

MILAN, 09 DECEMBER 2021

UNICREDIT UNLOCKED: 2022-2024 STRATEGIC PLAN

EMPOWERING COMMUNITIES TO PROGRESS

Refocusing on our regions, putting clients back at the centre and empowering employees with a common objective alongside values of integrity, ownership and care

Driving financial performance via three interconnecting levers: cost efficiency while funding Digital & Data transformation and investing in the Business; optimal capital allocation and net revenue growth of circa 2 per cent per annum

Positive operating leverage of circa 4 per cent 2021-2024¹, cost income ratio at circa 50 per cent in 2024, RoTE² of circa 10 per cent in 2024

New business model allows for strong organic capital generation³ with materially increased and growing shareholder distribution⁴ of at least €16 billion total for 2021-2024 through a combination of cash dividends and share buybacks while maintaining or exceeding a robust CET1 ratio of 12.5-13 per cent⁵

Embedding sustainability in all we do: leading by example in our own business, helping clients through a just and sustainable transition, contributing towards a better society; investing €100 million to ensure equal pay for equal work

UniCredit S.p.A. (“UniCredit” or “the Group”) outlines a new strategic plan (“UniCredit Unlocked”) for 2022-2024, which optimises the Group today and builds a clear long-term programme for tomorrow while moving into an era of purpose, growth and value creation for all our stakeholders.

UniCredit Unlocked delivers the following strategic imperatives & financial ambitions:

Grow in our regions and develop our client franchise, changing our business model and how our people operate

- Quality growth both from our existing and new clients;
- Develop best-in-class products and services: either in house or with external partners;
- Grow capital-light business, focusing on value-added products and services for clients;
- Targeted cost efficiency to fund investment and deliver operating leverage.

Deliver economies of scale from our footprint of banks, transforming our technology leveraging Digital & Data and embedding sustainability in all that we do

- Unite our 13 banks in one integrated group;

¹ Calculated as revenue CAGR 2021-2024 minus cost CAGR 2021-2024.

² RoTE means (i) net profit over (ii) average tangible equity excluding AT1, CASHES & DTA from tax loss carry forward contribution.

³ Organic capital generation means CET1r evolution deriving from (i) stated net profit excluding DTA from tax loss carry forward contribution and (ii) RWA dynamic net of regulatory headwind.

⁴ Shareholder distribution subject to supervisory & shareholder approvals and inorganic options.

⁵ Managerial target 2024.

- Central steering where it adds value; local empowerment within clear risk and behaviour framework;
- Redesign operating model: reclaiming core competencies in house;
- New way of working: centred around clients and common platforms;
- Leading by example, striving for the same high standards that we seek from those we do business with;
- Equipping ourselves with tools to support our clients and communities navigate the green & social transition.

Drive financial performance via three interconnecting levers largely under management control

- Total costs: deliver a €0.5 bn absolute cost reduction, net of €0.6 bn investments (Digital & Data and Business) and of €0.5 bn inflation, by 2024. Cash investments for €2.8 bn in Digital & Data⁶ over the life of our plan;
- Allocated capital: generate organic capital³ of c. 150 bps per annum from increased profitability and capital-light model, optimal capital allocation and active portfolio management driven by RoTE² maximisation;
- Net revenue: €1.1 bn of incremental net revenue that delivers profitability above the cost of equity and is mostly driven by fees and recovery of market share.

New business model allows for strong organic capital generation³ with materially increased and growing shareholder distributions⁴ while maintaining or exceeding a robust CET1 ratio target of 12.5-13 per cent⁵

- Shareholder distribution⁴ of at least €16 bn total for 2021-2024, with yearly distributions being consistent with the organic capital generation³ of each relevant year;
- Distribution of €3.7 bn is expected for 2022 (related to FY2021), consisting of a cash dividend of circa 30 per cent of underlying net profit with the balance composed of share buybacks;
- Based on plan assumptions, total distribution related to FY2022 is expected to be in line or greater than FY2021 and to progressively increase starting from FY2023. The FY2022 annual cash dividend is expected at 35 per cent of net profit and thereafter to be at least 35 per cent of net profit with the balance composed of share buybacks.

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

"I'm excited to share our new business plan, UniCredit Unlocked, setting out our strategic imperatives and financial ambitions as we move into an era of purpose, growth and value creation.

Our unique pan-European network of 13 leading banks and diverse talent will be united under a common purpose; to Empower our Communities to Progress. We are investing in digital, data and our businesses, putting clients back at the centre, setting out a new way of working for our employees and pursuing a capital-light model with sustainability embedded throughout. With this strategy we will deliver materially increased and growing shareholder returns while growing our business and maintaining capital strength.

This plan is about more than the near-term future. It is also about setting us up for long-term success and stability beyond 2024. I am proud to steer UniCredit through this next phase of growth and value creation for all our stakeholders and I know that we will win, the right way, together".

Milan, 9 December 2021: the Board of Directors of UniCredit S.p.A. has approved the 2022-2024 strategic plan which will be presented to analysts and investors at a virtual Strategy Day today.

⁶ Additional investments not fully comparable to previous disclosure due to pricing model changes.

OPTIMISE TODAY: CLIENTS, PEOPLE AND ORGANISATION

We are building the bank for Europe's future, putting our clients at the heart of all that we do: connecting 15 m clients and 87,000 people⁷ in a unified way across 13 banks and 4 regions in Europe - Italy, Germany, Central Europe and Eastern Europe. The cornerstone of our strategy is leveraging our 13 banks to reap our inherent scale advantage. In addition the combination of the countries where we are present creates a better growth and returns profile, the benefit of diversification and unique optionality.

We are putting in place reunified client segments, a harmonised service model, simplified processes and a common organisational structure group-wide. We are unifying our technology and data platforms and cementing our principles to deliver our clients the best products and services. Our people will be empowered within well-defined behaviour and risk guidelines in order to progress and take ownership of decisions, unlocking talent and taking back market share.

This includes uniting behind a single ambition and common purpose: empowering communities to progress.

Corporate and Individual Solutions serving all our clients and regions

Our four regions will be supported by two centralised product factories, Corporate and Individual Solutions, leveraging group scale and with a comprehensive offering of best-in-class products for all our clients. These will be developed internally or by partners and will leverage Digital & Data as key enablers for a seamless corporate and retail client experience:

Corporate Solutions, a true value-added service model, comprising Client Risk Management, Advisory & Capital Markets, Specialised Lending and Transactions & Payments, is differentiated for three main reasons:

- 1 m corporate client base with existing long-standing relationships;
- ability to leverage on existing high quality products;
- cross border positioning allowing us to support clients in trade, transaction and growth ambitions.

Corporate Solutions is expected to generate over €5 bn of 2021 revenues, with an ambition for a 4 per cent CAGR 2021-2024, and increased RoAC to 17 per cent in 2024 from 13 per cent in 2021, through capital-light growth.

Individual Solutions, the right model for our clients and for us, comprises of Life Insurance, Protection, Funds, Portfolio Management and Brokerage & Assets under Custody. The model delivers strong results for all our stakeholders:

- high retention of the value chain and partnering with best-in-class providers;
- targeted scale and leading market share where it counts;
- very high returns that we are well positioned to maximise.

Individual Solutions is expected to generate just over €3 bn of 2021 revenues, with an ambition for a 5 per cent CAGR 2021-2024, and very high returns on attributed capital. Our insurance offering is a core priority and, as we invest in our Business and our IT platforms, with partners supporting us with innovative solutions and products, we will further increase our capital-light revenue stream.

Growing and improving returns across our regions

Our unique pan-European footprint provides us with diversification, client access, multicultural mindset and cross-border operations. All our regions are expected to deliver improved returns through the levers of capital, net revenue and cost, flexed differently per region, with clear initiatives across clients, people and the organisation:

- Italy's business will focus on higher growth and more profitable areas, while optimising capital, reaching the highest ratios among our regions for fees/revenues at c. 55 per cent and net revenues/RWA at c. 6 per cent in 2024, RoAC superior to 12 per cent;

⁷ Total headcounts as of 3Q21.

- Germany will lead in efficiency and profitability compared to peers, with returns well above the cost of equity, reaching fees/revenues at c. 30 per cent and net revenues/RWA at c. 5 per cent in 2024, RoAC superior to 10 per cent;
- Central Europe's allocated capital will grow by 5 per cent a year reaching fees/revenues at c. 30 per cent and net revenues/RWA at c. 5 per cent in 2024, RoAC superior to 13 per cent;
- Eastern Europe's allocated capital will grow by 4 per cent per year, post active portfolio management, reaching fees/revenues at c. 20 per cent and net revenues/RWA at c. 6 per cent in 2024, RoAC superior to 16 per cent.

We are investing in the Business by net hiring of 1,500 people across all our regions over the course of the plan, of which 900 in Italy, 300 in CE & EE, 200 in Germany and 100 in Control functions.

BUILD FOR TOMORROW: DIGITAL & DATA

Digitalisation is at the heart of our strategy and our ultimate ambition is to be a truly digital bank, powered by data in all we do. We will fund this with a higher overall spend, €2.8 bn total over 2022-2024, with clear strategic prioritisation. We plan to hire 2,100 people net in Digital & Data, for an overall 3,600 net new hires, including the 1,500 for the Business.

We will embark on four key projects: User Experience, New Digital Offering, Payment value Chain and Cyber Security. At the same time our Digital & Data priorities are:

- Internalised up-skilled workforce and rationalised external organisation & partners, to reclaim core competencies and skillsets, costing less per unit with higher productivity, reducing our reliance on high-cost externals by two thirds out to 2024;
- New way of working with modular and reusable solutions which can be scaled across our Group; global technology, business and data platforms to maximise reusability, scale, cost efficiency and speed;
- Investment model amplified through efficiencies and scale, self-funded through cost reductions from internalisation, targeting better spend;
- Client approach focused on value creation, organisation structured around products and functions working together to deliver quality at speed.

BUILD FOR TOMORROW: SUSTAINABILITY

Sustainability will be embedded in our culture. We will first hold ourselves accountable, striving to reach the same standard we ask of our clients and we will invest in and support the communities within which we operate:

- Reduction of our greenhouse gas emission by 60 per cent since 2008, targeting net zero by 2030⁸;
- 79 per cent renewable energy usage in our premises, with no single-use plastic items in our buildings by end 2022;
- More than €40 m contribution to corporate citizenship and philanthropic initiatives⁹ and to the education of 100,000 young people, while committing to financial support for categories at risk of financial exclusion;
- A commitment to deliver on our ESG global policies and ensure equal pay for equal work, by investing €100 m.

Navigating the sustainable transition is a key part of empowering communities to progress. In the next three years we target €150 bn new ESG volumes cumulative for 2022-2024. We have established an ESG advisory model for Corporates and Individuals, are financing Innovation for environmental transition and are partnering with key players to enrich and improve ESG offerings across-sectors. Job inclusion and female empowerment are key projects.

⁸ 2030 target on own emission.

⁹ Measured by the former London Benchmarking Group (LBG), now business for Societal Impact (B4SI) reporting framework.

FINANCIAL AMBITION: UNICREDIT UNLOCKED

Unlocking the potential of UniCredit allows us to raise the bar on our financial ambition.

There are macroeconomic advantages from our positioning, however we are driving the plan primarily through management actions:

- Over the three years, we assume a conservative interest rate scenario based on a broadly stable Euribor 3 month rate;
- Our distinctive footprint offers us a number of favorable opportunities: the combination of our countries is expected to deliver GDP growth¹⁰ that is 20 basis points above the eurozone average over the course of the plan. This is helped by our Central and Eastern European positioning;
- Central and Eastern Europe loan growth is expected at a multiple of GDP due to the relatively low maturity of the market;
- Recovery and Resilience Fund allocation: our countries have access to approximately 50 per cent of the overall fund disbursement.

Our Macro assumptions¹¹ exclude unexpected materially adverse developments such as the COVID-19 pandemic, a situation that we are monitoring closely.

Our financial ambition to unlock UniCredit is based on six pillars which will deliver sustainable performance and profitable growth through the cycle:

- Optimise: improving operational and capital efficiency, with €1.5 bn of gross cost savings, of which €0.4 bn from Digital & Data, and 130 bps contribution to CET1 ratio from active portfolio management; expect RWA to decrease over the course of the plan as active portfolio management more than offsets impact of organic growth and expected regulatory headwinds;
- Invest: cash investments for €2.8 bn in Digital & Data⁶, 3,600 net new hires in Business and Digital & Data, targeted growth initiatives including ESG; €1.2 bn gross integration costs impact from: Team23 acceleration, technology benefit and simplification & streamlining (please refer to 2021 One-offs table in Annex);
- Grow: net revenues at 2 per cent CAGR in the period 2021-2024, of which fees at 4 per cent, and net profit at 10 per cent per year, net of all the optimisation we are undertaking, with underlying growth substantially higher;
- Return: RoTE² of circa 10 per cent in 2024;
- Strengthen: CET1 ratio target of 12.5-13 per cent⁵, with 150 bps yearly organic capital generation³ on average; gross NPE ratio¹² to improve to circa 3.5 per cent and net NPE ratio¹³ to remain stable at c. 1.8 per cent in 2024;
- Distribute: at least €16 bn total for 2021-2024, consistent with organic capital generation³ from net profit and RWA evolution.

¹⁰ Average of yearly changes.

¹¹ GDP and Banking Sector Loan Growth from UniCredit Macroeconomic and Banking Scenario, October 2021. Aggregations are weighted average based on allocated capital. Interest rate from Bloomberg. RRF from European Commission, 2021. Category split from Bruegel dataset as of July 2021, referring to EU countries that submitted the plan.

¹² Defined as (i) Gross Non Performing Exposures comprising bad loans, unlikely to pay, and past due; TO (ii) Gross Loans to customers excluding debt Securities.

¹³ Defined as (i) Non Performing Exposures after deduction of provisions comprising bad loans, unlikely to pay, and past due; TO(ii) Loans to customer after deduction of provisions and excluding debt securities.

GROUP KEY FINANCIAL 2021 GUIDANCE AND 2024 AMBITIONS

	2021	2024
Net revenue	>16bn	>17bn
Fees, % of revenue	c.38%	c.40%
Cost / Income	c.56%	c.50%
Net profit	>3.3bn	>4.5bn
RoTE	>7.0%	c.10%
Organic capital generation		c.150bps per annum
CET1	13.5-14%	12.5-13%
Total ESG volumes		150bn cumulative 2022-24

≥16bn shareholder distribution 2021-24

2022 NET PROFIT GUIDANCE

Net profit guidance for 2022 is to be greater than €3.3 bn (substantially flat versus our latest guidance for 2021, rebased according to new definition of net profit).

ANNEX
2021 ONE-OFFS

	2021 net profit impact	Notes
HR integration costs	-0.6bn	Gross impact: -1.2bn
Digital & real estate integration costs	-0.3bn	
Regulatory headwinds LLP	-0.2bn	
Fair value adjustment for IFRS5	-0.7bn	
FX reserve impact from participation disposal	-1.6bn	Capital neutral
DTA write-up	+1.3bn	Capital neutral

Managerial estimates based on latest available information

NOTES

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GENERAL NOTES

- Numbers throughout the press release may not add up precisely to the totals provided in tables and text due to rounding.
- Clients means those clients that made at least one transaction in the last three months.
- Net revenue means (i) revenue, minus (ii) Loan Loss Provisions.
- Cost lever calculated as proportional impact of gross cost savings on RoTE/RoAC delta.
- Capital lever calculated as positive impact of active portfolio management (and disposals) on tangible equity/allocated capital delta.
- Net revenue lever calculated as proportional impact of delta net revenue on RoTE/RoAC delta.
- CET1 ratio fully loaded throughout the document, unless otherwise stated.
- Allocated capital calculated as 13 per cent of RWA throughout the document.
- Stated net profit means accounting net profit.
- Net profit means stated net profit (for 2021 underlying net profit) adjusted for AT1, CASHES coupons & impacts from DTAs from tax loss carry forward sustainability test (only for the Group).
- Underlying net profit means stated net profit adjusted for non-operating items.

FURTHER INFORMATION

Further information related to UniCredit Unlocked available on www.unicreditgroup.eu.

You can follow the Strategy Day presentation live via webcast starting at 12:00pm CET, upon registration to strategyday2021reg.unicredit.eu, or via conference call (listening mode only), the dial-in details for which are:

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