DBO discount rate induced by the reduction in prices of High Quality Corporate Bonds partially offset by plan assets performance.

## UNICREDIT GROUP: STAFF AND BRANCHES

(units)	1Q20	4Q20	1Q21	Q/Q Δ	Y/Y Δ
Employees <sup>(*)</sup>	83,942	82,107	82,003	-105	-1,940
Branches	3,650	3,490	3,480	-10	-170
- o/w CB Italy, CB Germany, CB Austria	2,787	2,664	2,664	0	-123
- o/w CEE	863	826	816	-10	-47

**Note:** <sup>(\*)</sup>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.

## 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.

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

With reference to the Group's sovereign exposures<sup>53</sup>, the book value of sovereign debt securities as at 31 Mar 21 amounted to €118,052 m, of which about the 85 per cent concentrated in eight countries; Italy, with €46,318 m, represents over 39 per cent of the total and about 5 per cent of the Group's total assets. For each of the eight countries, the table below shows the nominal value, the book value and the fair value of the exposures broken down by portfolio as at 31 Mar 21.

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<sup>53</sup> Information on Sovereign exposures refers to the scope of the UniCredit Group consolidated results as at 31 Mar 21, determined under IAS/IFRS. Sovereign exposures are bonds issued by and loans given to central and local governments and governmental bodies. To the purpose of this risk exposure ABSs are not included.

(€ million)	Nominal Value	Book value	Fair Value
<b>As at 31 March 2021</b>			
<b>- Italy</b>	<b>44,209</b>	<b>46,318</b>	<b>47,139</b>
financial assets/liabilities held for trading (net exposures)(*)	1,354	1,005	1,005
financial assets designated at fair value	-	-	-
financial assets mandatorily at fair value	50	65	65
financial assets at fair value through other comprehensive income	19,418	21,084	21,084
financial assets at amortised cost	23,387	24,164	24,985
<b>- Spain</b>	<b>16,177</b>	<b>17,243</b>	<b>17,310</b>
financial assets/liabilities held for trading (net exposures)(*)	1,108	1,211	1,211
financial assets designated at fair value	-	-	-
financial assets mandatorily at fair value	-	-	-
financial assets at fair value through other comprehensive income	5,229	5,588	5,588
financial assets at amortised cost	9,840	10,444	10,511
<b>- Germany</b>	<b>13,317</b>	<b>13,705</b>	<b>13,762</b>
financial assets/liabilities held for trading (net exposures)(*)	953	1,087	1,087
financial assets designated at fair value	-	-	-
financial assets mandatorily at fair value	5,252	5,325	5,325
financial assets at fair value through other comprehensive income	2,936	3,047	3,047
financial assets at amortised cost	4,176	4,246	4,303
<b>- Japan</b>	<b>8,477</b>	<b>8,536</b>	<b>8,537</b>
financial assets/liabilities held for trading (net exposures)(*)	-	-	-
financial assets designated at fair value	-	-	-
financial assets mandatorily at fair value	-	-	-
financial assets at fair value through other comprehensive income	5,609	5,656	5,656
financial assets at amortised cost	2,868	2,880	2,881
<b>- Austria</b>	<b>4,567</b>	<b>4,967</b>	<b>4,966</b>
financial assets/liabilities held for trading (net exposures)(*)	278	330	330
financial assets designated at fair value	-	-	-
financial assets mandatorily at fair value	105	143	143
financial assets at fair value through other comprehensive income	4,089	4,390	4,390
financial assets at amortised cost	95	104	103
<b>- United States of America</b>	<b>3,196</b>	<b>3,432</b>	<b>3,432</b>
financial assets/liabilities held for trading (net exposures)(*)	221	232	232
financial assets designated at fair value	-	-	-
financial assets mandatorily at fair value	-	-	-
financial assets at fair value through other comprehensive income	2,954	3,179	3,179
financial assets at amortised cost	21	21	21
<b>- France</b>	<b>2,796</b>	<b>3,215</b>	<b>3,211</b>
financial assets/liabilities held for trading (net exposures)(*)	776	1,078	1,078
financial assets designated at fair value	196	225	225
financial assets mandatorily at fair value	211	252	252
financial assets at fair value through other comprehensive income	1,313	1,353	1,353
financial assets at amortised cost	300	307	303
<b>- Romania</b>	<b>2,232</b>	<b>2,371</b>	<b>2,413</b>
financial assets/liabilities held for trading (net exposures)(*)	172	184	184
financial assets designated at fair value	-	-	-
financial assets mandatorily at fair value	-	-	-
financial assets at fair value through other comprehensive income	684	751	751
financial assets at amortised cost	1,376	1,436	1,478
<b>Total on-balance sheet exposures</b>	<b>94,971</b>	<b>99,787</b>	<b>100,770</b>

Notes: (\*) Including exposures in Credit Derivatives. In case of negative amount, it indicates the prevalence of liabilities positions.

## UNICREDIT GROUP: WEIGHTED DURATION

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

Weighted duration (years)	Banking book	TRADING BOOK	
		Assets positions	Liabilities positions
- Italy	3.55	3.62	4.73
- Spain	3.86	16.45	13.43
- Germany	3.02	10.24	3.99
- Japan	2.81	-	-
- Austria	4.69	9.48	8.82
- United States of America	3.58	19.40	-
- France	6.14	22.12	19.77
- Romania	4.18	5.02	8.12

The remaining 15 per cent of the total of sovereign debt securities, amounting to €18,265 m with reference to the book values as at 31 Mar 21, is divided into 37 countries, including Hungary (€1,929 m), Bulgaria (€1,913 m), Czech Republic (€1,723 m), Portugal (€1,693 m), Croatia (€1,512 m), Russia (€1,182 m), Ireland (€1,096 m), Serbia (€995 m), Poland (€914 m), Israel (€534 m) and Belgium (€525 m). The sovereign exposure to Greece is immaterial.

With respect to these exposures, as at 31 Mar 21 there were no indications that a default may have occurred.

It should moreover be noted that among the aforementioned remaining part of sovereign debt securities as at 31 Mar 21 there are also debt securities towards Supranational Organizations such as the European Union, the European Financial Stability Facility and the European Stability Mechanism amounting to €2,617 m.

## UNICREDIT GROUP: BREAKDOWN OF SOVEREIGN DEBT SECURITIES BY BANKING BOOK PORTFOLIO

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

Breakdown of Sovereign Debt Securities by Portfolio (banking book)	Amounts as at 31 March 2021				(€ million)	
	Financial assets designated at fair value		Financial assets at fair value through other comprehensive income		Financial assets at amortised cost	Total
	value	mandatorily at fair value				
Book value	247	5,849	55,263	50,727	<b>112,086</b>	
% portfolio	99.96%	38.96%	77.89%	8.08%	<b>15.69%</b>	

## UNICREDIT GROUP: SOVEREIGN LOANS – BREAKDOWN BY COUNTRY

In addition to the exposures to sovereign debt securities, loans<sup>54</sup> given to central and local governments and governmental bodies must be taken into account. The table below shows the total amount as at 31 Mar 21 of loans booked in financial assets at amortised cost portfolio given to countries towards which the overall

<sup>54</sup> Tax items are not included.

exposure exceeds €130 m, representing about 95 per cent of the total.

(€ million)	Book value
<b>As at 31 March 2021</b>	
- Germany(*)	6,827
- Austria(**)	5,572
- Italy	5,524
- Croatia	2,278
- Czech Republic	1,201
- Qatar	496
- Slovakia	286
- Kuwait	245
- Kenya	243
- Egypt	207
- Hungary(***)	204
- Bulgaria	195
- Slovenia	175
- Turkey	171
- Indonesia	163
- Bosnia and Herzegovina	159
- Laos	134
<b>Total on-balance sheet exposures</b>	<b>24,080</b>

**Notes:** (\*) of which € 1,990 m in financial assets held for trading and those mandatorily at fair value. (\*\*) of which € 30 m in financial assets held for trading and those mandatorily at fair value. (\*\*\*) of which € 8 m in financial assets mandatorily at fair value.

## BASIS OF PREPARATION

1. This Consolidated interim report as at 31 Mar 21 - Press release has been prepared on a voluntary basis, with the aim of ensuring continuity with the previous quarterly reports, following the elimination of the requirement to disclose additional financial information to the half-year and annual reports pursuant to law (D.Lgs.) 25/2016, issued in application of Directive 2013/50/EU. This Consolidated interim report as at 31 Mar 21 - Press release as well as the press releases on significant events occurred during the period, the market presentation of 1Q21 results, the Divisional Database, and the disclosure by institutions pursuant to Regulation (EU) No.575/2013 and subsequent amendments are available on UniCredit group website.
2. Reclassified balance sheet and income statements items have been prepared pursuant to Banca d'Italia instructions laid down in Circular 262/2005, and by applying the aggregations and reclassifications disclosed in Annex 1 of 2020 Annual Report and Accounts of UniCredit Group, supplemented by the notes below the reclassified balance sheet and income statement of this document.
3. The contents of this Consolidated interim report as at 31 Mar 21 - Press release are not prepared according to the international accounting standard on interim reporting (IAS34). Furthermore, in addition to the financial information prepared by applying measurement criteria in accordance with International Financial Reporting Standards ("IFRS") and derived from our financial statements, this document contains alternative performance measures ("APMs") as defined in the Guidelines on Alternative Performance Indicators (APIs) issued by the European Securities and Markets Authority (ESMA) on 5 Oct 15 (ESMA/2015/1415) and other information not based on-IFRS definitions, in order to provide further information about the Group's performance. The financial measures that qualify as APMs and additional information not based on IFRS definitions have been calculated with information from UniCredit Group and should be considered supplemental information to IFRS information and do not intend to substitute them. Furthermore, companies in our industry and others may calculate or use APIs and information not based on IFRS definitions differently, thus making them less useful for compare. The description of such APIs (such as Cost/income ratio, EVA, RoTE, RoAC, Cost of risk, Net bad loans to customer/Loans to customers, Net non-performing loans to customers/Loans to customers, Absorbed capital, ROA) is included in the 2020 Annual

Report and Accounts of UniCredit Group (Consolidated report on operations and Annexes). Further APMs (i.e. Coverage ratio, Underlying RoTE) have been described in the 1Q21 market presentation.

4. The Consolidated interim report as at 31 Mar 21 - Press release, within which the accounts are presented in reclassified form, was prepared on the basis of IAS/IFRSs in force.

It must be noted that since 2020 the market environment is affected, when compared to the past, by a lower predictivity of the macroeconomic projections arising from a substantial degree of uncertainty about the evolution of the pandemic, and the consequent uncertainty of predicting timing and extent of the economic recovery which may occur in future periods. In light of this circumstance, and considering the ESMA Public Statement dated 28 Oct 2020 ("European common enforcement priorities for 2020 Annual Financial Reports"), UniCredit Group defined different macroeconomic scenarios for the purposes of the evaluation processes of 2020 Financial statements. In particular, in addition to the "Baseline" scenario, which reflects the expectations considered most likely concerning macroeconomic trends, alternative scenarios were outlined by assuming different trends in the main macroeconomic parameters (e.g. gross domestic product, interest rates) for the evaluation of: (i) goodwill and Deferred Tax Assets ("DTA" thereafter), for which a further "Downturn" scenario was elaborated; (ii) Credit exposures, for which a Negative and a Positive scenarios were elaborated.

As at 31 Mar 21, analyses were carried out in order to assess whether the macroeconomic scenarios, used for Dec 20 evaluation processes, are still able to properly represent the underlying economic conditions in light of new available information. The outcome of these analyses<sup>55</sup>, specifically performed for DTA and Credit Exposures, are presented subsequently.

It shall be noted that the evolution of the pandemic, the effect of the relief measures adopted and, ultimately, the existence and degree of the economic recovery might affect, also significantly, the outcome of the measurement.

For the DTA, these factors may affect both the assumption on future cash flows (which on turn incorporate assumptions on the evolution of the macroeconomic scenario) and the economic results of the large European Banks (which are an input of the statistic model adopted for the sustainability test). Therefore, possible deviations of the actual economic recovery, compared to the assumptions which form the basis of the evaluations, might require a re-determination of the parameters used for valuation purposes, in particular with regard to the future cash flows, and the consequent change in the valuation results.

In this context, the review of the strategic plan is expected to be concluded in the second half of 2021 and will be communicated at a Capital Markets Day.

Refer to the subsequent point 6 for an explanation of the evaluations performed as at 31 Mar 21 on DTA.

With reference to the credit exposures, the amount of LLPs is determined by considering the classification - current and expected - of credit exposures as non-performing, the sale prices (for those NPE) whose recovery is expected through sale to external counterparties), and credit risk parameters (Probability of Default, Loss Given Default and Exposure at Default) which - in accordance with IFRS9 - incorporate, among other factors, forward looking information and the expected evolution of the macroeconomic scenario. Therefore, the evolution of the pandemic, the effect of the relief measures adopted and, ultimately, the existence and degree of the economic recovery, might require the classification of additional credit exposures as non-performing in future reporting periods, thus determining the recognition of additional LLP. In addition, adjustments to the LLP might derive from the occurrence of a macroeconomic scenario different from the one estimated for the calculation of the credit risk parameters, or by the prevalence on the market of NPE prices different from those used in the measurement of credit exposures included in the Disposal strategy. In addition to the above, the evolution of the real estate market could impact on the value of properties received as collateral and may

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<sup>55</sup> Goodwill was fully impaired as at 31 Dec 20.

require an adjustment to the LLP. Refer to the subsequent points 7, 8 and 9 for an explanation of the evaluations performed as at 31 Mar 21 on Credit exposures.

With reference to real estate portfolio, which starting from 31 Dec 19 is measured at fair value, it is worth to note that in the upcoming reporting periods, the fair value of these assets might be different from the values exposed as at 31 Mar 21 as a result of the possible evolution of real estate market which will also depend on the evolution of the pandemic. Refer to the subsequent point 10 for an explanation of the evaluations performed as at 31 Mar 21 on the real estate portfolio.

Finally, in addition to the assets mentioned above, the slow-down of economic activities and the associated degree of uncertainty on the economic recovery also affected the valuation of the following items:

- fair value of financial instruments not listed in active markets;
- severance pay (in Italy) and other employee's benefits;
- provisions for risks and charges.

While evaluations were made on the basis of information deemed to be reasonable and supportable as at 31 Mar 21, they might subject to changes not foreseeable at the moment, as a result of the evolution in the parameters used for the evaluation.

Furthermore the following factors, in addition to the others outlined above, could affect our future results and could cause materially different outcomes from those embedded in the evaluations: (1) general economic and industry conditions of areas where the Group have significant operations or investments; (2) exposure to the various market risks (e.g. foreign exchange rate risk); (3) political stability in areas where the Group have significant operations or investments; (4) changes in legislation, regulations, taxes, including regulatory capital and liquidity requirements, also considering Brexit and increased regulation in response to financial crises. Numerous factors could affect our future results and could cause those results to deviate from those anticipated in the forward-looking statements. Other unknown or unpredictable factors could cause actual results to differ materially from those in the forward-looking statements.

5. Starting from 31 Dec 19, the Group updated the calculation of the sustainability test methodology considering appropriate a 10 years' time horizon, for the recognition of DTA arising from tax loss carrying forward deemed coherent for assessing the generation of sufficient taxable profit to be available against which tax assets can be utilised.

In the first quarter 2021, a trigger analysis was performed by checking the evolution of the main data, parameters and assumptions underlying the sustainability test performed as of 31 Dec 20.

Both the cash flows and the macroeconomic scenarios (i.e. "Baseline" and "Downturn") underlying 31 Dec 2020 impairment test were tested for consistency, compared with updated evidences as at 31 Mar 21. According to the outcome of such analysis, no material changes were highlighted that may lead to put in discussion the data, parameters and assumptions adopted for 31 Dec 20 sustainability tests. Therefore, the Year End 2020 DTA test sustainability results are confirmed, and no impacts were recognized in the first quarter 2021.

6. With reference to the macroeconomic scenarios (i.e. "Baseline", "Positive" and "Negative") used for calculation of the LLP, as at 31 Mar 21, an analysis was performed in order to assess whether substantial changes occurred since 2020 in the macroeconomic forecasts so to require an update in the macroeconomic scenarios applied. Such analysis was executed by considering both external and internal projections.

With reference to external projections, it was observed that, according to the ECB Staff, the macroeconomic projections run in Dec 20 vis-à-vis those run in Mar 21 are substantially aligned as they: (i) present slight swings (+/- 0.1 per cent) for 2021 and 2022, while (ii) are perfectly matched for 2023.

With reference to internal projections, the latest forecast as of Mar 21 for Eurozone, Italy, Germany and Austria were assessed in order to verify whether significant differences occurred in the underlying parameters and, therefore, whether the Baseline scenario used as at 31 Dec 20 needed to be revised in light of new evidences. In this context, with specific reference to the GDP growth, it was observed that for all the regions considered (Eurozone, Italy, Germany and Austria) Mar 21 scenario forecasts for 2021 are lower than the Baseline scenario (Eurozone: -1.5 per cent, Italy: -1.3 per cent, Germany: -1.5 per cent; Austria: -2.4 per cent). Conversely for



2022 Mar 21 scenario forecasts are higher than the Baseline scenario (Eurozone: +1.7 per cent, Italy: +2.4 per cent, Germany: +1.5 per cent; Austria: +3.2 per cent). For 2023 Mar 21 scenario is aligned to the Baseline for Eurozone and Germany while being higher for Italy (+0.5 per cent) and Austria (+0.1 per cent).

As a result of this analysis, the baseline scenario was not updated as it was assessed to be still representative of the underlying macroeconomic conditions.

With reference to the alternative scenarios (positive and negative), the upside/downside risks (as expressed by positive and negative scenarios) remain confirmed when compared to Dec 20 as the Mar outlook is still in the middle between the 2020 positive and negative scenarios, for all geographies and for the whole timespan. Finally, in light of the continuing uncertainty in the outlook, that as of 31 Dec 20 led to revise the weight attributed to each scenario, the probability associated to the three scenarios above are unchanged with an overweight of the downside risks relatively to upside ones: (i) 40 per cent for the negative scenario; (ii) 55 per cent for the baseline scenario; and (iii) 5 per cent for the positive scenario.

7. With reference to the management of payment moratoria, already on 31 Dec 20, the Group has deemed necessary to strengthen the Significant Increase in Credit Risk (SICR) assessment on customers. In this context it was observed that default risk in year 2020 was mitigated because of government support schemes (including payment moratoria). Given such circumstance, and in order to provide an appropriate assessment of SICR to avoid a cliff effect when moratoria would expire, portfolio clustering approaches were put in place for assessing credit exposures on the basis of the industry and/or financial distress indicators, implying the classification in Stage 2 of the riskiest portion of the portfolio. Finally, in Italy, Mortgages and Consumer loans under moratoria (excluding those granted to public sector and retired people) classified under Stage 1 and - with specific reference to Mortgages - having higher probability of default, were migrated to Stage 2. As at 31 Mar 21, no change to the approach described above was applied and therefore, no further staging 2 classification, due to strengthening of SICR approach, occurred in comparison with 31 Dec 20, also considering the absence of significant changes in the Moratoria measures in place.
8. Starting from IFRS 9 first time adoption, for credit exposures included in the disposal Strategy the Group has determined the Expected Credit Loss of Non-performing loans also considering the disposal prices to be received from sale transactions. In this context, during Dec 20 and Feb 21 a new 2021-2023 Disposal plan, for both Core and Non-Core portfolios, was approved in order to manage NPE stock and new NPE flows expected to be generated during 2021-2022. The revised Disposal plan added to the IFRS9 Selling Scenario credit exposures belonging to the Core portfolio and, with reference to the Non-Core portfolio confirmed its full rundown by 2021 year-end. On Mar 21, the update of the disposal Strategy, substantially confirming the targets included in the Disposal plan approved by the Group in Feb 21, was remitted to the ECB. As at 31 Mar 21, the NPE falling within the Core and Non-Core perimeter evaluated with IFRS 9 Selling Scenario approach were evaluated by using the parameters resulting from the analyses conducted at the end of 2020 (i.e. benchmark prices for each cluster); indeed, taking into account that no significant transactions, having features coherent with UniCredit portfolio, occurred in the first quarter 2021, the prices are considered still valid and representative of the characteristics of the portfolios themselves. On the basis of the above there was no LLPs impact arising from the review of IFRS9 Selling Scenario as at first quarter 2021.
9. Starting from 31 Dec 19, the Group moved from a cost model to a fair value or revaluation model for the measurement of, respectively, properties held for investments and used in business. As a result, at the same date fair value of all the real estate properties was determined and recognised in financial statements. As at 31 Mar 21, the Group deemed appropriate to evaluate if the assets values accounted for as at 31 Dec 20 were confirmed analysing, also through market reports provided by external appraisers, the conditions of the Real estate assets as well the evolution of the local real estate market. The outcome of analysis substantially confirmed the values of the real estate assets recognised in the balance sheet.

10. With reference to the contributions due to the Single Resolution Fund and to Deposit Guarantee Schemes, the related estimated costs are presented into “Other charges and provisions: of which systemic charges”.
11. Regarding the scope of consolidation, in the first three months of 2021 the following changes occurred:
- the number of fully consolidated companies, including the ones classified as non-current assets and asset disposal groups, reduced from 466 at the end of 2020 to 455 as at Mar 21 (3 inclusions and 14 exclusions as a result of disposals, changes of the consolidation method and mergers);
  - the number of companies consolidated by using the equity method, including the ones classified as non-current assets and asset disposal groups, is 31, unchanged from the end of 2020 to Mar 21.
12. Regarding Non-current assets and asset groups held for sale, in the Balance sheet as at 31 Mar 21 the main reclassified assets based on the IFRS5 accounting principle, as non-current assets and asset disposal groups, refer to:
- regarding the individual asset and liabilities held for sale and the groups of assets held for sale and associated liabilities which do not satisfy IFRS5 requirements for the classification as discontinued operations:
    - the companies of the DC Bank AG and Wealthcap groups, the joint venture Capital Dev S.p.A. and the associated company Risanamento S.p.A.;
    - the non-performing loans related to sale initiatives of portfolios;
    - the real estate properties held by certain companies in the Group;
  - regarding the data relating to the discontinued operations:
    - the companies of the Immobilien Holding group (Austria).
13. This Consolidated interim report - Press release is not audited by the External Auditors.

Declaration by the Manager charged with preparing the financial reports

The undersigned, Stefano Porro, in his capacity as the Manager charged with preparing UniCredit S.p.A.'s financial reports

DECLARES

that, pursuant to Article 154 bis, paragraph 2, of the “Consolidated Law on Finance”, the information disclosed in this document corresponds to the accounting documents, books and records.

Milan, 5 May 2021

**Manager charged with  
preparing the financial reports**

