One Bank, One UniCredit.

Consolidated First Half Financial Report as at 30 June 2019

Banking that matters. UniCredit

Contents

Notes
The following conventional symbols have been used in the tables:
- a dash (-) indicates that the item/figure is non-existent;
- two stops (..) or "n.m." when the figures do not reach the minimum considered significant or are not meaningful;
- "n.a." indicates that the figure is not available.

UniCredit S.p.A.
A joint stock company
Registered Office and Head Office: Piazza Gae Aulenti, 3 - Tower A - 20154 Milano
Share capital €20,994,799,961.81 fully paid in
Registered in the Register of Banking Groups and Parent Company of the UniCredit Banking Group, with cod. 02008.1
Cod. ABI 02008.1
Fiscal Code, VAT number and Registration number with the Company Register of Milan-Monza-Brianza-Lodi: 00348170101
Member of the National Interbank Deposit Guarantee Fund and of the National Compensation Fund
Stamp duty paid virtually, if due - Auth. Agenzia delle Entrate, Ufficio di Roma 1, No.143106/07 of 12.21.2007

Board of Directors, Board of Statutory Auditors and External Auditors as at 30 June 2019

	Board of Directors
Fabrizio Saccomanni	Chairman
Cesare Bisoni	Deputy Vice Chairman
Jean Pierre Mustier	CEO
Mohamed Hamad Al Mehairi Lamberto Andreotti Sergio Balbinot Martha Boeckenfeld Vincenzo Cariello Elena Carletti Isabelle de Wismes Stefano Micossi Maria Pierdicchi Francesca Tondi Alexander Wolfgring Elena Zambon	Directors
Gianpaolo Alessandro	Company Secretary
	Board of Statutory Auditors
Marco Rigotti	Chairman
Antonella Bientinesi Angelo Rocco Bonissoni Benedetta Navarra Guido Paolucci	Standing Auditors
Stefano Porro	**Manager in charge with preparing the financial reports**
Deloitte & Touche S.p.A.	**External Auditors**

Strengthen and optimise capital.

We will maintain a strong capital position by generating solid profit. We confirm our MDA buffer. The Group fared well in the EBA stress test results, with the third highest CET1 ratio among systemic banks in the Eurozone.

Note to the Consolidated first half financial report

General aspects

This Consolidated first half financial report was prepared pursuant to the article 154-ter, paragraph 2 of the Legislative Decree No.58 of 24 February 1998, according to IAS/IFRS international accounting standards, in compliance with the requirements of IAS34 Interim Financial Reporting, in the condensed version provided for in paragraph 10, instead of the full reporting provided for annual financial statements.

The Consolidated first half financial report includes:

- the Consolidated interim report on operations using reclassified consolidated accounts formats, including not only comments on the results for the period and on other main events, but also the additional financial information required by Consob provisions;
- the Consolidated accounts in line with Banca d'Italia templates as prescribed by Circular 262 dated 22 December 2005 (6th update of 30 November 2018);
- the Explanatory notes which include both the detailed information required by IAS34 stated according to the formats adopted in the financial statements and the additional information required by Consob and the information deemed useful for providing a better picture of the corporate standing;
- the Condensed interim consolidated financial statements certification pursuant to Art.81-ter of Consob Regulation No.11971/99 as amended;
- the Auditor's Review Report;
- the Annexes.

UniCredit's website also contains the press releases concerning the main events of the period and the Market presentation of Group results.

The acronyms/abbreviations not explained in the "Glossary" are reported in full the first time they are mentioned.

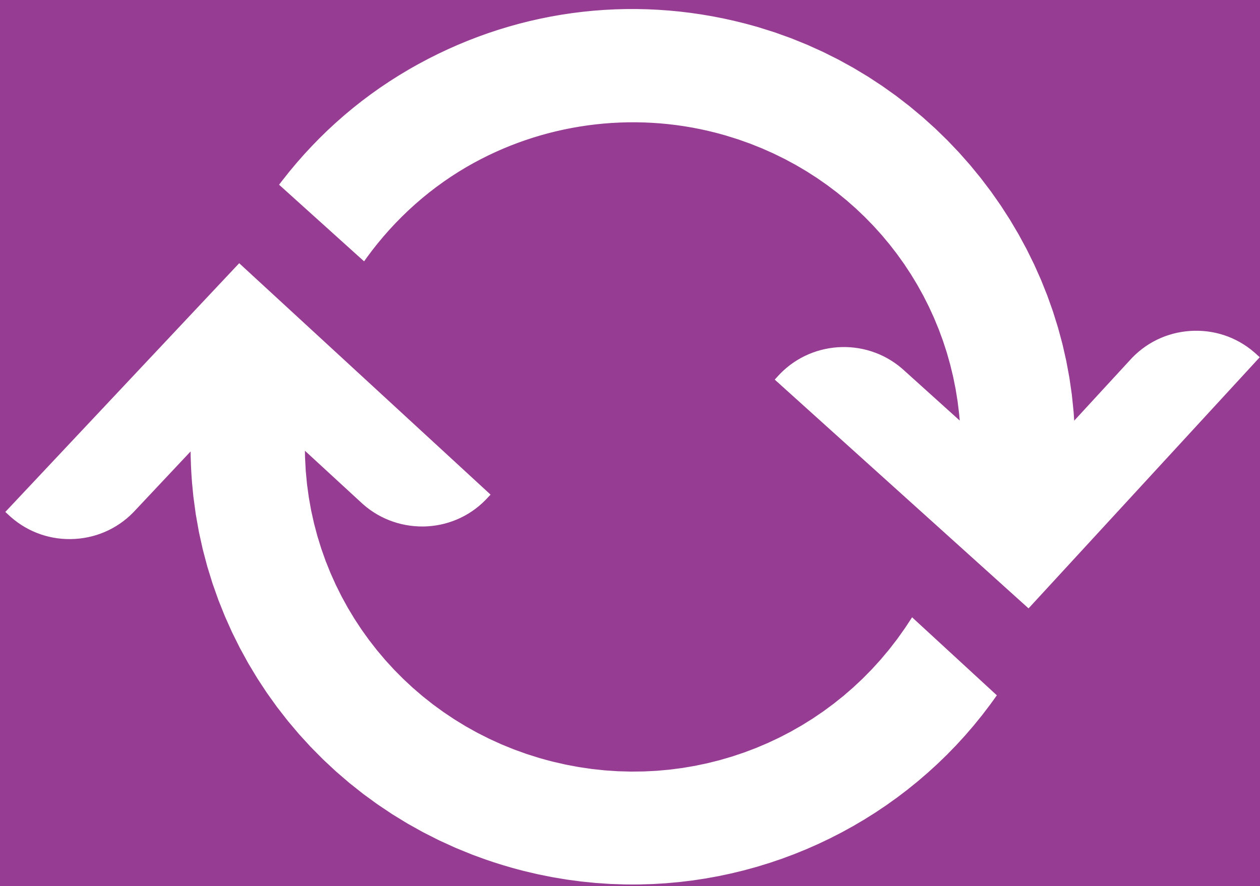
Any discrepancy between data disclosed in this report are solely due to the effect of rounding.

Improve asset quality.

We are continuing to improve our asset quality by de-risking our balance sheet, fully on track for the accelerated rundown of our Non Core portfolio by 2021. A disciplined risk management approach guarantees high quality origination across the Group.

Consolidated first half financial report as at 30 June 2019

Transform operating model.



We are leveraging on digitalisation to transform our operating model. We are ahead of schedule, with an improved cost reduction. The optimisation of the cost base will remain important to ensure our Group's efficiency and effectiveness.

Introduction and Group highlights

Introduction to the Consolidated interim report on operations of UniCredit group

This Consolidated interim report on operations illustrates the performance of the UniCredit group and related amounts and results. It includes financial information such as Group highlights, Reclassified consolidated accounts and their Quarterly figures, Summary results by business segment, Group and UniCredit share historical data series as well as the commented "Group results".

To further illustrate the results of the period, the Consolidated interim report on operations includes Reclassified consolidated accounts prepared using the same criteria of previous quarterly reports.

The information included in this report is supported, in order to provide further information about the performance achieved by the Group, by some alternative performance indicators ("API") such as: Cost/Income ratio, Economic Value Added (EVA), Return On Tangible Equity (ROTE), Net bad loans to customers/Loans to customers, Net non-performing loans to customers/Loans to customers, Absorbed capital, Return On Allocated Capital (ROAC), Return On Assets (ROA), Cost of risk.
Although some of this information, including certain APIs, is neither extracted nor directly reconciled with Condensed interim consolidated financial statements, in the Consolidated interim report on operations, the Annexes and the Glossary provide explanatory descriptions of the contents and, in case, the calculation methods used, in accordance with European Securities and Markets Authority Guidelines (ESMA/2015/1415) of 5 October 2015.
In particular in Annex 1 is included the reconciliation between the reclassified accounts and the mandatory reporting schedule, as required by Consob Notice No.6064293 of 28 July 2006.

For the disclosure relating to related-party relations and transactions, it shall be referred to the Explanatory notes - Part H of the Condensed interim consolidated financial statements.

For a complete description of risks and uncertainties that the Group has to face in the current market situation, it shall be referred to the specific paragraph of this Consolidated interim report on operations and to the Explanatory notes - Part E of the Condensed interim consolidated financial statements.

Group highlights, alternative performance indicators and other measures

Income statement (€ million)

	H1		
	2019	2018	% CHANGE
Operating income	9,283	9,647	- 3.8%
of which:			
- net interest	*5,132*	*5,169*	*- 0.7%*
- dividends and other income from equity investments	*321*	*353*	*- 9.1%*
- net fees and commissions	*3,106*	*3,254*	*- 4.6%*
Operating costs	(4,966)	(5,198)	- 4.5%
Operating profit (loss)	4,316	4,449	- 3.0%
Net write-downs on loans and provisions for guarantees and commitments	(1,175)	(997)	+ 17.8%
Net operating profit (loss)	3,142	3,452	- 9.0%
Profit (Loss) before tax	2,771	2,505	+ 10.6%
Group net profit (loss)	3,241	2,136	+ 51.7%

The figures reported in this table refer to the reclassified income statement. The amounts related to the fiscal year 2018 differ from those published as at that date. For further details, it shall be referred to the "Reconciliation principles followed for the reclassified income statement". Annex 1 includes the reconciliation between the reclassified accounts and the mandatory reporting schedules.

Introduction and Group highlights

Balance sheet

(€ million)

	AMOUNTS AS AT		
	06.30.2019	12.31.2018	% CHANGE
Total assets	832,183	831,469	+ 0.1%
Financial assets held for trading	67,344	65,231	+ 3.2%
Loans to customers	469,298	471,839	- 0.5%
of which: non-performing loans	*13,438*	*14,900*	*- 9.8%*
Financial liabilities held for trading	40,410	43,111	- 6.3%
Deposits from customers and debt securities issued	545,453	560,141	- 2.6%
of which:			
- deposits from customers	*453,019*	*478,988*	*- 5.4%*
- debt securities issued	*92,434*	*81,153*	*+ 13.9%*
Group shareholders' equity	59,136	55,841	+ 5.9%

The figures reported in this table refer to the reclassified balance sheet.
For further details, it shall be referred to the “Reconciliation principles followed for the reclassified balance sheet”. Annex 1 includes the reconciliation between the reclassified accounts and the mandatory reporting schedules.
The item "non-performing loans" differs from those published as at 31 December 2018. For further details, it shall be referred to the paragraph "Net write-downs on loans and provisions for guarantees and commitments" in this Consolidated interim report on operations.

Profitability ratios

	H1		
	2019	2018	CHANGE
EPS(1) (€)	2.861	1.899	0.962
Cost/Income ratio(2)	53.5%	53.9%	- 0.4%
EVA(3) (€ million)	(114)	(175)	+ 61
ROTE(4)	13.2%	8.7%	+ 4.5%
ROA(5)	0.8%	0.5%	+ 0.3%

Notes:
(1) Annualised figure. Earnings per share. For further details refer to Part C - Section 25.
(2) Ratio between operating expenses and operating income.
(3) Economic value added calculated as difference between Net operating profit after tax (NOPAT) and the Cost of the absorbed capital.
(4) Return On Tangible Equity annualised ratio between the net profit and the average net tangible equity.
(5) Annualised figure. Return on assets calculated as the ratio between Net profit (loss) attributable to the Group and Total assets pursuant to the Art.90 of CRDIV (Capital Regulation Directive).

The amounts relating to 2018 differ from the ones published as at that date. For further details, it shall be referred to the “Reconciliation principles followed for the reclassified income statement”.

Risk ratios

	AS AT		
	06.30.2019	12.31.2018	% CHANGE
Net bad loans to customers/Loans to customers	1.1%	1.2%	- 0.1%
Net non-performing loans to customers/Loans to customers	2.9%	3.2%	- 0.3%

For the amounts. it shall be referred to the table “Loans to customers - Asset quality” in the paragraph “Net write-downs on loans and provisions for guarantees and commitments” of this Consolidated interim report on operations.

Introduction and Group highlights

Staff and Branches

	AS AT		
	06.30.2019	12.31.2018	CHANGE
Number of employees(1)	84,836	85,662	-825
Number of branches(2)	3,759	3,815	-56
of which:			
- Italy	*2,425*	*2,466*	*-41*
- Other countries	*1,334*	*1,349*	*-15*

Notes:
(1) "Full time equivalent" data (FTE): number of employees counted for the rate of presence. Employees of sub-group Koc Finansal Hizmetler AS are not included.
(2) Retail branches only. The branches of of sub-group Koc Finansal Hizmetler AS are not included.

The figures as at 31 December 2018 are restated to increase comparability; in particular the FTEs related to FinecoBank S.p.A., out of the consolidation scope in May 2019, were deducted.

Transitional capital ratios

	AS AT		
	06.30.2019(*)	12.31.2018(*)	CHANGE
Total Own Funds (€ million)	62,757	58,476	+ 4,281
Total risk-weighted assets (€ million)	387,139	370,180	+ 16,959
Common Equity Tier 1 Capital Ratio	**12.08%**	**12.13%**	**- 0.1%**
Total Capital Ratio	**16.21%**	**15.80%**	**+ 0.4%**

Note:
(*) Transitional Own Funds and capital ratios including transitional adjustments according to the applicable percentages.
UniCredit group has decided to not apply the IFRS9 transitional approach as reported in article 473a of the Regulation 575/2013/EU (CRR). Therefore the values here reported reflect the impact arising from the application of the IFRS9 principle.

For more details refer to the paragraph "Capital and value management - Capital ratios" of this Consolidated report on operations

Ratings

	SHORT-TERM DEBT	MEDIUM AND LONG-TERM	OUTLOOK	STANDALONE RATING
Fitch Ratings	F2	BBB	negative	bbb
Moody's Investors Service	P-2	Baa1	stable	baa3
Standard & Poor's	A-2	BBB	stable	bbb

Ratings updated as at 31 July 2019.

Reclassified consolidated accounts

Changes occurred in the scope of consolidation

During the first half of 2019, the following changes have been recorded with reference to the consolidation perimeter:

- the number of fully consolidated companies, including those ones classified as non-current assets and disposal groups based on accounting principle IFRS5, decreased by 12 (9 incoming and 21 exited) from 505 at the end of 2018 to 493 as at 30 June 2019;
- the number of companies consolidated though the equity method, including those ones classified as non-current assets and disposal groups, decreased by 4 (all exited) from 54 at the end of 2018 to 50 at June 2019.

For further details, it shall be referred to the Explanatory notes - Part A - Accounting Policies; A.1 - General, Section 3 - Consolidation scope and methods.

Non-current assets and disposal groups classified as held for sale

As at 30 June 2019, 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 subsidiaries General Logistic Solutions LLC and Card & Systems EDV-Dienstleistungs GmbH, the companies of the Card Complete Service Bank AG and Ocean Breeze groups and the associated company Nautilus Tankers Limited;
  - the non-performing loans related to sale initiatives of portfolios;
  - the real estate properties held by certain companies in the Group, mainly in Germany;
- regarding the data relating to groups of assets held for sale and associated liabilities, the companies of the Immobilien Holding group (Austria); it should be noted that in the income statement item “Profit (Loss) from non-current assets held for sale after tax” the figure for the first half 2019 includes the impacts deriving from the disposal and deconsolidation of FinecoBank S.p.A., amounting to €1,287 million.

For additional information, reference to Explanatory notes - Part B - Consolidated balance sheet - Assets - Section 12 - Non-current assets and disposal groups classified as held for sale - Item 120 (Assets) and Item 70 (Liabilities).

Reconciliation principles followed for the reclassified consolidated balance sheet

The main reclassifications, whose amounts are provided analytically in the tables enclosed with this report, involve:

- the inclusion in “Loans to banks” of “Financial assets at amortised cost: a) Loans and receivables with banks” net of debt securities reclassified in “Other financial assets” and of loans reclassified from “Other financial assets - Item 20 c)”;
- the inclusion in “Loans to customers” of “Financial assets at amortised cost: b) Loans and receivables with customers” net of debt securities reclassified in “Other financial assets” and of loans reclassified from “Other financial assets - Item 20 c)”;
- the aggregation as “Other financial assets” of i) “Financial assets at fair value through profit and loss: b) Financial assets designated at fair value and c) Other financial assets mandatorily at fair value” net of loans reclassified in “Loans to banks and to customers”, of ii) “Financial assets at fair value through other comprehensive income” and of iii) “Equity investments” with inclusion of debt securities from Loans to banks and customers - Item 40 a) and b);
- grouping under “Hedging instruments”, both assets and liabilities, of “Hedging derivatives” and “Changes in fair value of portfolio hedged items”;
- the inclusion of “Provision for employee severance pay” and “Provisions for risks and charges” under “Other liabilities”.

The Reclassified consolidated balance sheet is different from the one used in the previous financial year for the item “Financial liabilities designated at fair value" renamed in “Other financial liabilities”.

Reclassified consolidated accounts

Reclassified consolidated balance sheet

(€ million)

ASSETS	AMOUNTS AS AT 06.30.2019	AMOUNTS AS AT 12.31.2018	CHANGE AMOUNT	CHANGE %
Cash and cash balances	32,578	30,991	+ 1,586	+ 5.1%
Financial assets held for trading	67,344	65,231	+ 2,113	+ 3.2%
Loans to banks	77,911	69,850	+ 8,061	+ 11.5%
Loans to customers	469,298	471,839	- 2,541	- 0.5%
Other financial assets	138,438	152,310	- 13,871	- 9.1%
Hedging instruments	9,801	7,120	+ 2,681	+ 37.7%
Property, plant and equipment	9,176	8,408	+ 768	+ 9.1%
Goodwill	886	1,484	- 597	- 40.3%
Other intangible assets	1,915	2,024	- 108	- 5.4%
Tax assets	12,896	13,078	- 182	- 1.4%
Non-current assets and disposal groups classified as held for sale	3,115	1,800	+ 1,315	+ 73.1%
Other assets	8,824	7,334	+ 1,490	+ 20.3%
Total assets	**832,183**	**831,469**	**+ 714**	**+ 0.1%**

(€ million)

LIABILITIES AND SHAREHOLDERS' EQUITY	AMOUNTS AS AT 06.30.2019	AMOUNTS AS AT 12.31.2018	CHANGE AMOUNT	CHANGE %
Deposits from banks	132,695	125,895	+ 6,800	+ 5.4%
Deposits from customers	453,019	478,988	- 25,969	- 5.4%
Debt securities issued	92,434	81,153	+ 11,281	+ 13.9%
Financial liabilities held for trading	40,410	43,111	- 2,701	- 6.3%
Other financial liabilities	13,689	9,318	+ 4,372	+ 46.9%
Hedging instruments	13,848	9,262	+ 4,586	+ 49.5%
Tax liabilities	962	825	+ 137	+ 16.6%
Liabilities included in disposal groups classified as held for sale	632	540	+ 92	+ 17.0%
Other liabilities	24,948	25,609	- 661	- 2.6%
Minorities	411	927	- 516	- 55.7%
Group shareholders' equity	59,136	55,841	+ 3,295	+ 5.9%
of which:				
- capital and reserves	*55,895*	*51,948*	*+ 3,947*	*+ 7.6%*
- net profit (loss)	*3,241*	*3,892*	*- 652*	*- 16.7%*
Total liabilities and shareholders' equity	**832,183**	**831,469**	**+ 714**	**+ 0.1%**

Reclassified consolidated accounts

Reclassified consolidated balance sheet - Quarterly figures

(€ million)

	AMOUNTS AS AT		AMOUNTS AS AT			
ASSETS	06.30.2019	03.31.2019	12.31.2018	09.30.2018	06.30.2018	03.31.2018
Cash and cash balances	32,578	31,991	30,991	26,356	21,238	49,944
Financial assets held for trading	67,344	67,135	65,231	81,258	83,262	80,324
Loans to banks	77,911	83,655	69,850	76,289	73,004	70,324
Loans to customers	469,298	471,653	471,839	462,235	458,787	441,783
Other financial assets	138,438	148,061	152,310	150,232	148,841	142,917
Hedging instruments	9,801	8,516	7,120	5,225	5,700	5,688
Property, plant and equipment	9,176	10,737	8,408	9,106	9,077	9,115
Goodwill	886	1,484	1,484	1,484	1,484	1,484
Other intangible assets	1,915	1,996	2,024	1,873	1,864	1,872
Tax assets	12,896	13,096	13,078	12,257	11,998	12,110
Non-current assets and disposal groups classified as held for sale	3,115	1,648	1,800	491	915	955
Other assets	8,824	7,692	7,334	7,253	7,740	7,461
Total assets	**832,183**	**847,663**	**831,469**	**834,057**	**823,908**	**823,978**

(€ million)

	AMOUNTS AS AT		AMOUNTS AS AT			
LIABILITIES AND SHAREHOLDERS' EQUITY	06.30.2019	03.31.2019	12.31.2018	09.30.2018	06.30.2018	03.31.2018
Deposits from banks	132,695	136,882	125,895	136,664	129,747	125,177
Deposits from customers	453,019	473,514	478,988	469,044	456,094	456,959
Debt securities issued	92,434	84,283	81,153	79,493	87,567	93,369
Financial liabilities held for trading	40,410	41,879	43,111	51,920	52,454	48,685
Other financial liabilities	13,689	13,815	9,318	8,736	8,524	8,575
Hedging instruments	13,848	11,440	9,262	5,508	6,254	5,881
Tax liabilities	962	1,202	825	1,039	1,066	1,140
Liabilities included in disposal groups classified as held for sale	632	547	540	49	79	196
Other liabilities	24,948	25,267	25,609	26,426	25,825	26,104
Minorities	411	984	927	869	837	941
Group shareholders' equity	59,136	57,851	55,841	54,309	55,462	56,950
of which:						
- capital and reserves	*55,895*	*56,464*	*51,948*	*52,144*	*53,325*	*55,838*
- net profit (loss)	*3,241*	*1,387*	*3,892*	*2,165*	*2,136*	*1,112*
Total liabilities and shareholders' equity	**832,183**	**847,663**	**831,469**	**834,057**	**823,908**	**823,978**

Reclassified consolidated accounts

Reconciliation principles followed for the reclassified consolidated income statement

The main reclassifications, whose amounts are provided analytically in the tables enclosed with this report, involve:

- the inclusion in "Dividends and other income from equity investments" of "Profit (Loss) of equity investments valued at equity" and the exclusion of "Dividends from held for trading equity instruments" and "Dividends from Other financial assets mandatorily at fair value" which are included in "Net trading income";
- the inclusion among "Net trading income" of net gains (losses) on trading, on hedge accounting, of net gains/losses on the financial assets/liabilities at fair value through profit or loss and of gains/losses on disposal or repurchase of financial assets at fair value through other comprehensive income;
- the inclusion in the "Net other operating expenses/income", excluding "Recovery of expenses" which is classified under its own item, the exclusion of the costs for "Write-downs on leasehold improvements" classified among "Other administrative expenses" and inclusion of result of industrial companies;
- presentation of "Payroll costs", "Other administrative expenses", "Amortisation, depreciation and impairment losses on tangible and intangible assets" and "Other charges and Provisions" net of any "Integration costs" relating to the reorganisation operations, classified as a separate item;
- the exclusion from the "Other administrative expenses" of the Contributions to the Resolution Funds (SRF), the Deposit Guarantee Schemes (DGS), the Bank Levies and the Guarantee fees for DTA reclassified in item "Other charges and provision";
- the exclusion from "Amortisation, depreciation and impairment losses on intangible and tangible assets" of property owned for investment and those related to operating lease assets, which are reclassified respectively among "Net income from investments" and "Net other expenses/income";
- in "Net write-downs on loans and provisions for guarantees and commitments", the inclusion of net losses/recoveries on financial assets at amortised cost and at fair value through other comprehensive income net of debt securities and the inclusion of commitments and financial guarantees given on "Net provisions for risks and charge";
- the inclusion in "Net income from investments" of write-downs and write-backs on financial assets at amortised cost and at fair value through other comprehensive income - debt securities, gains (losses) on disposal of investments, gains (losses) on tangible and intangible assets measured at fair value as well as gains (losses) on equity investments and on disposal of investments, including impacts from revaluation arising from IFRS5 non-current assets and disposal groups related to equity investment consolidated line by line and at net equity method not presented to item "Profit (Loss) from non-current assets held for sale after tax".

2018 figures were restated to reflect:

- following the first time adoption of IFRS16 - Leasing from 1 January 2019, the lessee's lease payment previously computed in the item "Other administrative expenses" is split between:
  - the item "Net interest" for the interest expense with reference to the lease liability;
  - the item "Amortisation, depreciation and impairment losses on intangible and tangible assets" for right of use asset depreciation.

  In addition, in the item "Recovery of expenses", is no longer included in the income arising from the sublease to third parties of real estate assets leased by the Group;
- for the reclassification of some commitment fees on undrawn credit lines from the item "Net interest" to the item "Net fees and commissions" starting from December 2018.

2018 and first quarter 2019 figures were restated starting from June 2019:

- to reflect "loss of control" on FinecoBank S.p.A. following the completion on 8 May 2019 of the accelerated bookbuilding (ABB) of No.103.5 million ordinary shares of the company, settled on 10 May 2019;
- following the reclassification:
  - of revenues for "Dividends from other financial assets mandatorily at fair value" to the item "Net trading income";
  - of some expenses incurred in handling the recovery process of non–performing exposures to the item "Other administrative expenses" (previously included in the item "Net fees and commissions");
  - of some expenses for payment services and cards that, were reclassified from the item "Other administrative expenses" to the item "Net fees and commissions";
  - of net results from sales & purchases and re-measurement of physical gold, precious stones and metals that were reclassified from the item "Net other expenses/income" to the item "Net trading income" when entered into in contemplation with other trading book exposures or "Net income from investments" otherwise;
  - of some non-recoverable expenses incurred for customer financial transaction taxes that were reclassified from the item "Other administrative expenses" to the item "Net fees and commissions" or when otherwise recovered/debited, the related income has been included in the item "Recovery of expenses" (from the item "Net fees and commissions");
  - of some expenses for local tax on corporate revenues (i.e. Municipality and Innovation Tax in Hungary) that were reclassified from the item "Other administrative expenses" to the item "Income tax for the period".

Reclassified consolidated accounts

Reclassified consolidated income statement

(€ million)

	H1		CHANGE		
	2019	2018	P&L	%	% AT CONSTANT FX(*) RATES
Net interest	5,132	5,169	- 37	- 0.7%	- 0.4%
Dividends and other income from equity investments	321	353	- 32	- 9.1%	+ 1.2%
Net fees and commissions	3,106	3,254	- 149	- 4.6%	- 4.5%
Net trading income	696	782	- 86	- 11.0%	- 11.0%
Net other expenses/income	28	89	- 61	- 68.3%	- 68.4%
OPERATING INCOME	**9,283**	**9,647**	**- 365**	**- 3.8%**	**- 3.2%**
Payroll costs	(3,075)	(3,205)	+ 130	- 4.1%	- 4.0%
Other administrative expenses	(1,635)	(1,771)	+ 136	- 7.7%	- 7.6%
Recovery of expenses	301	320	- 19	- 5.9%	- 5.8%
Amortisation, depreciation and impairment losses on intangible and tangible assets	(557)	(541)	- 16	+ 3.0%	+ 3.2%
Operating costs	**(4,966)**	**(5,198)**	**+ 232**	**- 4.5%**	**- 4.3%**
OPERATING PROFIT (LOSS)	**4,316**	**4,449**	**- 133**	**- 3.0%**	**- 1.9%**
Net write-downs on loans and provisions for guarantees and commitments	(1,175)	(997)	- 178	+ 17.8%	+ 18.0%
NET OPERATING PROFIT (LOSS)	**3,142**	**3,452**	**- 311**	**- 9.0%**	**- 7.6%**
Other charges and provisions	(450)	(1,178)	+ 728	- 61.8%	- 61.7%
of which: systemic charges	*(656)*	*(638)*	*- 18*	*+ 2.8%*	*+ 3.0%*
Integration costs	(5)	9	- 13	n.m.	n.m.
Net income from investments	84	221	- 137	- 62.1%	- 62.2%
PROFIT (LOSS) BEFORE TAX	**2,771**	**2,505**	**+ 266**	**+ 10.6%**	**+ 12.3%**
Income tax for the period	(751)	(419)	- 331	+ 78.9%	+ 79.0%
NET PROFIT (LOSS)	**2,021**	**2,085**	**- 65**	**- 3.1%**	**- 1.1%**
Profit (Loss) from non-current assets held for sale after tax	1,372	164	+ 1,208	n.m.	n.m.
PROFIT (LOSS) FOR THE PERIOD	**3,393**	**2,249**	**+ 1,143**	**+ 50.8%**	**+ 52.2%**
Minorities	(87)	(111)	+ 24	- 21.4%	- 21.4%
NET PROFIT (LOSS) ATTRIBUTABLE TO THE GROUP BEFORE PPA	**3,305**	**2,138**	**+ 1,167**	**+ 54.6%**	**+ 56.0%**
Purchase Price Allocation effect	(64)	(2)	- 62	n.m.	n.m.
Goodwill impairment	-	-	-	-	-
NET PROFIT (LOSS) ATTRIBUTABLE TO THE GROUP	**3,241**	**2,136**	**+ 1,105**	**+ 51.7%**	**+ 53.2%**

Note:
(*) Foreign Exchange.

Reclassified consolidated accounts

Reclassified consolidated income statement - Quarterly figures

(€ million)

	2019		2018			
	Q2	Q1	Q4	Q3	Q2	Q1
Net interest	2,554	2,578	2,712	2,689	2,608	2,561
Dividends and other income from equity investments	154	167	208	111	169	184
Net fees and commissions	1,565	1,541	1,551	1,523	1,613	1,642
Net trading income	253	442	204	293	312	469
Net other expenses/income	(10)	38	17	6	33	56
OPERATING INCOME	**4,517**	**4,766**	**4,692**	**4,622**	**4,736**	**4,912**
Payroll costs	(1,519)	(1,555)	(1,579)	(1,552)	(1,591)	(1,614)
Other administrative expenses	(803)	(832)	(947)	(826)	(872)	(899)
Recovery of expenses	151	150	153	158	171	148
Amortisation, depreciation and impairment losses on intangible and tangible assets	(280)	(277)	(274)	(276)	(272)	(270)
Operating costs	**(2,452)**	**(2,515)**	**(2,647)**	**(2,497)**	**(2,564)**	**(2,634)**
OPERATING PROFIT (LOSS)	**2,065**	**2,252**	**2,045**	**2,126**	**2,172**	**2,277**
Net write-downs on loans and provisions for guarantees and commitments	(707)	(467)	(921)	(696)	(502)	(496)
NET OPERATING PROFIT (LOSS)	**1,357**	**1,784**	**1,124**	**1,430**	**1,670**	**1,782**
Other charges and provisions	(236)	(214)	(369)	(725)	(660)	(517)
of which: systemic charges	*(118)*	*(538)*	*(60)*	*(134)*	*(173)*	*(465)*
Integration costs	(2)	(3)	(15)	(3)	(2)	11
Net income from investments	(307)	391	(52)	(655)	204	18
PROFIT (LOSS) BEFORE TAX	**812**	**1,959**	**688**	**47**	**1,212**	**1,293**
Income tax for the period	(174)	(577)	1,024	(20)	(226)	(194)
NET PROFIT (LOSS)	**639**	**1,382**	**1,712**	**26**	**986**	**1,099**
Profit (Loss) from non-current assets held for sale after tax	1,307	65	65	59	96	68
PROFIT (LOSS) FOR THE PERIOD	**1,946**	**1,447**	**1,777**	**86**	**1,082**	**1,168**
Minorities	(29)	(59)	(49)	(56)	(56)	(55)
NET PROFIT (LOSS) ATTRIBUTABLE TO THE GROUP BEFORE PPA	**1,917**	**1,388**	**1,728**	**30**	**1,025**	**1,113**
Purchase Price Allocation effect	(63)	(1)	-	(1)	(1)	(1)
Goodwill impairment	-	-	-	-	-	-
NET PROFIT (LOSS) ATTRIBUTABLE TO THE GROUP	**1,854**	**1,387**	**1,727**	**29**	**1,024**	**1,112**

Reclassified consolidated accounts

Reclassified consolidated income statement - Comparison of Q2 2019/Q2 2018

(€ million)

	Q2		CHANGE		
	2019	2018	P&L	%	% AT CONSTANT FX(*) RATES
Net interest	2,554	2,608	- 54	- 2.1%	- 2.1%
Dividends and other income from equity investments	154	169	- 15	- 8.8%	+ 0.3%
Net fees and commissions	1,565	1,613	- 48	- 3.0%	- 2.9%
Net trading income	253	312	- 59	- 19.0%	- 19.0%
Net other expenses/income	(10)	33	- 43	n.m.	n.m.
OPERATING INCOME	**4,517**	**4,736**	**- 219**	**- 4.6%**	**- 4.3%**
Payroll costs	(1,519)	(1,591)	+ 72	- 4.5%	- 4.5%
Other administrative expenses	(803)	(872)	+ 69	- 7.9%	- 7.8%
Recovery of expenses	151	171	- 21	- 12.1%	- 11.9%
Amortisation, depreciation and impairment losses on intangible and tangible assets	(280)	(272)	- 8	+ 3.0%	+ 3.0%
Operating costs	**(2,452)**	**(2,564)**	**+ 112**	**- 4.4%**	**- 4.3%**
OPERATING PROFIT (LOSS)	**2,065**	**2,172**	**- 107**	**- 4.9%**	**- 4.2%**
Net write-downs on loans and provisions for guarantees and commitments	(707)	(502)	- 206	+ 41.0%	+ 40.5%
NET OPERATING PROFIT (LOSS)	**1,357**	**1,670**	**- 313**	**- 18.7%**	**- 17.5%**
Other charges and provisions	(236)	(660)	+ 424	- 64.2%	- 64.2%
of which: systemic charges	*(118)*	*(173)*	*+ 55*	*- 31.8%*	*- 31.8%*
Integration costs	(2)	(2)	+ 1	- 26.9%	- 23.8%
Net income from investments	(307)	204	- 511	n.m.	n.m.
PROFIT (LOSS) BEFORE TAX	**812**	**1,212**	**- 400**	**- 33.0%**	**- 31.1%**
Income tax for the period	(174)	(226)	+ 52	- 23.1%	- 23.0%
NET PROFIT (LOSS)	**639**	**986**	**- 347**	**- 35.2%**	**- 33.0%**
Profit (Loss) from non-current assets held for sale after tax	1,307	96	+ 1,212	n.m.	n.m.
PROFIT (LOSS) FOR THE PERIOD	**1,946**	**1,082**	**+ 864**	**+ 79.9%**	**+ 80.1%**
Minorities	(29)	(56)	+ 28	- 49.3%	- 49.3%
NET PROFIT (LOSS) ATTRIBUTABLE TO THE GROUP BEFORE PPA	**1,917**	**1,025**	**+ 892**	**+ 87.0%**	**+ 87.2%**
Purchase Price Allocation effect	(63)	(1)	- 62	n.m.	n.m.
Goodwill impairment	-	-	-	-	-
NET PROFIT (LOSS) ATTRIBUTABLE TO THE GROUP	**1,854**	**1,024**	**+ 830**	**+ 81.0%**	**+ 81.3%**

Note:
(*) Foreign Exchange.

Summary results by business segment

Key figures by business segment

(€ million)

	COMMERCIAL BANKING ITALY	COMMERCIAL BANKING GERMANY	COMMERCIAL BANKING AUSTRIA	CEE DIVISION	CIB	GROUP CORPORATE CENTRE[1]	NON CORE	CONSOLIDATED GROUP TOTAL
Income statement								
OPERATING INCOME								
H1 2019	3,595	1,178	744	2,143	1,890	(261)	(6)	**9,283**
H1 2018	*3,697*	*1,227*	*782*	*2,126*	*1,960*	*(178)*	*34*	***9,647***
OPERATING COSTS								
H1 2019	(1,902)	(816)	(483)	(750)	(768)	(162)	(85)	**(4,966)**
H1 2018	*(2,039)*	*(841)*	*(523)*	*(736)*	*(777)*	*(192)*	*(90)*	***(5,198)***
OPERATING PROFIT								
H1 2019	1,693	361	262	1,393	1,122	(424)	(91)	**4,316**
H1 2018	*1,658*	*386*	*258*	*1,390*	*1,183*	*(371)*	*(56)*	***4,449***
PROFIT BEFORE TAX								
H1 2019	936	765	230	1,058	902	(600)	(519)	**2,771**
H1 2018	*1,068*	*278*	*216*	*1,046*	*941*	*(452)*	*(592)*	***2,505***
Balance sheet								
CUSTOMERS LOANS[2]								
as at 30 June, 2019	143,879	87,596	44,615	67,791	80,335	2,609	5,333	**432,158**
as at 31 December, 2018	*145,641*	*83,741*	*44,808*	*65,344*	*81,354*	*3,274*	*6,612*	***430,774***
CUSTOMERS DEPOS[2]								
as at 30 June, 2019	151,162	89,668	47,496	70,632	47,928	2,635	546	**410,066**
as at 31 December, 2018	*146,236*	*91,694*	*47,380*	*65,744*	*45,301*	*2,985*	*528*	***399,867***
TOTAL RISK WEIGHTED ASSETS								
as at 30 June, 2019	102,731	36,115	23,478	90,608	83,896	35,071	15,240	**387,139**
as at 31 December, 2018	*95,753*	*36,642*	*23,496*	*86,572*	*81,598*	*33,898*	*12,221*	***370,180***
EVA								
H1 2019	133	61	99	290	296	(535)	(459)	**(114)**
H1 2018	*159*	*(72)*	*82*	*255*	*128*	*(189)*	*(538)*	***(175)***
Cost/income ratio								
H1 2019	52.9%	69.3%	64.8%	35.0%	40.6%	n.m.	n.m.	**53.5%**
H1 2018	*55.1%*	*68.5%*	*66.9%*	*34.6%*	*39.6%*	*n.m.*	*n.m.*	***53.9%***
Employees								
as at 30 June, 2019	29,098	9,047	4,845	24,281	3,212	14,026	326	**84,836**
as at 31 December, 2018	*29,582*	*9,167*	*4,873*	*24,214*	*3,234*	*14,247*	*345*	***85,662***

Notes:
(1) COO Services, Corporate Centre Global Functions, inter-segment adjustments and consolidation adjustments not attributable to individual segments.
(2) Net of repos and intercompany transactions.

Figures were recasted, where necessary, on a like-to-like basis to consider changes in scope of business segment and methodological rules.

Group and UniCredit share historical data series

Group figures 2009 - 2019

	IAS/IFRS										
	H1 2019	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Reclassified income statement (€ million)											
Operating income	9,283	19,723	19,619	18,801	22,405	22,513	23,973	25,049	25,200	26,347	27,572
Operating costs	(4,966)	(10,698)	(11,350)	(12,453)	(13,618)	(13,838)	(14,801)	(14,979)	(15,460)	(15,483)	(15,324)
Operating profit (loss)	4,316	9,025	8,268	6,348	8,787	8,675	9,172	10,070	9,740	10,864	12,248
Profit (loss) before income tax	2,771	3,619	4,148	(10,978)	2,671	4,091	(4,888)	317	2,060	2,517	3,300
Net profit (loss) for the period	3,393	4,112	5,790	(11,061)	2,239	2,669	(3,920)	1,687	644	1,876	2,291
Net profit (loss) attributable to the Group	3,241	3,892	5,473	(11,790)	1,694	2,008	(13,965)	865	(9,206)	1,323	1,702
Reclassified balance sheet (€ million)											
Total assets	832,183	831,469	836,790	859,533	860,433	844,217	845,838	926,827	926,769	929,488	928,760
Loans and receivables with customers	469,298	471,839	447,727	444,607	473,999	470,569	503,142	547,144	559,553	555,653	564,986
of which: bad exposures	*5,308*	*5,787*	*9,499*	*10,945*	*19,924*	*19,701*	*18,058*	*19,360*	*18,118*	*16,344*	*12,692*
Deposits from customers and debt securities issued	545,453	560,141	561,498	567,855	584,268	560,688	571,024	579,965	561,370	583,239	596,396
Group shareholders' equity	59,136	55,841	59,331	39,336	50,087	49,390	46,841	62,784	51,479	64,224	59,689
Profitability ratios (%)											
Operating profit (loss)/Total assets	0.52	1.09	0.99	0.74	1.02	1.03	1.08	1.09	1.05	1.17	1.32
Cost/Income ratio	53.5	54.2	57.9	66.2	60.8	61.5	61.7	59.8	61.4	58.8	55.6

Figures shown refer to the information published in the reference period.

Share information

	H1 2019	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Share price (€)(*)											
- maximum	12.980	18.212	18.350	25.733	32.824	34.427	28.213	22.440	65.912	76.243	87.212
- minimum	9.634	9.596	12.160	8.785	24.605	25.583	16.227	11.456	21.157	49.212	19.283
- average	11.039	14.635	15.801	13.820	29.509	30.015	22.067	16.520	42.923	63.702	59.078
- end of period	10.826	9.894	15.580	13.701	25.733	26.735	26.961	18.572	21.190	51.093	73.819
Number of outstanding shares (million)											
- at period end(1)	2,233	2,230	2,226	6,180	5,970	5,866	5,792	5,789	1,930	19,297.6	16,779.3
- shares cum dividend	2,224	2,220	2,216	6,084	5,873	5,769	5,695	5,693	1,833	18,330.5	18,329.5
of which: savings shares	-	-	*0.25*	*2.52*	*2.48*	*2.45*	*2.42*	*2.42*	*2.42*	*24.2*	*24.2*
- average(1)	2,232	2,229	1,957	6,110	5,927	5,837	5,791	5,473	1,930	19,101.8	16,637.8
Dividend											
- total dividends (€ million)	-	601	726	-	706	697	570	512	-	550	550
- dividend per ordinary share	-	0.270	0.320	-	0.120	0.120	0.100	0.090	-	0.030	0.030
- dividend per savings share	-	-	-	-	0.120	1.065	0.100	0.090	-	0.045	0.045

Notes:
(1) The number of shares, existing at the end of the reference period, is net of treasury shares and included 9.676 million of shares held under a contract of usufruct signed with Mediobanca S.p.A.
(*) Due to extraordinary corporate operations (such as shares' grouping, demergers, distribution of extraordinary dividends, etc.) share prices might change being no longer comparable from one financial year to another. The historical series of share prices have been therefore adjusted to allow a better comparison.

It's reported below detailed information concerning shares capital changes and dividends pay-out of the last to financial years.

On 9 April 2018 was registered with the Company Register the resolution to increase the share capital for €59,848,665.00 by issuing No.3,519,352 ordinary free shares for the execution of Group Incentive System. On 12 April 2018 the Shareholders' Meeting approved the payment to the shareholders of a dividend of €0.32 for each ordinary share outstanding and entitled to dividend at payment date, for a maximum amount of €726 million, from allocation of 2017 net profit.
On 4 April 2019 was registered with the Company Register the resolution to increase the share capital for €54,401,495.00 by issuing No.3,200,177 ordinary free shares for the execution of Group Incentive System. On 11 April 2019 the Shareholders' Meeting approved the payment to the shareholders of a dividend of €0.27 for each share outstanding and entitled to dividend at payment date, for a maximum amount of €601 million, from allocation of 2018 net profit.

Group and UniCredit share historical data series

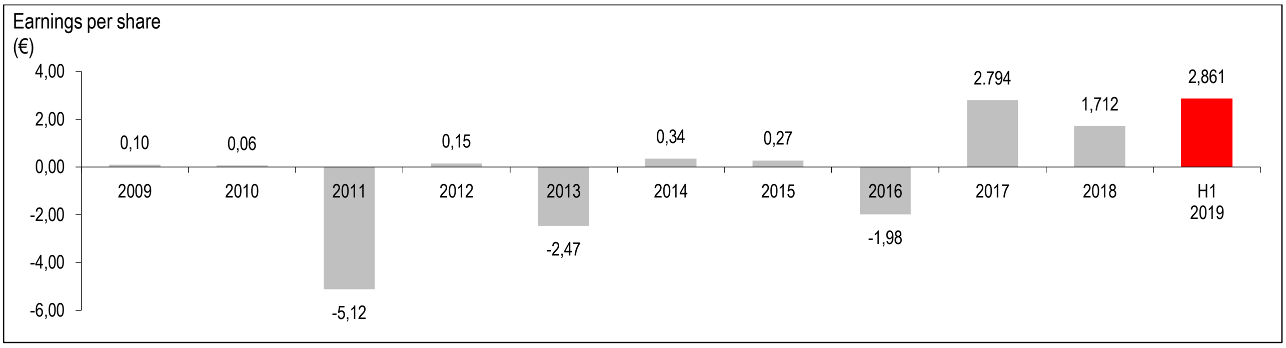
Earnings ratios

	IAS/IFRS										
	H1 2019	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Shareholders' equity (€ million)	59,136	55,841	59,331	39,336	50,087	49,390	46,841	62,784	51,479	64,224	59,689
Net profit (loss) attribuible to the Group (€ million)	3,241	3,892	5,473	(11,790)	1,694	2,008	(13,965)	865	(9,206)	1,323	1,702
Shareholders' equity per share (€)	26.48	25.04	26.65	6.36	8.39	8.42	8.09	10.85	26.67	3.33	3.56
Price/Book value	0.41	0.40	0.58	4.30	0.61	0.63	0.67	0.34	0.16	3.06	4.14
Earnings per share[1] (€)	2.861	1.712	2.794	(1.98)	0.27	0.34	(2.47)	0.15	(5.12)	0.06	0.10
Payout ratio (%)	-	15.4	13.3	-	41.7	34.7	-4.1	59.2	-	41.6	32.3
Dividend yield on average price per ordinary share (%)	-	1.84	2.03	-	2.04	2.00	2.27	2.73	-	1.55	1.58

Note:
(1) Annualised figure. For further details refer to Part C - Section 25 Earnings per share.

The amounts in the table are published "historical figures" and they shall be read with reference to each single period.

From 2009 net profit for the period used to calculate EPS has been reduced for the following amounts related to disbursements, charged to equity, made in connection with the usufruct contract signed with Mediobanca S.p.A. on UniCredit shares supporting the issuance of convertible securities denominated “Cashes”: €131 million for 2009, €156 million for 2010, €172 million for 2011, €46 million for 2012, €105 million for 2013, €35 million for 2014, €100 million for 2015, €128 million for 2016, €32 million for 2017, €93 million for 2018 and €63 million for the first half 2019.



Group results

Macroeconomic situation, banking and financial markets

International situation

During the first half of 2019, global economic activity regained momentum after a disappointing end of 2018, with world GDP expanding by about 3.5%. Faced with growing global uncertainty, major central banks changed course, shifting from an expected path of monetary tightening to one of monetary easing. In addition, at the turn of the year, Beijing adopted ambitious fiscal, investment and credit stimulus to revitalise China's slowing economy. Political uncertainty, particularly in Europe, declined after a good showing by mainstream parties in the European Parliament elections. However, risks of a no-deal Brexit increased substantially after the resignation of UK PM Theresa May. Momentum in the US remained robust, whereas the Japanese economy struggled again to show signs of vitality, thus forcing the Bank of Japan to maintain a highly accommodative policy stance. Growth in the UK remained unscathed by increasing Brexit uncertainty. In China, economic activity remained solid despite an escalation in trade tensions with the US in the second quarter of 2019.

After recording its longest expansion in American history, economic growth in the US peaked at 3.1% in the first quarter of 2019, and the descent towards a projected recession in 2020 has now begun. A tight labor market and strong consumption growth have been the main drivers of growth, whereas investment appeared to soften. The tighter labor market has pushed wage gains to above 3%, their highest level in ten years. At the same time, however, core inflation rates have remained subdued. Most importantly, the Fed's preferred inflation gauge, the core PCE (Personal Consumption Expenditure) deflator, stood at only 1.6% in April. In addition, inflation expectations have weakened. Given these developments and heightened financial instability (caused in particular by an increase in trade tensions), the Fed has changed its rhetoric and cut the target range for the federal funds rate by 25 basis points in its meeting in July.

In the euro area, GDP growth was better than expected in the first quarter of 2019 thanks primarily to temporary factors, like weather conditions, which were favorable for the construction sector; stock-building in the UK ahead of the original March Brexit deadline and slightly better prospects for the car industry. By country, the biggest surprises were in Germany and Italy, where GDP returned to growth in first quarter of 2019, after two quarters of slippage or virtual stagnation. In the second quarter of 2019, instead, the escalation in the trade war between the US and China, along with higher Brexit uncertainty, kept the manufacturing sector under pressure, while the services sector remained more resilient, supported by good growth in domestic demand and a still-healthy labor market.

Eurozone headline inflation remained around 1.4%, on average, in the first half of 2019. In June, ECB President Mario Draghi's rhetoric turned very dovish. This is a response to ongoing, pervasive uncertainty amplifying downside risks and to the rising likelihood that Fed easing could trigger euro appreciation - and thus derail the fragile eurozone recovery. We now expect the ECB to cut the deposit rate by 10bp in September and to implement mitigating measures to support banks' profitability.

Banking and financial markets

In the first half of 2019, eurozone credit showed some signs of a slowdown, although sustained growth rates were confirmed. Loans to the private sector recorded an annual increase of 3.3% y/y at the end of the first semester of 2019, reflecting consolidation in the growth of loans to households (stable at 3.3% y/y) and a pace of growth in loans to non-financial corporations of slightly below 4.0% (from a peak of 4.3% hit in the third quarter of 2018). In Italy, among the three reference countries of the Group, loans to non-financial corporations slightly contracted at the end of the first semester of 2019 (by around -0.5% y/y), as opposed to sustained expansion in both Germany and Austria. The weakness of corporate loans in Italy was most probably caused by both demand factors (due to firms putting investment decision on hold) and supply factors (given the modest tightening in credit standards observed at the turn of the year). On the other hand, loans to households consolidated at close to 3% y/y in the first semester of 2019, while they showed a gradual acceleration in Germany and Austria.

Bank funding affirmed solid performance in UniCredit's three reference countries (Italy, Germany and Austria), where bank deposits kept growing at a good pace in the first half of 2019. The general trend observed was a gradual acceleration in the growth rate of bank deposits, supported by a continuation of an expansion in sight deposits and a gradual easing in the pace of contraction of medium-to-long-term deposits. The decision by the ECB to interrupt the normalisation of monetary policy and to establish a basis for a cut in the deposit rate is likely to affect the possibility that a strengthening of the dynamic of longer-term deposits might materialise in the near future.

Group results

During the first half of 2019, bank interest rates in all the three Group's reference countries broadly stabilised, and interest rates on sight deposits in particular were confirmed as being close to zero. Consequently, the bank interest-rate spread (i.e. the difference between the average interest rate on loans and the average interest rate on deposits) stabilised during the first half of 2019, with the potential impacts of the ECB's future decisions set to have an effect in the second half of the year.

Supported by central bank decision to adopt a more-accommodative monetary policy rather than to continue with normalisation, financial markets in the euro area experienced surprising improvement during the first quarter of 2019. Since then, the increase in the uncertainty relating to trade tensions that resurfaced at the beginning of May disrupted the improvement trend that had been in place since the beginning of the year. However, the positive outcome of the European Parliament elections, together with US and China resuming constructive talks, fueled a return of confidence in financial markets towards the end of the first half of 2019. As a result, compared to December 2018, the German Stock market posted growth of 17% at the end of June 2019, compared to December 2018, followed by the Italian Stock market, which was up by 16%, while Austria's Stock market closed the first semester of 2019 with a gain of 8%.

CEE (Central and Eastern Europe) countries

CEE economies were more resilient than expected in the first quarter of 2019, with EU-CEE[1] growing by around 4.3% y/y, the western Balkan[2] economies adding close to 3% y/y and Turkey exiting recession. Russia was the laggard, with the economy shrinking in quarterly terms, in line with other large EM, such as Brazil, South Africa and Mexico. The strong momentum in CEE at the start of the year waned in the second quarter of 2019 and is likely to weaken further due to external and domestic factors. Robust domestic demand will be unable to fully mitigate the impact of external shocks. The likeliest sources are weaker eurozone demand, global trade and US growth, all three intertwined and difficult to analyse apart. Across the globe, these factors lead to macroeconomic volatility, which is likely to weigh on spending decisions in the private sector and stretch fiscal spending where governments try to offset external risks.

Open economies in CEE need global trade to recover to boost their exports and those of eurozone trading partners like Germany. A solution to trade wars would be more important for global trade and CEE exports than China's attempt to rev up its economic engine. Credit will not mitigate exports' drag on economic growth, especially in 2019. Rapid income growth and low real interest rates will support lending, as central banks are willing to slow excessive credit growth through prudential regulation, rather than by increasing interest rates. However, the credit impulse probably peaked in most countries, with loan growth expected to slow into the end of the business cycle. The two exceptions are Turkey (assuming an IMF agreement later this year) and Slovenia, where the base effect from 2018 was large.

In addition, fiscal impulses are likely to peak this year, reducing the scope for stimulus in 2020, when the economy would need government support more than in 2019. In EU-CEE, fiscal policy became more pro-cyclical in the past two years due to populism and inefficient public policies in the run-up to elections. Structural budget deficits are already very large in EU-CEE and there is scope to increase spending in a downturn only in Bulgaria and Chechnya. In Hungary, the fiscal impulse will turn negative this year as the EU fund allotment is almost exhausted. In 2020, fiscal policy could contribute to growth, without offsetting this year's drag. In Slovakia, pre-election spending will peak next year. If the Romanian government increases pensions by 15% in September 2019 and by 40% in September 2020, the fiscal impulse will remain positive, but may be counterbalanced by tighter financial conditions.

In Turkey, both fiscal spending and lending slowed sharply after local elections and there is limited scope to stimulate the economy from here on. The budget deficit has already surpassed 4% of GDP and state-owned banks may struggle to borrow externally at the same pace if risk appetite declines. As a result, GDP may fall during the summer. High borrowing costs for all sectors would require lower inflation and lower risk premia before credit can stimulate growth once again. The former condition could be fulfilled as long as authorities avoid political risks and TRY depreciation. The latter would require better macroeconomic policies and, in our view, external financial support. We continue to believe that an International Monetary Fund (IMF) agreement is the only way to avoid deeper recession. The IMF seems to have embraced the same view, but Turkish authorities have not yet approached it for a deal.

Both hard and soft indicators suggest that the Russian economy continues to grow at a very slow pace in annual terms. More than external risks, poor domestic investment is a drag on growth despite an ambitious list of projects and priorities laid out by president Vladimir Putin in 2018. While a potential technical recession could end in the third quarter of 2019, slow income growth will be a drag on private consumption. Private investment

1 EU-CEE includes Bulgaria, Croatia, Czechia, Hungary, Poland, Romania, Slovakia and Slovenia, all CEE countries that are members of the EU.
2 The aggregate includes Serbia, Bosnia and North Macedonia.

may pick up if capacity utilisation recovers after a drop in 2018, especially in extraction and production of hydrocarbons. Unlike in Turkey, there is scope for both monetary and fiscal stimulus.

Inflationary risks are far from being under control. Volatile prices were the culprit for rising inflation in the spring due to more expensive imports of fuels and fresh food. In the first semester of 2019, core inflation played an important role in pushing inflation to the edge of the target range or over it, as in Romania's case, as wages continued to grow at a fast pace. While core inflation is likely to rise further in EU-CEE, it is expected to fall in Russia and Turkey. Weak domestic demand growth in the first semester of 2019 probably closed the positive output gap in Russia. Adjusted for the VAT hike impact, core inflation is already below the 4% target of the Central Bank of Russia (CBR) and will fall there once the VAT hike leaves the base in January 2020. In Turkey, disinflation is expected to accelerate from August onwards if the TRY remains stable.

Political risks have subsided in EU-CEE, with governments in Hungary, Poland and Romania toning down their anti-EU rhetoric ahead of elections and negotiations for the new EU budget. The risk of imminent sanctions on Russia has diminished, with US authorities threatening further restrictions if there is proof of interference in next year's elections. We expect North Macedonia to receive a timeline for EU accession negotiations later this year. Serbia will have to advance difficult negotiations with Kosovo. Finally, Turkey may have to soften its line on military technology imports from Russia to avoid US sanctions under CAATSA (Countering America's Adversaries Through Sanctions Act) later this year.

Main results and performance for the period

Introduction

2019 is the last year of the strategic plan 2016-2019 "Transform 2019", therefore in the first half of the year the Group initiatives have continued to be oriented to the accomplishment and completion of the plan's goals, achieving the following tangible results:

- **Strengthen and optimise capital**
  After having successfully completed the capital increase and the sale of subsidiaries (Pekao and Pioneer) during last years, the Group disposed in the semester, via accelerated bookbuilding, of almost half of the own shares of FinecoBank S.p.A. that consequently left the consolidation area (a second final accelerated bookbuildung of the remaining shares was carried out at the beginning of July with a further benefit on the CET1 ratio expected in the third quarter of 2019).Thanks to the operations carried out and the net profit and balance sheets dynamics of the first half of the year, the Group shows a strong capital position with the CET1[3] ratio at 12.08% at 30 June 2019.
- **Improve the asset quality**
  In the first half of 2019 the risk reduction measures have continued, leading the Non-Performing Exposure (NPE) ratio to 6.98% at the end of June, in comparison to the 7.72% of 31 December 2018, with a coverage ratio stable at 60.95%.
  The Non Core runoff by 2021 is fully on track with Non Core gross NPE at €15.7 billion at the end of June 2019.
- **Transform the operating model**
  The Group results proved to be aligned with the operative model transformation targets. The strict operating cost control has still continued in the first half of 2019.
  In particular, the commercial network rationalisation carried on, with the branch closures that have reached 925 units (of which 56 in the first half of 2019) starting from 2015, corresponding to 98% of the 944 closures forecasted by 2019 in the strategic plan.
  In the semester the staff has been reduced by 825 FTEs, bringing the overall reduction starting from the end of 2015 over the target of 14,000 exits expected by 2019.
- **Maximise commercial bank value**
  In the whole Group, commercial initiatives are ongoing, bringing tangible results. In particular during the first half of 2019 the following main initiatives have been carried out:
  - a new Mobile Banking App common across the Group, already successfully rolled out in Italy, whose standardisation allows a consistent user experience and enhances the innovation time to market;
  - a new digital account opening process in Germany, allowing opening of a current account within a few minutes via mobile and online
  - a successful insurance partnership with Allianz in Germany through which life insurance gross sales resulted up by 68.4% compared with the first half of 2018;
  - twelve so called "Minibonds" issuance for Italian SMEs in the first half of 2019 totalling €71 million, helping to develop a capital market culture;

3 Common Equity Tier 1 Capital (CET1).

Group results

- €500 million credit line activation in collaboration with the European Investment Bank, finalised to promote female entrepreneurship projects and climate change combat actions;
- launch of the Patient Capital initiative, an innovative institutional platform of "patient" capitals aimed to provide with growth capital the Italian SME;
- increase of the remote sales (ATM, on line, mobile, call centre), that in Italy reached 30.6% of total sales of the bank's products which have a direct selling process;
- increase of the mobile user penetration in the CEE division, that reached 44.2% of the total clients.

• **Adopt a lean but strong steering Group Corporate Centre**
Referring to the Group Corporate Centre rationalisation, in the first half of 2019 its weight on total costs was equal to the 3.3%, decreasing by 43 basis points in comparison to the same period of the previous year. The target set for 2019 is 3.5% (recasted as of June 2019, previously 3.8%).

Also thanks to these initiatives, the Group in the first half of 2019 reached a net profit of €3,241 million, in comparison to €2,136 million achieved in the first half of 2018.

The Group net profit for first half 2019 (€3,241 million) benefitted from some extraordinary items, for a total amount of €1.1 billion related to events occurred in first quarter 2019 (real estate disposal in Germany for €258 million) and second quarter 2019 (mainly related to the impacts from FinecoBank S.p.A. 17% disposal, and related deconsolidation, positive for €1,176 million, including the trademark valuation and the provided pledge, and to the disposal of Ocean Breeze group, classified at held for sale, negative for -€178 million). Excluding such extraordinary elements, the Group net profit for first half 2019 would have been equal to €2,158 million, increasing by approximately 1.0% in respect to the first half 2018 (€2,136 million).

Operating income

In the first half of 2019 Group's revenues were €9,283 million, decreasing by 3.8% (down by 3.2% at constant exchange rates) compared to the same period of the last year. Net of the extraordinary items, previously illustrated, the first half 2019 revenues would have been €9,330 million, decreasing by 3.3% compared to the first half of 2018.
The decrease was widespread among all the revenues items, with the main changes concentrated on fees and net trading income.
In particular, net interest was equal to €5,132 million, decreasing by 0.7% compared to the first half 2018 (down by 0.4% at constant exchange rates). During the first half 2019 net interest was characterised by a growth of the interests income on lending to customers, thanks to the loans volumes increase, that has more than balanced the effect stemmed out from the drop of the average customers rates. At the same time an increase of the passive interests on deposits has been recorded, following the collection's volumes growth, jointly with a certain upturn in average customers rates. Noticeable also is the reduction of the time value component, while the positive effects on interests stemmed out from the decline of the bond issues cost following the average volumes reduction and from the treasury and investment & trading activities result.
Credit spreads have continued to shrink during the first half of 2019, notwithstanding the stabilisation of the market rates, remained anyway in a negative territory (average 3 months Euribor in of the first half of 2019 was equal to -0.31% increasing by 2 basis points in comparison to the same period of 2018).

Customer loans volumes have carried on their growing dynamic (€469.3 billion as at 30 June 2019, up by €13.1 billion or up by 2.9% over the first half of last year[4]), more than offsetting the €4.6 billion reduction of the Non Core component, subject of the continuation of the initiatives aimed to reduce the Non-Performing Exposure (NPE).
The customer loans showed a positive trend also excluding the repos component, recording a 2.8% growth compared to the first half of the last year, or up by 4.0% net of the Non Core component.
All the different Divisions of the Group have contributed to the customers loans net of repos growth, with the Commercial Banking Germany Division that recorded a growth of 5.5% and the Commercial Banking Austria Division up by 0.5%, while the Commercial Banking Italy Division grew by 1.7%, compared to the first half of 2018. The CIB Division recorded a growth of 4.9%.
The customer loans excluding the repos component improvement has characterised also the CEE Division's countries growing by 9.8% (up by 8.9% at constant exchange rates), mainly driven by Russia (up by 11.3% at constant exchange rates), Bulgaria (up by 9.7%), Hungary (up by 9.3% at constant exchange rates), Serbia (up by 4.5% at constant exchange rates), Bosnia (up by 4.5%) and Czech Republic (up by 4.4% at constant exchange rates).
Non Core Division recorded a further reduction of customers loans net of repos from €10.0 billion at the end of June 2018 to €5.3 billion at the end of June 2019 (down by 46.5%), continuing to pursue the goal of the Division's portfolio rundown by the 2021.

Deposits from customers, equal to €453.0 billion, have been growing by 4.2% (up by 4.0% at constant exchange rates) compared to the first half of 2018[4]. The increase has been confirmed also by the deposits from customers net of repos: up by 4.4% (up by 4.3% at constant exchange rates).

4 Restated net of FinecoBank S.p.A. as at 30 June 2018.

Group results

More specifically, the deposits from customers net of repos grew in the Commercial Banking Italy Division up by 4.3% and Commercial Banking Germany Division up by 0.6%, while the Commercial Banking Austria Division recorded a decrease of 0.7%. The CIB Division proved to be growing by 8.4%.
The CEE Division recorded a growth of 13.2% (up by 12.1% at constant exchange rates) compared to the first half of 2018, mainly driven by Czech Republic (up by 24.4% at constant exchange rates), Hungary (up by 12.4% at constant exchange rates), Russia (up by 10.0% at constant exchange rates) and Croatia (up by 9.9% at constant exchange rates).

Dividends and other income from equity investments (which include the profits of the companies accounted at equity method) in the first half of 2019 amounted to €321 million, decreasing by 32 million, or down by 9.1% (but up by 1.2% at constant exchange rates) compared with the first half of 2018. The drop at current exchanges is substantially due to the lower contribution of Yapi Kredi, affected by the worsening of the exchange rate vs euro.

The net fees and commissions in the first half of 2019 amounted to €3,106 million, decreasing by 4.6% (down by 4.5% at constant exchange rates) compared to the same period of the previous year.
In particular, the investment services recorded a decline of 10.3% in comparison to the first half of 2018 (down by 10.3% at constant exchange rates too), mainly due to the assets under management diminished sales, with particular reference to the segregated accounts and insurance products, mainly in Italy.
Financing services are decreasing too, resulting down by 6.6% compared to the first half of 2018 (down by 6.4% at constant exchange rates), mainly as an effect of the lower commissions on loans.
The transactional services fees proved instead to be growing (up by 3.7% in comparison to the first half of 2018; up by 3.9% at constant exchange rates), thanks to the good performance of the products insurance fees in Italy.
In the first half of 2019 also the net trading income is decreasing, moving from €782 million in the first half of 2018 to €696 million in the first half of the current year (down by 11.0% both at current and constant exchange rate), mainly due to the unfavourable market environment that caused a drop of the gains from the client's activity, only partially balanced by the positive result recorded by the activities of treasury and securities portfolio. Net of the extraordinary components related to the FinecoBank S.p.A. disposal, the net trading income of the first half of 2019 would have been 710 million.

Finally, in the first half of 2019 the net other expenses/income amounted to €28 million, down by €61 million over the first half of 2018 (down by 68.3% or down by 68.4% at constant exchange rates). Net of the extraordinary components related to the FinecoBank S.p.A. disposal, the net other expenses/income of the first half of 2019 would have been 61 million.

Operating income

(€ million)

	H1		%	2019	% CHANGE
	2019	2018	CHANGE	Q2	ON Q1 2019
Net interest	5,132	5,169	- 0.7%	2,554	- 0.9%
Dividends and other income from equity investments	321	353	- 9.1%	154	- 7.3%
Net fees and commissions	3,106	3,254	- 4.6%	1,565	+ 1.5%
Net trading income	696	782	- 11.0%	253	- 42.8%
Net other expenses/income	28	89	- 68.3%	(10)	n.m.
Operating income	**9,283**	**9,647**	**- 3.8%**	**4,517**	**- 5.2%**

Operating costs

Group's operating costs of the first half of 2019 were equal to €4,966 million, decreasing by 4.5% compared to the same period of 2018 (down by 4.3% at constant exchange rates), thanks to the continuation of the staff resizing initiatives and the administrative expenses control actions.

In detail, the staff expenses of the first half of 2019 were €3,075 million, decreasing by 4.1% over the same period of 2018 (down by 4.0% at constant exchange rates).
This result was achieved mainly thanks to the persistent dynamic of employees reduction, characterised by a drop of 2,708 FTEs (equivalent to -4,066 FTEs average) compared to the first half of 2018, equal to a decrease of 3.1%.
The other administrative expenses, in the first half of 2019 amounted to €1,635 million, decreasing by 7.7% in comparison to the first half of 2018 (down by 7.6% at constant exchange rates). Lower costs have been recorded mainly among the real estate expenses, mostly relating to the branch network rationalisation, the communication and marketing expenses, mainly thanks to the UEFA Champions League sponsorship termination, and the consulting expenses.

Group results

The expenses recovery in the first half of 2019 amounted to €301 million, decreasing in comparison to €320 million of the first half of the last year (down by 5.9%). In particular the drop was mainly related to the credit inquiries of the Non Core Division that, consequently, have entailed the diminution of the correspondent expense recoveries, to the lower expense recoveries from external data centers, following the direct taking charge by them of some IT expenses, and to the lower recoveries of indirect taxes due by the customers.
Finally, in the first half of 2019 were posted write-downs on tangible and intangible assets for €557 million, increased by 16 million in comparison to €541 million posted in the first half of 2018 (up by 3.0% or 3.2% at constant exchange rates).

Operating costs

(€ million)

	H1 2019	H1 2018	% CHANGE	2019 Q2	% CHANGE ON Q1 2019
Payroll costs	(3,075)	(3,205)	- 4.1%	(1,519)	- 2.3%
Other administrative expenses	(1,635)	(1,771)	- 7.7%	(803)	- 3.4%
Recovery of expenses	301	320	- 5.9%	151	+ 0.3%
Write downs of tangible and intangible assets	(557)	(541)	+ 3.0%	(280)	+ 0.9%
Operating costs	**(4,966)**	**(5,198)**	**- 4.5%**	**(2,452)**	**- 2.5%**

The good result achieved in terms of cost reduction eased the negative effect caused by the revenues decline, generating a Group gross operating profit of €4,316 million, down by 3.0% compared to the first half of 2018 (down by 1.9% at constant exchange rates).
Net of the extraordinary components related to the FinecoBank S.p.A. disposal, the Group gross operating profit of the first half of 2019 would have been 4,364 million, down by 1.9% compared to the first half of 2018.

The cost income ratio of the first half of 2019 amounted to 53.5%, improving by 0.4 percentage points over the same period of the previous year. Net of the mentioned extraordinary components related to the FinecoBank S.p.A. disposal, the cost income ratio would have been 53.2%.

Group results

Net write-downs on loans and provisions for guarantees and commitments

Net write-downs on loans and provisions for guarantees and commitments of the Group in the first half of 2019 were €1,175 million, compared to €997 million of the first half of 2018 (up by 17.8% or up by 18.0% at constant exchange rates). The growth is mainly due to higher provisions in Italy (Retail and Leasing) and lower write-backs in Austria and has been partially offset by lower provisions in the Non Core Division.

The cost of risk was equal to 50 basis points, in comparison to 45 basis points of the first half of 2018.
In particular, the Commercial Banking Italy Division recorded a cost of risk of 73 basis points, worsening by 10 basis points in comparison to the first half of 2018. The Commercial Banking Germany Division recorded 6 basis points, improving by 9 basis points over the same period of last year and the Commercial Banking Austria Division accounted -4 basis points, worsening by 20 basis points over the first half of 2018. The CIB Division showed a cost of risk of 24 basis points, worsening by 55 basis points in comparison to the first half 2018.The CEE Division highlighted a cost of risk of 56 basis points, improving by 11 basis points in comparison to the first half of 2018.

The Group gross impaired loans at 30 June 2019 were decreasing by €3.8 billion compared to 31 December 2018, thanks to the continuous proactive risk reduction measures carried out.
Thanks to this decrease, the gross non-performing loans on total loans ratio improved, moving from 7.72% of December 2018 to 6.98% of June 2019. Gross bad exposure stock was at €19.1 billion, decreasing by €2.0 billion over December 2018 (€21.1 billion).
The Group coverage ratio of the gross non-performing loans as at 30 June 2019 was 60.95%, remaining substantially stable (down by 1 basis point) in comparison to 60.96% of December 2018.

Loans to customers - Asset quality

(€ million)

	BAD EXPOSURES	UNLIKELY TO PAY	NON-PERFORMING PAST-DUE	TOTAL NON-PERFORMING	PERFORMING	TOTAL LOANS
As at 06.30.2019(*)						
Gross exposure	19,117	14,353	946	**34,416**	458,497	**492,912**
as a percentage of total loans	*3.88%*	*2.91%*	*0.19%*	***6.98%***	*93.02%*	
Writedowns	13,808	6,875	294	**20,977**	2,637	**23,614**
as a percentage of gross value	*72.23%*	*47.90%*	*31.10%*	***60.95%***	*0.58%*	
Carrying value(*)	5,308	7,478	651	**13,438**	455,860	**469,298**
as a percentage of total loans	*1.13%*	*1.59%*	*0.14%*	***2.86%***	*97.14%*	
As at 12.31.2018(**)						
Gross exposure	21,134	16,193	839	**38,167**	456,517	**494,683**
as a percentage of total loans	*4.27%*	*3.27%*	*0.17%*	***7.72%***	*92.28%*	
Writedowns	15,348	7,655	262	**23,266**	2,523	**25,789**
as a percentage of gross value	*72.62%*	*47.27%*	*31.29%*	***60.96%***	*0.55%*	
Carrying value	5,786	8,538	576	**14,900**	453,994	**468,894**
as a percentage of total loans	*1.23%*	*1.82%*	*0.12%*	***3.18%***	*96.82%*	

Notes:
(*) Total loans to customers exclude the receivables arising from subleases recognised due to the application of IFRS16; it should be noted that following the deconsolidation of FinecoBank S.p.A., this amount do not include loans referred to that company.
(**) The figures as at 31 December 2018 differ from the ones published at the reference date due to the exclusion of the loans of FinecoBank S.p.A. for the purposes of presentation on the same comparable basis with the amounts as at 30 June 2019.

Group results

From net operating profit to profit before tax

The worsening of the gross operating profit (€4,316 million in first the half of 2019) and net write-downs on loans increase (-€1,175 million in the first half of 2019) have produced a Group's net operating profit amounting to €3,142 million, decreasing by €311 million compared to the first half of 2018 (down by 9.0% or down by 7.6% at constant exchange rates).
Net of the extraordinary components related to the FinecoBank S.p.A. disposal, the Group's net operating profit would have been €3,189 million, down by 7.6% compared to the first half of 2018.

Group's provisions for risk and charges were -€450 million, compared to -€1,178 million of the first half of 2018.
This item includes legal cases and estimated liabilities of various nature totalling -€206 million (including the releases of provisions following the conclusion of the settlements with the U.S. and New York authorities; refer to Explanatory notes - Part E - 2.5 Operational risks - B. Legal risks paragraph "Financial sanctions matter" of this document for further details), in addition to the systemic charges, amounting to -€656 million.
The latter include the contributions to the Single Resolution Fund (SRF), the harmonised guarantee schemes charges (Deposits Guarantee Scheme - DGS) and the non-harmonised ones, as well as the Bank Levies.
Net of the extraordinary components, the Group's provisions for risk and charges in the first half of 2019 would have been -€346 million.

Integration costs in the first half of 2019 were -€5 million, in comparison to +€9 million recorded in the first half of 2018, that benefitted from some releases on devaluations and works on dismissing buildings accounted in Austria.

Finally, net income from investments in first half of 2019 was +€84 million, in comparison to +€221 million recorded in the first half of 2018.
Net of the extraordinary components (among which the positive impacts related to the real estate sales in Germany and negative ones related to the Ocean Breeze group disposal), the Group's net income from investments of the first half of 2019 would have been €75 million.

As an effect of the items mentioned above, in the first half of 2019 the Group registered a profit before tax of €2,771 million, compared to €2,505 million of the first half of 2018 (up by 10.6% or up by 12.3% at constant exchange rates). Excluding the extraordinary items, the profit before tax would have been €2,913 million, up by 16.3% in comparison to the first half of 2018.

Profit before tax by business segment

(€ million)

	OPERATING INCOME	OPERATING COSTS	NET WRITE-DOWNS ON LOANS AND PROVISIONS	NET OPERATING PROFIT	PROFIT BEFORE TAX H1 2019	PROFIT BEFORE TAX H1 2018
Commercial Banking Italy	3,595	(1,902)	(524)	1,169	936	1,068
Commercial Banking Germany	1,178	(816)	(26)	336	765	278
Commercial Banking Austria	744	(483)	10	272	230	216
Central Eastern Europe	2,143	(750)	(187)	1,205	1,058	1,046
Corporate & Investment Banking	1,890	(768)	(149)	973	902	941
Group Corporate Centre	(261)	(162)	(2)	(426)	(600)	(452)
Non Core	(6)	(85)	(297)	(388)	(519)	(592)
Group Total	**9,283**	**(4,966)**	**(1,175)**	**3,142**	**2,771**	**2,505**

Group results

Profit (Loss) attributable to the Group

In the first half of 2019 Group's income taxes line was -€751 million, in comparison to -€419 million of the first half of 2018.

Profit from discontinued operations net of taxes in the first half of 2019 was €1,372 million, in comparison to €164 million of the same period of last year. The first half of 2019 figure includes the capital gain stemming out from the FinecoBank S.p.A. sale and related deconsolidation for €1,287 million. Net of this extraordinary element the amount of the item would have been €85 million.

The profit for the period of the first half of 2019 was €3,393 million, in comparison to €2,249 million of the first half of 2018. Net of the extraordinary items of the first half of 2019 would have been €2.247 million, decreasing by 0.1% in comparison to the same period of last year.

Minorities, conventionally exposed with negative sign, were -€87 million, against -€111 million of the first half of 2018.

Purchase price allocation was -€64 million, compared to -€2 million of the first half of 2018. -€62 million are referred to the extraordinary component of the FinecoBank S.p.A. trademark devaluation.

Consequently, in the first half of 2019 the net profit attributable to the Group amounted to €3,241 million, compared to €2,136 million of the first half of 2018.

Profit (Loss) attributable to the Group

(€ million)

	H1				
	2019	2018	% CHANGE	2019 Q2	% CHANGE ON Q1 2019
Operating income	9,283	9,647	- 3.8%	4,517	- 5.2%
Operating costs	(4,966)	(5,198)	- 4.5%	(2,452)	- 2.5%
Operating profit (loss)	**4,316**	**4,449**	**- 3.0%**	**2,065**	**- 8.3%**
Net write-downs on loans and provisions for guarantees and commitments	(1,175)	(997)	+ 17.8%	(707)	+ 51.4%
Net operating profit (loss)	**3,142**	**3,452**	**- 9.0%**	**1,357**	**- 23.9%**
Other charges and provisions	(450)	(1,178)	- 61.8%	(236)	+ 10.5%
Integration costs	(5)	9	n.m.	(2)	- 48.9%
Net income from investment	84	221	- 62.1%	(307)	n.m.
Profit (Loss) before tax	**2,771**	**2,505**	**+ 10.6%**	**812**	**- 58.5%**
Income tax for the period	(751)	(419)	+ 78.9%	(174)	- 69.9%
Profit (Loss) from non-current assets held for sale, after tax	1,372	164	n.m.	1,307	n.m.
Profit (Loss) for the period	**3,393**	**2,249**	**+ 50.8%**	**1,946**	**+ 34.5%**
Minorities	(87)	(111)	- 21.4%	(29)	- 51.3%
Net profit (loss) attributable to the Group before PPA	**3,305**	**2,138**	**+ 54.6%**	**1,917**	**+ 38.1%**
Purchase Price Allocation effects	(64)	(2)	n.m.	(63)	n.m.
Goodwill impairment	-	-	-	-	-
Net profit (loss) attributable to the Group	**3,241**	**2,136**	**+ 51.7%**	**1,854**	**+ 33.7%**

Group results

Capital and value management

Principles of value creation and capital allocation

In order to create value for the shareholders, the Group's strategic guidelines aim at optimising the composition of the business portfolio. This goal is pursued through a process of capital allocation to each business line in relation to its specific risk profile and ability to generate sustainable earnings measured as EVA (Economic Value Added), which is the main performance indicator linked to TSR (Total Shareholder Return). The capital allocated to business segments is quantified applying internal capitalisation targets to regulatory capital requirements (Regulatory Capital).

The development of Group operations with a view to value creation requires a process of allocating and managing capital governed by different phases in the process of planning and control, articulated as:

- formulation of the proposed risk propensity and capitalisation targets;
- analysis of the risks associated with the value drivers and resulting allocation of capital to the business lines and to the Business Units;
- assignment of performance targets in line with risk;
- analysis of the impact on the Group's value and of the creation of value for shareholders;
- drafting and proposal of the financial plan, capital plan and dividend policy.

The Group dynamically manages its capital base by monitoring regulatory capital ratios, anticipating the appropriate changes necessary to achieve its defined targets, and optimising the composition of its assets and equity. Planning and monitoring refer, on the one hand, to the total Own Funds (Common Equity Tier 1, Additional Tier 1 and Tier 2 Capital) and, on the other hand, to the Risk-Weighted Assets (RWAs). The Risk-Weighted Assets, for portfolios managed using the internal advanced models, do not only depend on the nominal value of the assets but also on the relevant credit parameters. Besides volume dynamics, it is also crucial to monitor and forecast the change in the asset quality of the portfolio in view of the macroeconomic scenario (the so-called pro-cyclical effect).

Following the financial crisis that unfolded in 2007-2008, the European Union implemented a substantial reform of the financial services regulatory framework to enhance the resilience of its financial institutions. This reform was largely based on international standards agreed in 2010 by the Basel Committee on Banking Supervision, known as the Basel III framework. Among its many measures, the reform package included the adoption of Regulation (EU) No 575/2013 of the European Parliament and of the Council and Directive 2013/36/EU of the European Parliament and of the Council, which strengthened the prudential requirements for credit institutions and investment firms.
These rules have been modified by Regulation (EU) No.2019/876 of the European Parliament and of the Council of 20 May 2019 (so called CRR 2), amending Regulation (EU) No.575/2013 and by Directive (EU) 2019/878 of the European Parliament and of the Council of 20 May 2019 (so-called CRD V), amending Directive 2013/36/EU.

Capital ratios

Transitional Own Funds and capital ratios (€ million)

	AS AT	
	06.30.2019(*)	12.31.2018(*)
Common Equity Tier 1 Capital	46,748	44,903
Tier 1 Capital	52,772	50,488
Total Own Funds	62,757	58,476
Total RWA	387,139	370,180
Common Equity Tier 1 Capital Ratio	**12.08%**	**12.13%**
Tier 1 Capital Ratio	**13.63%**	**13.64%**
Total Capital Ratio	**16.21%**	**15.80%**

Note:
(*) Transitional Own Funds and capital ratios including transitional adjustments according to the applicable percentages.
UniCredit group has decided to not apply the IFRS9 transitional approach as reported in article 473a of the Regulation 575/2013/EU (CRR). Therefore the values here reported reflect the impact arising from the application of the IFRS9 principle.

The positive change compared to 31 December 2018 (equal to about €1.8 billion on Common Equity Tier 1 Capital and about €4.3 billion on Total Own Funds) in addition to the effects related the profit of the period recognised in Common Equity Tier 1 Capital net of 2018 dividends proposal, mainly reflects: i) increase of the deduction equal to €932 million related to the exceeding of 17.65% threshold referred to the inclusion in financial sector entities in which UniCredit has a significant investments, the stake of 18% held by the Group in FinecoBank S.p.A ii) positive effect related to the increase of goodwill and other intangible for €651 million referred to the effects related to the sale of 17% of FinecoBank S.p.A. the related deconsolidation of the Entity iii) with reference to the Total Own Funds, also the effect related to the issuance of two subordinated instruments classified in the Tier 2 Capital for an amount by €2,086 million.

The capital requirements applicable to the Group as of June 30, 2019 in coherence with CRR article 92 are the following (Pillar 1):
- Common Equity Tier 1 Capital: **4.50%**
- Tier 1 Capital : **6.00%**
- Total Capital: **8.00%**

In addition to such requirements, the Group shall also meet, through CET1 capital, the following additional requirements:
- **2.00%,** as Pillar 2 Requirements for 2019 in coherence with SREP results;
- **2.50%,** as Capital Conservation buffer[5] (CCB) according to CRDIV article129;
- **1.00%,** as Global Systemically Important Institutions ("G-SII") buffer[6];
- **0.07%,** as Countercyclical Capital buffer[7] (CCyB) according to the CRDIV Article 160 (paragraphs from 1 to 4), to be calculated on a quarterly basis.

Therefore, as at 30 June 2019, the Group shall meet the following overall capital requirements:
- CET1: **10.07%**
- T1: **11.57%**
- Total Capital: **13.57%**

Here below a scheme of the UniCredit group capital requirements and buffers which also provides evidences of TSCR (Total SREP Capital Requirement) and OCR (Overall Capital Requirement) related to the outcome of the SREP (Supervisory Review and Evaluation Process) held in 2018 and applicable for 2019:

2019 Capital requirements and buffers for UniCredit group

REQUIREMENT	CET1	T1	TOTAL CAPITAL
A) Pillar 1 Requirements	**4.50%**	**6.00%**	**8.00%**
B) Pillar 2 Requirements	**2.00%**	**2.00%**	**2.00%**
C) TSCR (A+B)	**6.50%**	**8.00%**	**10.00%**
D) Combined capital buffer requirement, of which:	**3.57%**	**3.57%**	**3.57%**
1. Capital Conservation buffer (CCB)	*2.50%*	*2.50%*	*2.50%*
2. Global Systemically Important Institution buffer (G-SII)	*1.00%*	*1.00%*	*1.00%*
3. Institution-specific Countercyclical Capital buffer (CCyB)	*0.07%*	*0.07%*	*0.07%*
E) OCR (C+D)	**10.07%**	**11.57%**	**13.57%**

The above mentioned requirements are the ones which are relevant for MDA purposes for UniCredit group as at 30 June 2019.

As at 30 June 2019, UniCredit group's ratios are compliant with all the above requirements.

The consolidated net profit as at 30 June 2019, equal to €3,241 million, is recognised in the Own Funds for €2,594 million, as resulting after the destination to potential dividends for €647 million approved by the Board of Directors. Such amount corresponds to the 30% of the consolidated net profit, excluding extraordinary events in first quarter 2019 (real estate disposals for €258 million) and second quarter 2019 (mainly related to the impacts deriving from FinecoBank S.p.A. 17% disposal, positive for €1,176 million, and to the disposal of the Ocean Breeze group, classified at held for sale, negative for -€178 million).
The net profit as of 30 June 2019 is included in CET1 capital following the authorisation by the competent Authority according to CRR Article 26(2).
For further details refer to the "Annex 2 - Own Funds and capital ratios" of this document.

5 On October 2016, Bank of Italy published the update of the Circular No. 285 which provides for a different application of the transitional rules relating to the capital conservation buffer: such transitional rules ended in 2018 and from 1 January 2019 the capital conservation buffer is at 2.50%,.
6 From 1January 2019, ended the transitional rules, such requirement is equal to 1.00%. Note that UniCredit group was identified by the Bank of Italy as an O-SII authorised to operate in Italy, and it has to maintain a CET1 capital buffer; such level is equal to 0.50% in 2019 and will be increased starting by 0.25% on a yearly basis reaching the target of 1.00% from 1 January 2021. Nevertheless, it is worth mentioning that according to the CRD IV article 131.14, the higher of the G-SII and the O-SII buffer will apply: hence, UniCredit is subject to the application of 1.00% G-SII buffer for 2019.
7 Amount rounded to two decimal numbers. With reference to 30 June 2019: (I) countercyclical capital rates have generally been set at 0%, except for the following countries: United Kingdom (1.00%); Czech Republic (1.25%); Hong Kong (2.50%); Iceland (1.75%); Norway (2.00%); Sweden (2.00%); Slovakia (1.25%); Lithuania (1.00%); Denmark (0.50%); (II) with reference to the exposures towards Italian counterparties, Banca d'Italia has set the rate equal to 0%.

Group results

Capital strengthening

During the first half of 2019 UniCredit S.p.A. placed an issue of equity instruments Additional Tier 1 (in particular Non-Cumulative Temporary Write-Down Deeply Subordinated Fixed Rate Resettable Notes), for a total amount of €1 billion targeted to institutional investors, to continue to strengthen its regulatory capital.
The securities are perpetual (with maturity linked to corporate duration of UniCredit S.p.A.) and they may be called by the Issuer on 3 June 2026 and thereafter at any interest payment date, subject to Regulatory approval. The notes pay fixed rate coupons of 7.50% per annum up to June 2026 on a semi-annual basis; if not redeemed, coupon will be reset every 5 years to the aggregate of the then 5-Year Mid-Swap rate on the renegotiation date plus 733.4bps, calculated on an annual basis and then converted to a semi-annual rate in accordance with market practices. In line with the regulatory requirements, the coupon payments are fully discretionary. For further information refer to the paragraph "Other information" of this report.

Moreover with reference to share capital, on 6 February 2019 the Board of Directors of UniCredit S.p.A., by the powers conferred time by time by the Extraordinary Shareholders' Meeting pursuant to the art.2443 of the Italian Civil Code in order to execute the Group Incentive System, resolved a free share capital increase of €55 million by issuing No.3,200,177 ordinary shares to be granted to the employees of UniCredit S.p.A. and of Group banks and companies.
The resolution to increase the share capital has been registered with the Company Register on 4 April 2019 and the fully subscribed and paid-up share capital of UniCredit S.p.A. currently amounts to €20,995 million and it is divided into No.2,233,376,842 ordinary shares with no nominal value.

Shareholders' equity attributable to the Group

The Shareholders' equity of the Group, including the net profit of the period equal to €3,241 million, amounted to €59,136 million as at 30 June 2019, compared to €55,841 million as at 31 December 2018.

The following table shows the main changes occurred in 2019.

Shareholders' equity attributable to the Group (€ million)

Shareholders' equity as at 31 December 2018	**55,841**
Equity instruments	992
Dividends and other allocations	(604)
Exchange differences reserve(1)	283
Change in the valuation reserve relating to the financial assets and liabilities at fair value	224
Change in the valuation reserve relating to the actuarial gains/losses on defined benefit plans(2)	(495)
Change in reserve related coupon on AT1 instruments	(135)
Change in the valuation reserve of the companies accounted for using the equity method(3)	(126)
Other changes	(85)
Net profit (loss) for the period	3,241
Shareholders' equity as at 30 June 2019	**59,136**

Notes:
(1) This effect is mainly due to the positive impact of the Ruble for €275 million.
(2) Mainly due to discount rate negative impact partially offset by plan assets performance.
(3) The negative change in the valuation reserve of the companies accounted for using the equity method is due to negative impact of Turkish Lira for €87 million.

For further information, refer to section "Consolidated accounts - Statement of changes in the consolidated shareholders' equity".

Group results

Commercial Banking Italy

Commercial Banking Italy is composed by UniCredit SpA commercial network related to Core clients (excluding Large Corporate and Multinational clients, supported by Corporate and Investment Banking Division), Leasing (excluding Non-Core clients), Factoring and local Corporate Center with supporting functions for the Italian business.

Income statement, key ratios and indicators

(€ million)

COMMERCIAL BANKING ITALY	H1 2019	H1 2018	% CHANGE	2019 Q2	% CHANGE ON Q1 2019
Operating income	3,595	3,697	- 2.8%	1,802	+ 0.4%
Operating costs	(1,902)	(2,039)	- 6.7%	(949)	- 0.5%
Net write-downs on loans and provisions for guarantees and commitments	(524)	(431)	+ 21.5%	(316)	+ 52.6%
Net operating profit	1,169	1,227	- 4.7%	537	- 15.2%
Profit before tax	936	1,068	- 12.4%	387	- 29.4%
Customers loans (net Repos and IC)	143,879	141,536	+ 1.7%	143,879	+ 0.3%
Customers depos (net Repos and IC)	151,162	144,971	+ 4.3%	151,162	+ 2.4%
Total RWA Eop	102,731	87,979	+ 16.8%	102,731	+ 9.7%
EVA (€ million)	133	159	- 16.6%	38	- 60.7%
Absorbed Capital (€ million)	12,252	10,738	+ 14.1%	12,658	+ 6.9%
ROAC	+ 10.5%	+ 13.9%	- 3.4 p.p.	+ 7.7%	- 5.7 p.p.
Cost/Income	+ 52.9%	+ 55.1%	- 2.2 p.p.	+ 52.7%	- 0.5 p.p.
Cost of Risk	73 bps	62 bps	10 bps	88 bps	31 bps
Full Time Equivalent (eop)	29,098	30,810	- 5.6%	29,098	- 0.7%

Commercial Banking Germany

Commercial Banking Germany provides all German customers (excluding Large Corporate and Multinational clients, supported by Corporate and Investment Banking Division) with a complete range of banking products and services through its branch network. It is composed of: “Privatkundenbank” (Individual Clients segment), “Unternehmerbank” (Corporate segment) and the local Corporate Center.
Commercial Banking Germany holds large market shares and a strategic market position in retail banking, in private banking and especially in business with local corporate customers (including factoring and leasing).

Income statement, key ratios and indicators

(€ million)

COMMERCIAL BANKING GERMANY	H1 2019	H1 2018	% CHANGE	2019 Q2	% CHANGE ON Q1 2019
Operating income	1,178	1,227	- 4.0%	586	- 1.0%
Operating costs	(816)	(841)	- 3.0%	(399)	- 4.6%
Net write-downs on loans and provisions for guarantees and commitments	(26)	(62)	- 58.7%	(4)	- 79.5%
Net operating profit	336	324	+ 3.6%	183	+ 19.4%
Profit before tax	765	278	n.m.	195	- 65.8%
Customers loans (net Repos and IC)	87,596	83,049	+ 5.5%	87,596	+ 1.8%
Customers depos (net Repos and IC)	89,668	89,176	+ 0.6%	89,668	- 0.4%
Total RWA Eop	36,115	34,773	+ 3.9%	36,115	- 2.9%
EVA (€ million)	61	(72)	n.m.	47	n.m.
Absorbed Capital (€ million)	4,630	4,338	+ 6.7%	4,615	- 0.6%
ROAC	+ 22.3%	+ 6.6%	+ 15.7 p.p.	+ 12.6%	- 19.2 p.p.
Cost/Income	+ 69.3%	+ 68.5%	+ 0.8 p.p.	+ 68.0%	- 2.5 p.p.
Cost of Risk	6 bps	15 bps	- 9 bps	2 bps	- 8 bps
Full Time Equivalent (eop)	9,047	9,303	- 2.7%	9,047	- 0.2%

Group results

Commercial Banking Austria

Commercial Banking Austria provides its Austrian customers (excluding Large Corporate and Multinational clients, supported by Corporate and Investment Banking Division) with a complete range of banking products and services. It is composed of: "Privatkundenbank" (Private Customer Bank), "Unternehmerbank" (Corporate Customer Bank, excluding CIB clients) that includes the product factories Factoring and Leasing and the Local Corporate Center.

Commercial Banking Austria holds significant market shares and a strategic market position in retail banking, private banking and especially in business with local corporate customers and is one of the leading providers of banking services in Austria.

Income statement, key ratios and indicators

(€ million)

COMMERCIAL BANKING AUSTRIA	H1 2019	H1 2018	% CHANGE	2019 Q2	% CHANGE ON Q1 2019
Operating income	744	782	- 4.8%	389	+ 9.2%
Operating costs	(483)	(523)	- 7.8%	(226)	- 12.1%
Net write-downs on loans and provisions for guarantees and commitments	10	55	- 81.9%	2	- 74.6%
Net operating profit	272	313	- 13.2%	165	+ 54.1%
Profit before tax	230	216	+ 6.4%	167	n.m.
Customers loans (net Repos and IC)	44,615	44,410	+ 0.5%	44,615	+ 0.7%
Customers depos (net Repos and IC)	47,496	47,818	- 0.7%	47,496	+ 0.0%
Total RWA Eop	23,478	21,363	+ 9.9%	23,478	- 1.3%
EVA (€ million)	99	82	+ 21.7%	98	n.m.
Absorbed Capital (€ million)	2,910	2,634	+ 10.5%	2,909	- 0.1%
ROAC	+ 15.9%	+ 15.3%	+ 0.6 p.p.	+ 22.6%	+ 13.4 p.p.
Cost/Income	+ 64.8%	+ 66.9%	- 2.1 p.p.	+ 58.1%	- 14.1 p.p.
Cost of Risk	- 4 bps	- 24 bps	20 bps	- 2 bps	5 bps
Full Time Equivalent (eop)	4,845	4,939	- 1.9%	4,845	+ 0.3%

CEE Division

The Group operates, through the CEE business segment, in 12 Central and Eastern Europe countries: Azerbaijan, Bosnia -Herzegovina, Bulgaria, Croatia, the Czech Republic, Hungary, Romania, Russia, Serbia, Slovakia, Slovenia and Turkey, having in addition Leasing activities in the 3 Baltic countries. The CEE business segment through its branches offers a wide range of products and services to retail, corporate and institutional clients in these countries.

Income statement, key ratios and indicators

(€ million)

CEE DIVISION	H1 2019	H1 2018	% CHANGE	2019 Q2	% CHANGE ON Q1 2019
Operating income	2,143	2,126	+ 0.8%	1,069	- 0.5%
Operating costs	(750)	(736)	+ 1.9%	(386)	+ 5.8%
Net write-downs on loans and provisions for guarantees and commitments	(187)	(206)	- 9.1%	(87)	- 13.6%
Net operating profit	1,205	1,184	+ 1.8%	596	- 2.1%
Profit before tax	1,058	1,046	+ 1.1%	583	+ 22.7%
Customers loans (net Repos and IC)	67,791	61,759	+ 9.8%	67,791	+ 2.0%
Customers depos (net Repos and IC)	70,632	62,387	+ 13.2%	70,632	+ 2.6%
Total RWA Eop	90,608	87,114	+ 4.0%	90,608	+ 0.6%
EVA (€ million)	290	255	+ 13.7%	188	+ 84.4%
Absorbed Capital (€ million)	10,975	10,695	+ 2.6%	11,120	+ 2.7%
ROAC	+ 15.6%	+ 15.9%	- 0.3 p.p.	+ 17.1%	+ 2.9 p.p.
Cost/Income	+ 35.0%	+ 34.6%	+ 0.4 p.p.	+ 36.1%	+ 2.2 p.p.
Cost of Risk	56 bps	67 bps	- 11 bps	52 bps	- 9 bps
Full Time Equivalent (eop)	24,281	23,988	+ 1.2%	24,281	+ 0.3%

Group results

CIB

The CIB Division targets mainly Large Corporate and Multinational clients with highly sophisticated financial profile and needs for investment banking services, as well as institutional clients of UniCredit Group. Moreover CIB acts as products and solutions provider for the commercial network, provides structured financing, hedging and treasury solutions for corporate and investment products for private and retail, according to the "CIB fully plugged-in concept". The organisational structure of CIB is based on a matrix that integrates market coverage (carried out through an extensive network in Western Europe and an international network of branches and representative offices) and product offering (divided into three Product Lines - Financing and Advisory, Markets, Global Transaction Banking - that consolidate the breadth of the Group's CIB know-how).

Income statement, key ratios and indicators

(€ million)

CORPORATE & INVESTMENT BANKING	H1 2019	H1 2018	% CHANGE	2019 Q2	% CHANGE ON Q1 2019
Operating income	1,890	1,960	- 3.6%	868	- 15.1%
Operating costs	(768)	(777)	- 1.2%	(379)	- 2.5%
Net write-downs on loans and provisions for guarantees and commitments	(149)	161	n.m.	(106)	n.m.
Net operating profit	973	1,345	- 27.7%	382	- 35.2%
Profit before tax	902	941	- 4.2%	132	- 82.9%
Customers loans (net Repos and IC)	80,335	76,599	+ 4.9%	80,335	+ 0.2%
Customers depos (net Repos and IC)	47,928	44,222	+ 8.4%	47,928	- 2.3%
Total RWA Eop	83,896	80,528	+ 4.2%	83,896	+ 5.7%
EVA (€ million)	296	128	n.m.	37	- 85.7%
Absorbed Capital (€ million)	10,256	9,774	+ 4.9%	10,334	+ 1.5%
ROAC	+ 11.6%	+ 11.5%	+ 0.0 p.p.	+ 3.9%	- 15.5 p.p.
Cost/Income	+ 40.6%	+ 39.6%	+ 1.0 p.p.	+ 43.7%	+ 5.6 p.p.
Cost of Risk	24 bps	- 30 bps	55 bps	35 bps	21 bps
Full Time Equivalent (eop)	3,212	3,270	- 1.8%	3,212	+ 0.3%

Non Core

Non-core segment reports separately assets that the Group considers not strategic and with a poor fit to the Group's risk-adjusted returns framework. These businesses are managed with the final goal of reducing the overall exposure in the course of time and to improve the risk profile. Specifically, the segment includes selected assets of Commercial Banking Italy (identified on a single deal/client basis) to be managed with a risk mitigation approach and some special vehicles for securitisation transactions.

Income statement, key ratios and indicators

(€ million)

NON CORE	H1 2019	H1 2018	% CHANGE	2019 Q2	% CHANGE ON Q1 2019
Operating income	(6)	34	n.m.	(5)	n.m.
Operating costs	(85)	(90)	- 5.1%	(42)	- 3.4%
Net write-downs on loans and provisions for guarantees and commitments	(297)	(514)	- 42.2%	(194)	+ 87.4%
Net operating profit	(388)	(570)	- 31.9%	(240)	+ 62.7%
Profit before tax	(519)	(592)	- 12.4%	(278)	+ 16.0%
Customers loans (net Repos and IC)	5,333	9,973	- 46.5%	5,333	- 12.1%
Customers depos (net Repos and IC)	546	828	- 34.1%	546	+ 13.2%
Net Impaired Loans (percentage of total net loans Non-	100.00%	77.54%	n.m.	100.00%	6.1 bps
Total RWA Eop	15,240	15,226	+ 0.1%	15,240	+ 30.3%
EVA (€ million)	(459)	(538)	- 14.7%	(231)	+ 1.6%
Absorbed Capital (€ million)	1,594	2,217	- 28.1%	1,688	+ 12.6%
ROAC	- 50.1%	- 37.6%	- 12.6 p.p.	- 49.9%	+ 0.4 p.p.
Cost/Income	n.m.	n.m.	n.m.	n.m.	n.m.
Cost of Risk	987 bps	893 bps	94 bps	n.m.	n.m.
Full Time Equivalent (eop)	326	414	- 21.4%	326	+ 0.2%

Other information

Group activities development operations and other corporate transactions

Transactions and initiatives involving shareholdings

Reorganisation of the activities carried out by UniCredit Services S.C.p.A.

In February 2019 UniCredit S.p.A. approved the reorganisation project of the activities carried out by its subsidiary UniCredit Services S.C.p.A. through the transfer to UniCredit S.p.A. of the Italian activities relating to "operations" and "real estate" business currently carried out by UniCredit Services S.C.p.A. in Italy for the benefit of Italian customers.
The transfer of the activities is expected to generate benefits in terms of synergies and simplification of procedures and/or complexities reduction and governance enhancement, also through a clearer accountability and controlling process.
The reorganisation project, which obtained the European Central Bank authorisation last April, will take place through a partial non-proportional and asymmetric demerger of UniCredit Services S.C.p.A. in favor of UniCredit S.p.A.; on 9 July the aforementioned demerger was approved by the extraordinary shareholders' meeting of UniCredit Services S.C.p.A. and by the Board of Directors of UniCredit S.p.A., according to the provisions of Art.2505-bis of the Italian Civil Code.

UniCredit sold its stake in SwanCap Partners to funds advised by Ardian

In April 2019 UniCredit S.p.A. sold its non-control shareholding in SwanCap Partners GmbH ("SwanCap"), held through UniCredit Bank AG, to funds advised by Ardian.
SwanCap is specialised in private equity ("PE") buyouts, offering an integrated approach to its predominantly institutional investors by combining PE primary investments, direct secondaries and direct co-investments.

Fondation of UniCredit Leased Asset Management S.p.A.

Within the goal of accelerating the rundown of the non-core portfolio by 2021, in April 2019 UniCredit Leased Asset Management S.p.A., a company entirely owned by UniCredit Leasing S.p.A., was set up to optimise the property management returned to UniCredit Leasing S.p.A. and preserve the value of the real estate guarantees underlying loans to Group customers, through auction activity intervention, in order to allow a better valuation and a more efficient placement of the property on the market.
The new company, whose target is on real estate assets from business activities, became operative after the spin-off of the Leased Asset Management branch division and the previously repossessed property of UniCredit Leasing S.p.A.

Accelerated bookbuilding of 17% of FinecoBank

On 7 May 2019 UniCredit S.p.A. announced the launch of a placement of ordinary shares in FinecoBank S.p.A. representing 17% of the issued share capital. On 8 May 2019 the successful completion of the operation has been announced following the placement to institutional investors of No.103.5 million of ordinary shares at a price of €9.80 per share. The price represents a discount of approximately 4.4% to the last pre-announcement closing price of FinecoBank S.p.A. Gross proceeds of the placement amount to approximately €1,014 million.
Following the completion of the placement's settlement, also considering that UniCredit S.p.A. holds a minority shareholding in the FinecoBank S.p.A. (equal to 18.3 per cent of the issued share capital) and waived any administrative rights in respect of any matters set forth under article 2364 of the Italian Civil Code, on 10 May 2019 UniCredit S.p.A. informed that FinecoBank S.p.A.is no longer part of the Group.
Following 30 June 2019 UniCredit S.p.A. sold also the residual stake held in FinecoBank S.p.A.
For further information refer to the paragraph "Subsequent events" of this report.
For further details on terms of Fineco's transaction, see Explanatory notes - Part A - A.1 General - Section 3. Consolidation scope and methods.

Sale initiatives of non-performing portfolios

The portfolios' sale is part of the overall UniCredit group's on-going strategy to reduce non-performing exposure ("NPE") and to sell Non Core assets aimed at strengthening its risk profile as part of UniCredit group's Transform 2019 plan.

UniCredit announces the sale of an Italian Consumer unsecured non-performing credit portfolio

On 12 April 2019 the Parent company UniCredit S.p.A. has reached an agreement with MBCredit Solutions ("MBCS") in relation to the disposal on a non-recourse basis (pro-soluto) of a non-performing unsecured consumer credit portfolio.
The portfolio consists entirely of Italian unsecured consumer credits with a total legal claim value, gross of write-downs and write-offs mainly, of approximately €51 million.
UniCredit S.p.A. and MBCS have also reached an agreement for the disposal of up to €160 million of Italian unsecured consumer loans of the same

Other information

nature, originated from the first quarter of 2019 to the end of the year. Non-performing loans included in this portfolio have been derecognised in the second quarter 2019, with the recognition of the economic impact in the same quarter.

UniCredit Bank Hungary sold non performing credit portfolio to EOS Faktor Zrt. and reached an agreement for a three-years forward flows program

On 17 July 2019 UniCredit S.p.A. informed that through its subsidiaries UniCredit Bank Hungary it concluded an agreement in relation to the disposal on a non-recourse basis (pro-soluto) of a portfolio composed of retail mortgages, unsecured and overdrawn accounts receivables with the locally-licensed Hungarian financial enterprise EOS Faktor Zrt.
The portfolio consists entirely of Hungarian loans and has a total legal claim value, gross of write-downs and write-offs mainly, of approximately €28 million (HUF 9,0 billion).
In addition, UniCredit Bank Hungary has signed with EOS Faktor Zrt. a 3-year agreement forward flow program on the new non-performing loans inflows in the mortgages, unsecured consumer, predefined SME loans and overdrawn accounts segments.
The loans included in this portfolio have been derecognised in the second quarter 2019, with the recognition of the economic impact in the same quarter.

Other information on Group activities

FINO Project

In relation to the FINO Project (started in 2016 and completed in 2017 for the Phase 1 and in 2018 for the Phase 2), as at 30 June 2019, following the redemptions made, the Notes (Asset Backed Securities) owned by UniCredit S.p.A. amounted totally about €249 million (about €193 million recorded under item "30. Financial assets at fair value through other comprehensive income" pertaining to the Senior securities and in part to the Mezzanine securities, and €56 million recorded under item "20. Financial assets at fair value through profit or loss c) other financial assets mandatorily at fair value" in connection with the remaining Mezzanine securities and all the Junior Notes). The evaluation of the Notes classified among other assets mandatorily at fair value led in first half 2019 to a negative impact of about €4 million.
The receivables related to the Deferred Subscription Price (DSP/Deferred Purchase Price-DPP), owed to UniCredit S.p.A. by third-party entities belonging to the relevant third-party Investor's groups, with suitable credit rating and a capital structure that can guarantee that the repayment of the DSP/DPP does not depend, either in full or mainly, on the payment of ABSs issued by the SPVs Fino 1 Securitisation S.r.l., Fino 2 Securitisation S.r.l. and Onif Finance S.r.l., and deriving from the securitisation transactions completed during 2017, have been classified under item "40. Financial assets at amortised cost" according to IFRS9, and measured on the basis of the estimated future cash flows. During the first half 2019, in full alignment with the defined deadlines, the DSP/DPPs have been partially reimbursed for an amount of €335 million (equal to approximately 64% of the original amount). As at 30 June 2019 they remain to approximately €181 million, and include, among others, for around €4 million, the positive effect (recognised in item "10. Interest income and similar revenues" of the income statement as at 30 June 2019) connected with the reversal of the time value in respect to 31 December 2018.

UniCredit Services S.C.p.A admitted to the Italian cooperative compliance regime with the Italian Revenue Agency

On 18 January 2019 UniCredit Services S.C.p.A., the service company of UniCredit group, informed that it has been admitted to the Italian cooperative compliance regime with the Italian Revenue Agency, pursuant to Legislative Decree No.128/2015, with effect from 2017.
As already happened in 2017 for UniCredit S.p.A. (which was bank admitted in the register of the Italian Revenue Agency with effect from 2016), the participation of UniCredit Services S.C.p.A.to this compliance regime contributes to further strengthen the Group's standing, with two companies now admitted, among the significant taxpayers operating as part of the regime.
This is a fundamental milestone showing the strength of UniCredit group's accountability process, an important element of our fair and efficient fiscal strategy, also considering that UniCredit group is already joining the tax cooperative compliance schemes in other countries where it is present.

UniCredit successfully issues dual tranche 3-Year Senior Non-Preferred Notes for a total amount of $3 billion

On 9 January 2019 the parent company UniCredit S.p.A. successfully issued $2.5 billion Fixed Rate Notes and $0.5 billion Floating Rate Notes, both due on 14 January 2022 (collectively, the "Notes") for a total combined amount of $3 billion.

Other information

This transaction is the third on the Senior Non-Preferred market by UniCredit S.p.A. following its inaugural €1.5 billion 5-year issue in January 2018 and the $3 billion 5-year issue occurred in November 2018.
The bonds will be eligible for the forthcoming of Total Loss Absorbing Capacity (TLAC) requirement improving the subordination ratio by approximately 72bps.
This transaction is part of UniCredit's TLAC funding plan for which the company had announced planned issuances of €3 to €5 billion by the end of the first quarter of 2019 during the third quarter of 2018 results presentation.

UniCredit Statement on coverage of NPE Stock

On 16 January 2019 UniCredit group issued a Statement with reference to media reporting on the non-binding recommendation of the ECB to all the banks directly supervised by the Single Supervisory Mechanism (SSM) regarding the coverage of the secured and unsecured NPL stock:

- since the third quarter of 2016, UniCredit S.p.A. has reduced its NPE portfolio by more than €36 billion (as of third quarter of 2018). As a consequence, its Core bank NPE ratio was 4.3% in the third quarter of 2018, in line with its EBA sample peers and it has committed to fully run off its Non Core portfolio by 2021. In addition, UniCredit S.p.A. has an over 60% NPE coverage ratio that is evidenced as highest in the sample of Eurozone banks in the recent EBA stress tests under adverse conditions. Consequently, UniCredit S.p.A. considers its NPE coverage fully adequate;
- thanks to such decisive actions and taking into account the NPE portfolio dynamics, UniCredit S.p.A. estimates that the regulatory dialogue with the ECB could lead to a low annual single digit basis point impact on its CET1 ratio for any additional coverage of its NPE stock, for each year up to 2024, date mentioned by the ECB in its communication.

UniCredit reorganises the Senior management team to prepare for the next strategic cycle

On 6 February 2019 UniCredit group announced a reorganisation project of its Senior management team as it begins the development of its 2020-23 strategic plan, which will be presented to the markets in London on 3 December 2019. For further details about the reorganisation of the Senior management team, refer to the information provided in the section “Corporate Governance” of Consolidated report and accounts 2018 of UniCredit Group.

UniCredit issues a 10-year subordinated Tier 2 bond for an amount of €1 billion

On 13 February 2019 the parent company UniCredit S.p.A. launched a Tier 2 subordinated benchmark bond with a 10-year maturity and callable after 5 years. The amount issued amounts to €1 billion.
The transaction saw strong demand from almost 200 institutional investors, mainly funds with 75% of the final allocation, and had an order-book of around €2 billion, which originated mainly from: France (40%), Italy (28%), United Kingdom and Ireland (11%), followed by Germany and Austria (8%).

UniCredit issues €1 billion Additional Tier 1 PerpNC 6/2026 Notes (AT1)

On 12 March 2019 the parent company UniCredit S.p.A. has issued today Non-Cumulative Temporary Write-Down Deeply Subordinated Fixed Rate Resettable Notes - Additional Tier 1 (AT1), for a total amount of €1 billion targeted to institutional investors.
UniCredit S.p.A. decided to proceed with the transaction to continue to strengthen its regulatory capital taking advantage of the positive market window.
The Additional Tier 1 notes will contribute to improve the Tier 1 ratio for approximately 27 bps and are part of UniCredit's 2019 TLAC Funding Plan.
The Notes were distributed to different institutional investor categories such as funds (90%), banks/private banks (7%) and insurance companies (3%).
The demand came mainly from the United Kingdom (65%), Italy (9%), France (6%) and US-offshore (4%).

UniCredit issues Fixed Rate Tier 2 Subordinated 15NC10 Notes for $1.25 billion

The parent company UniCredit S.p.A. successfully issued Tier 2 Notes targeted to institutional investors for a total amount of $1.25 billion.
This transaction allows UniCredit S.p.A. to be well ahead in the execution of the 2019 TLAC Funding Plan, contributing to further strengthen the Total Capital Ratio.
The book building process generated approximately $2.5 billion in demand, with a very granular distribution attracting orders from over 100 global accounts: 80% from United States/Canada, 7% from the United Kingdom, 3% from Italy, 3% from France and 3% from Asia. The Notes were distributed to different institutional investors' categories such as funds (94%), insurance companies/pension funds (4%) and banks/private banks (2%).

Other information

Project Sandokan 2. UniCredit, Pimco, GWM and Aurora Recovery Capital (AREC) agree on the expansion of the Sandokan securitisation programme

The Sandokan programme continues with the implementation of "Sandokan 2". The co-investment programme between the parent company UniCredit S.p.A., Pimco, GWM and Aurora Recovery Capital (AREC) enters in its operational phase, following the successful launch and strong performance of the debut Sandokan project (involving circa €1.3 billion gross book value of large secured loans, implemented on 9 December 2016).
The final agreement was executed on 5 June 2019. Through the transaction, management and special servicing activities relating to the Sandokan 2 portfolio will be transferred to Aurora Recovery Capital (AREC), a special servicer with a unique and proven track record in managing real estate NPEs, to optimise the effectiveness in the handling of medium and long-term real estate loans. AREC is owned by Finance Roma, GWM and PIMCO.
The expanded Sandokan platform will help to increase the future value of loans through proactive asset management, innovative solutions and new funding, when and where needed.
The transaction will not result in the derecognition of UniCredit's portfolio.
The loans will be transferred to Yanez SPV, the Sandokan programme securitisation vehicle. The transfer of the loans to Yanez is expected to take place in multiple tranches, with the first tranche planned for mid-June 2019.
Sandokan 2, part of the Sandokan programme, is expected to include loans up to a maximum amount of €2 billion gross book value.
UniCredit S.p.A. is constantly performing proactive non-core asset management to strengthen its credit profile.
The subscribed agreement aims to generate a potential economic benefit by developing the assets included. It is built on the strong relationship developed in the last 4 years between UniCredit S.p.A., PIMCO, GWM and AREC.

UniCredit: first European bank issuing a Senior Preferred benchmark callable

On 18 June 2019 the parent company UniCredit S.p.A. launched a Senior Preferred benchmark with a 6-year maturity and callable after 5 years.
The amount issued amounts to €1.25 billion and it is the first callable Senior Preferred benchmark issued by an European bank.
The transaction was an extraordinary success with orders amounting to €4,3 billion placed by 300 institutional investors.
The bond was distributed to various types of institutional investors, such as funds (77%), banks/private banks (14%), insurance companies (4%) and governmental institutions (4%). The geographical distribution was the following: France (24%), United Kingdom (24%), Germany/Austria (11%) and Italy (10%).

UniCredit successfully issues its first callable Senior Non-Preferred

On 26 June 2019 the parent company UniCredit S.p.A. has launched its first callable Senior Non-Preferred, raising a total of €750 million. Targeted at institutional investors, it has a 6-year maturity, callable after 5 years.
The bond was placed across various institutional investor categories, comprising funds (76%), banks/private banks (12%), insurance companies (7%) and official institutions (4%). The demand came from the following main regions: France (44%), United Kingdom (17%), Germany/Austria (11%) and Italy (10%).

Other information

Organisational model

Significant organisational changes in the first half of 2019

On 6 February 2019, the Board of Directors approved the cancellation with immediate effect of the position of General Manager and the following new organisational set up for UniCredit S.p.A., starting from 31 March, positions directly reporting to the Chief Executive Officer:

- **Commercial Banking Western Europe** and **Commercial Banking Eastern Europe**, both positions covered by two co-Heads respectively appointed (co-CEOs), responsible for all business activities for the respective perimeter of competence;
- **Finance & Controls** centralizing in particular the activities of Planning, Finance & Administration, Identity and Communication, relations with institutional counterparties and with Banking Regulatory Authority, credit granting activities and management;
- **Chief Operating Office**, position covered by two co-Heads (co-COOs), focused on the oversight of the operational machine.

Organisational structure

UniCredit group organisation reflects an organisational and business model that support our aim of being a commercial bank, that ensures autonomy to the Countries/Banks so to guarantee increased proximity to the client and faster decision-making processes, while maintaining a divisional structure for the governance of the Corporate & Investment Banking (CIB) business/products and the business in Western Europe and Central Eastern Europe, as well as overall control over the COO and Finance and Controls functions. Specifically:

- the **Chief Executive Officer** (Group CEO) maintain a direct supervision on the definition of Group Strategy, Risks, Compliance, Legal and Human Resources;
- **co-Heads (Co-CEOs) of Commercial Banking Western Europe and Commercial Banking Central Eastern Europe** are responsible of all the business activities, focusing on the ongoing development of client services, aiming at maximizing the cross selling, for the countries in the respective perimeter of competence;
- **Finance and Controls** is in charge of coordinating comprehensive process of Planning, Finance and Administration, managing Identity and Communication activities, developing relationships with institutional counterparties, managing the relationships with the European Banking Supervisory Authorities (e.g. EBA, ECB) and Banca d'Italia, as well as credit granting activities;
- the co-Chief (co-COOs) of the **Chief Operating Office** are responsible for the oversight of the operating machine with a specific focus on costs and on IT, Security & Operations development, for the transformation in the Group operating model, in coherence with the defined Group strategies, by ensuring at the same time synergies, savings and operational excellence, together with the supervision of strategic planning and the rationalisation of the IT developing program;
  the **Corporate & Investment Banking Division** (CIB), position covered by CEO CIB, reporting to the appointed co-Head of CB Western Europe and the appointed co-Head of CB Central Eastern Europe has a coverage role for the multinational clients ("Multinational"), for selected "Large corporate" clients with a strong potential demand for investment banking products, for the Financial Institutions (FIG) and "Global Family Office" as well as for the global product lines "Global Transaction Banking (GTB)", "Financing & Advisory (F&A)", "Markets" and for the international network;
- as far as the Italian perimeter is concerned, the co-Heads (co-CEOs) **CB Italy**, directly reporting to the co-CEOs Commercial Banking Western Europe, are responsible for the definition of the business strategies of the "commercial banking" and the assignment of such strategies to the territories and to the client segments (Family, First, Business First, Corporate and Private Banking);
- the functions called **Competence Lines** (Internal Audit, Planning, Finance & Administration, Risk Management, Lending, Legal, Compliance, Identity & Communication, Human Capital) and the **Service Lines** (Group ICT, Group Security, Group Operations, Group Real Estate, Group Procurement & Cost Management, Group Data Office, Group Institutional Affairs & Sustainability and Group Regulatory Affairs) oversee the guidance, coordination and control of UniCredit Group's activities and manage the related risks.

Other information

Conversion of DTAs into tax credits

In respect of financial year 2018, the conditions for a new conversion of Deferred Tax Assets (DTA) into tax credits (pursuant to Art.2, paragraph 55, of Law Decree No.225/2010), were not verified, since the Group legal entities having a stock of Convertible DTAs registered a net profit in their separate financial statements.

In order to preserve for the future the regime of conversion of DTAs into tax credits, and in order to overcome the issues raised by the European Commission in connection to the application of State Aid rules, Art.11 of Law Decree No.59/2016, converted into Law No.119/2016 (as modified by Law Decree No.237/2016, converted in to Law No.15/2017) provides for the possibility, starting from 2016 till 2030, to elect for the payment of an annual fee equal to 1.5% of an aggregate amount deriving from the difference between:

- the increase in convertible DTAs recognised at the end of the fiscal year and the convertible DTAs existing as at the end of 2007, for IRES tax, and as at the end of 2012 for IRAP tax, taking into account the amounts already converted into tax credits;
- taxes:
  - IRES paid by tax group starting from 1 January 2008;
  - IRAP paid registered starting from 1 January 2013 by Legal Entities included in Tax Group with convertible DTAs;
  - substitute taxes that generated convertible DTAs.

The fee due for financial year 2019 has been paid on 28 June 2019 for an overall amount of €114 million relating to the whole Italian Tax Group, of which mainly €110 million for UniCredit S.p.A. and €4 million for UniCredit Leasing S.p.A. As at 30 June 2019 the 50% of these amounts were accounted in the income statement.

Other information

Certifications and other communications

With reference to the “Rules of Markets organised and managed by Borsa Italiana S.p.A.” dated 3 October 2011 (Title 2.6 “Obligations of issuers”, Section 2.6.2. “Disclosure requirements”, paragraph 10) the satisfaction of conditions provided by Section 36 of Consob Regulation No.16191/2007, letters a), b) and c) is hereby certified.

With reference to paragraph 8 of Art.5 - “Public information on transactions with related parties" of Consob Regulation containing provisions relating to transactions with related parties (adopted by Consob with Resolution No.17221 of 12 March 2010, as subsequently amended by Resolution No.17389 of 23 June 2010), it should be noted that:

a) according to the Global Policy “Transactions with related parties, associated persons and Corporate Officers ex art.136 CBA” adopted by the Board of Directors of UniCredit S.p.A. on 6 February 2019, and published on the website www.unicreditgroup.eu, in the first half 2019 the Bank’s Presidio Unico received a report of one transaction of greater importance ended in the period;
b) in the first half of 2019, no transactions with related parties as defined by article 2427, paragraph 22-bis of the Civil Code were conducted, under different conditions from normal market conditions and materially affecting the Group’s financial and economic situation;
c) in the first half of 2019, there were no changes or developments in the individual transactions with related parties already described in the latest annual report that had a material effect on the Group’s financial position or results during the reference period.

For more information on related-party transactions refer to Explanatory notes - Part H of this document.

Subsequent events and outlook

Subsequent events[8]

On 4 July 2019 UniCredit S.p.A. announced that through its subsidiaries UniCredit a.d. Banja Luka and UniCredit Bank d.d. Mostar, it has reached an agreement with B2 Kapital d.o.o., part of the B2Holding group, for the disposal of a portfolio on a non-recourse basis (pro-soluto) composed of secured and unsecured non-performing loans granted by UniCredit a.d. Banja Luka and UniCredit Bank d.d. Mostar to SME's and Corporate customers.
The portfolio consists entirely of Bosnian loans with total legal claim value, gross of write-downs and write-offs mainly, of approximately €24.5 million. The accounting derecognition of NPLs included in this portfolio, started during the second quarter 2019, will be completed in the third quarter 2019.
The economic impact of the disposal has been recognised in the accounting measurement of these NPLs in the second quarter 2019.

On 8 July 2019 UniCredit S.p.A. completed the sale of the residual stake held in FinecoBank S.p.A., equal to 18.3%, implemented through a new ABB procedure. No.111.6 million of FinecoBank S.p.A.'s ordinary shares were subject to transfer, at a price of €9.85 per share, with settlement occurred on 11 July 2019.
With respect to the fair value of the stake held as at 30 June 2019 (equal to €1.090,9 million), the sale of 18.3% resulted in the recognition of a profit of €0.1 million on the income statement, which will be recognised in the third quarter of 2019. Compared to the initial recognition value, following deconsolidation, of the equity investment, equal to €1,105.5 million, the sale transaction resulted in an overall negative effect on an annual basis of €14.4 million, mostly already reflected in the results of the second quarter (€14.5 million) due to the fair value measurement of the share held.

On 15 July 2019 the Parent company UniCredit S.p.A. announced that the rating agency S&P Global Ratings ("S&P") changed its outlook to stable (from negative). The 'BBB' long-term and 'A-2' short-term Issuer Credit Ratings were confirmed. The issue ratings were confirmed as well.
In S&P's view, UniCredit S.p.A. has materially improved its resilience to withstand a hypothetical default of the Italian sovereign ('BBB/A-2/negative outlook').Thus, UniCredit S.p.A. could now be rated above Italy's long-term ratings.

On 25 July 2019 the Parent company UniCredit S.p.A. announced an agreement with a securitisation vehicle financed by SPF Investment Management, L.P. in relation to the sale of an Italian Small and Medium Enterprise non-performing unsecured loans portfolio, on a non-recourse basis (pro-soluto).
The portfolio consists of granular Italian exposures (small tickets) with total legal claim value, gross of write-downs and write-offs mainly, of approximately €1.1 billion.
The economic impact of the disposal has been recognised in the accounting measurement of these NPLs in the second quarter 2019.

On 26 July 2019 the Parent company UniCredit S.p.A. announced an agreement with a securitisation vehicle managed by illimity S.p.A. ("illimity") and a securitisation vehicle managed by Guber S.p.A. ("Guber"). The agreement concerns the disposal of an Italian Small and Medium Enterprise non-performing unsecured loans portfolio, on a non-recourse basis (pro-soluto).
The portfolio consists entirely of Italian large-ticket exposures with a total legal claim value, gross of write-downs and write-offs mainly, of approximately €450 million.
Illimity has bought a portion of the portfolio with a Claim Value of approximately €240 million and Guber has bought approximately €210 million.
The impact is already accounted in the second quarter 2019 financial statements.

With reference to the disposal of the Ocean Breeze group's companies, which took place in August, see Part B - Assets - Section 12 - Non-current assets and disposal groups classified as held for sale of the Explanatory notes to this document.

8 Up to the date of approval by the Board of Directors' Meeting of 6 August 2019 which, on the same date, authorised the publication also in accordance with IAS10.

Subsequent events and outlook

Outlook

Global GDP is expected to expand by 3.1% in 2019 and to slow to 2.7% in 2020. This is consistent with the gradual recovery in global trade growth that is expected in the second half of 2019, after the low hit in the first quarter (about 0.5% y/y). Global trade forecast will also depend upon the relations United States and China will keep with particular reference on the duty application and related commercial tensions although uncertainty probably will continue to linger.

Eurozone GDP is expected to gradually accelerate in the second half of 2019, towards annualised growth rates of just above 1%. The GDP growth estimate for 2020 is confirmed to 1.0%. Production in the manufacturing sector is likely to remain weak and under pressure, essentially due to the global trade slowdown, while activity in the services sector is expected to remain more resilient, supported by good growth in domestic demand and a still-healthy labour market.

Italy is also should benefit from a recovery in economic activity in the second half of the year, after a weak GDP in the second quarter. This improvement could last until the beginning of 2020 before another phase of global weakness likely triggers a slowdown period. In terms of yearly average, GDP growth is expected to recover to +0.4% in 2020, from 0.0% in 2019. The main impulse to the Italian GDP growth in second half 2019 is likely to come from private consumption, amid a resilient labour market and public resources allocated to low-income households, while corporate investments are likely to remain constrained by weak export performance and continuing uncertainty.

The European Central Bank (ECB) turned dovish in July and it is expected to cut the deposit rate by 10bps in September. Any decision to cut the deposits’ rate will likely be accompanied by mitigating actions aimed to ease the possible effects on the profitability of the banks. The possibility that the ECB acts further at the turn of the year is not excluded.

During the second part of 2019, UniCredit will keep on implementing measures in order to maintain a solid capital position; in this context, during July the sale of FinecoBank S.p.A. through a second accelerated bookbuilding procedure has been completed.

At the end of 2019 the Group will accomplish the execution of the Transform plan by finalising the planned evolution of the operating model and pursuing the achievement of the plan targets, as pan-European winner. The Group's results will be influenced by the expected negative evolution of interest rates and possible markets volatility but will continue to benefit from ongoing cost reduction initiatives, in addition to the constant attention to the asset quality.

In the second part of the year the new Management, enrolled at the beginning of the year, will be focused on the completion of the definition of the new strategic plan, that will be disclosed to the markets at the beginning of December 2019.

Milan, 6 August 2019

THE BOARD OF DIRECTORS

CHAIRMAN
FABRIZIO SACCOMANNI

CEO
JEAN PIERRE MUSTIER

Maximise commercial bank value.

We continue to maximise commercial bank value by successfully focusing on our clients, delivering a positive experience through our multichannel strategy and best-in-class products and services. The fully plugged in CIB leverages on the Group's strong commercial banking relationships to support the real economy.

Consolidated accounts

Consolidated balance sheet

(€ million)

ASSETS	AMOUNTS AS AT 06.30.2019	AMOUNTS AS AT 12.31.2018
10. Cash and cash balances	32,578	30,991
20. Financial assets at fair value through profit or loss:	89,038	86,137
a) financial assets held for trading	67,344	65,231
b) financial assets designated at fair value	-	-
c) other financial assets mandatorily at fair value	21,694	20,906
30. Financial assets at fair value through other comprehensive income	77,779	88,280
40. Financial assets at amortised cost:	580,504	579,311
a) loans and advances to banks	81,352	73,643
b) loans and advances to customers	499,152	505,668
50. Hedging derivatives	6,211	4,682
60. Changes in fair value of portfolio hedged items (+/-)	3,590	2,439
70. Equity investments	5,670	5,502
80. Insurance reserves charged to reinsurers	-	-
90. Property, plant and equipment	9,176	8,408
100. Intangible assets	2,802	3,507
of which: goodwill	*886*	*1,484*
110. Tax assets:	12,896	13,078
a) current	972	1,032
b) deferred	11,924	12,046
120. Non-current assets and disposal groups classified as held for sale	3,115	1,800
130. Other assets	8,824	7,334
Total assets	**832,183**	**831,469**

(€ million)

LIABILITIES AND SHAREHOLDERS' EQUITY	AMOUNTS AS AT 06.30.2019	AMOUNTS AS AT 12.31.2018
10. Financial liabilities at amortised cost:	680,492	686,036
a) deposits from banks	132,695	125,895
b) deposits from customers	455,363	478,988
c) debt securities in issue	92,434	81,153
20. Financial liabilities held for trading	40,410	43,111
30. Financial liabilities designated at fair value	11,346	9,318
40. Hedging derivatives	7,810	6,032
50. Value adjustment of hedged financial liabilities (+/-)	6,038	3,230
60. Tax liabilities:	962	825
a) current	608	402
b) deferred	354	423
70. Liabilities associated with assets classified as held for sale	632	540
80. Other liabilities	14,703	13,950
90. Provision for employee severance pay	676	698
100. Provisions for risks and charges:	9,567	10,961
a) committments and guarantees given	1,138	1,140
b) post-retirement benefit obligations	5,314	4,767
c) other provisions for risks and charges	3,115	5,054
110. Technical reserves	-	-
120. Valuation reserves	(7,643)	(7,488)
130. Redeemable shares	-	-
140. Equity instruments	5,602	4,610
150. Reserves	23,719	20,503
160. Share premium	13,225	13,393
170. Share capital	20,995	20,940
180. Treasury shares (-)	(3)	(9)
190. Minority shareholders' equity (+/-)	411	927
200. Profit (Loss) for the period (+/-)	3,241	3,892
Total liabilities and shareholders' equity	**832,183**	**831,469**

Consolidated accounts

Consolidated income statement

(€ million)

ITEMS	AS AT 06.30.2019	AS AT 06.30.2018
10. Interest income and similar revenues	7,407	7,429
of which: interest income calculated with the effective interest method	*6,549*	*6,305*
20. Interest expenses and similar charges	(2,224)	(2,165)
30. Net interest margin	**5,183**	**5,264**
40. Fees and commissions income	3,711	3,863
50. Fees and commissions expenses	(599)	(493)
60. Net fees and commissions	**3,112**	**3,370**
70. Dividend income and similar revenues	177	316
80. Net gains (losses) on trading	465	258
90. Net gains (losses) on hedge accounting	22	16
100. Gains (Losses) on disposal and repurchase of:	145	122
a) financial assets at amortised cost	48	2
b) financial assets at fair value through other comprehensive income	103	131
c) financial liabilities	(6)	(11)
110. Net gains (losses) on other financial assets/liabilities at fair value through profit or loss:	(136)	101
a) financial assets/liabilities designated at fair value	(394)	167
b) other financial assets mandatorily at fair value	258	(66)
120. Operating income	**8,968**	**9,447**
130. Net losses/recoveries on credit impairment relating to:	(1,187)	(1,066)
a) financial assets at amortised cost	(1,179)	(1,059)
b) financial assets at fair value through other comprehensive income	(8)	(7)
140. Gains/Losses from contractual changes with no cancellations	(3)	(2)
150. Net profit from financial activities	**7,778**	**8,379**
160. Net premiums	-	-
170. Other net insurance income/expenses	-	-
180. Net profit from financial and insurance activities	**7,778**	**8,379**
190. Administrative expenses:	(5,319)	(5,842)
a) staff costs	(3,078)	(3,219)
b) other administrative expenses	(2,241)	(2,623)
200. Net provisions for risks and charges:	164	(462)
a) commitments and financial guarantees given	(2)	94
b) other net provisions	166	(556)
210. Net value adjustments/write-backs on property, plant and equipment	(748)	(242)
220. Net value adjustments/write-backs on intangible assets	(316)	(202)
230. Other operating expenses/income	408	478
240. Operating costs	**(5,811)**	**(6,270)**
250. Gains (Losses) of equity investments	341	326
260. Net gains (losses) on property, plant and equipment and intangible assets measured at fair value	1	-
270. Goodwill impairment	-	-
280. Gains (Losses) on disposals on investments	418	153
290. Profit (Loss) before tax from continuing operations	**2,727**	**2,588**
300. Tax expenses (income) for the period from continuing operations	(720)	(420)
310. Profit (Loss) after tax from continuing operations	**2,007**	**2,168**
320. Profit (Loss) after tax from discontinued operations	1,321	79
330. Profit (Loss) for the period	**3,328**	**2,247**
340. Minority profit (loss) for the period	(87)	(111)
350. Parent Company's profit (loss) for the period	**3,241**	**2,136**

Earnings per share (€)	1.430	0.949
Diluted earnings per share (€)	1.423	0.945

As at 30 June 2019 following the deconsolidation of FinecoBank S.p.A. and its subsidiary Fineco Asset Management Designated Activity Company (for detailed information see Explanatory notes - Part A - A.1 General - Section 3. Consolidation scope and methods) in accordance with IFRS5, the net result of before mentioned companies and the profit from deconsolidation were entirely recognised under item “Profit (Loss) after tax from discontinued operation”.
The previous period was restated accordingly to increase comparability, pursuant to the regulations in force.

Consolidated accounts

Consolidated statement of other comprehensive income

(€ million)

ITEMS	AS AT 06.30.2019	AS AT 06.30.2018
10. Profit (Loss) for the period	**3,328**	**2,247**
Other comprehensive income after tax not reclassified to profit or loss		
20. Equity instruments designated at fair value through other comprehensive income	(21)	(2)
30. Financial liabilities designated at fair value through profit or loss (own creditworthiness changes)	(79)	73
40. Hedge accounting of equity instruments designated at fair value through other comprehensive income	-	-
50. Property, plant and equipment	-	-
60. Intangible assets	-	-
70. Defined-benefit plans	(500)	(54)
80. Non-current assets and disposal groups classified as held for sale	-	-
90. Portion of valuation reserves from investments valued at equity method	-	(2)
Other comprehensive income after tax reclassified to profit or loss		
100. Foreign investments hedging	-	-
110. Foreign exchange differences	283	(210)
120. Cash flow hedging	(41)	(98)
130. Hedging instruments (non-designated items)	-	-
140. Financial assets (different from equity instruments) at fair value through other comprehensive income	335	(1,213)
150. Non-current assets and disposal groups classified as held for sale	-	-
160. Part of valuation reserves from investments valued at equity method	(124)	(300)
170. Total other comprehensive income after tax	**(147)**	**(1,806)**
180. Other comprehensive income (Item 10+170)	**3,181**	**441**
190. Minority consolidated other comprehensive income	(94)	(108)
200. Parent Company's consolidated other comprehensive income	**3,087**	**333**

Consolidated accounts

Statement of changes in the consolidated shareholders' equity as at 30 June 2019

(€ million)

				PREVIOUS YEAR PROFIT (LOSS) ALLOCATION		CHANGES IN THE PERIOD												
							SHAREHOLDERS' EQUITY TRANSACTIONS											
	BALANCE AS AT 12.31.2018	CHANGE IN OPENING BALANCE	BALANCE AS AT 01.01.2019	RESERVES	DIVIDENDS AND OTHER ALLOCATIONS	CHANGES IN RESERVES	ISSUE OF NEW SHARES	PURCHASE OF TREASURY SHARES	ADVANCED DIVIDENDS	DIVIDENDS EXTRAORDINARY DISTRIBUTION	CHANGE IN EQUITY INSTRUMENTS	TREASURY SHARES DERIVATIVES	STOCK OPTIONS	CHANGES IN EQUITY INVESTMENTS	OTHER COMPREHENSIVE INCOME FIRST HALF 2019	TOTAL SHAREHOLDERS' EQUITY AS AT 06.30.2019	GROUP SHAREHOLDERS' EQUITY AS AT 06.30.2019	MINORITY SHAREHOLDERS' EQUITY AS AT 06.30.2019
Share capital:																		
- ordinary shares	21,248	-	21,248	-	-	(133)	55	-	-	-	-	-	-	-	-	21,170	20,995	175
- other shares	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Share premium	13,480	-	13,480	-	-	(169)	-	-	-	-	-	-	-	-	-	13,311	13,225	86
Reserves:																		
- from profits	13,426	-	13,426	3,317	-	(389)	(55)	-	-	-	-	-	-	-	-	16,299	16,371	(72)
- other	7,408	-	7,408	-	-	36	-	-	-	-	-	-	31	-	-	7,475	7,348	127
Valuation reserves	(7,495)	-	(7,495)	-	-	7	-	-	-	-	-	-	-	-	(147)	(7,635)	(7,643)	8
Advanced dividends	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Equity instruments	4,610	-	4,610	-	-	-	-	-	-	-	992	-	-	-	-	5,602	5,602	-
Treasury shares	(18)	-	(18)	-	-	15	-	-	-	-	-	-	-	-	-	(3)	(3)	-
Profit (Loss) for the period	4,109	-	4,109	(3,317)	(792)	-	-	-	-	-	-	-	-	-	3,328	3,328	3,241	87
Total shareholders' equity	**56,768**	**-**	**56,768**	**-**	**(792)**	**(633)**	**-**	**-**	**-**	**-**	**992**	**-**	**31**	**-**	**3,181**	**59,547**	**59,136**	**411**
Group shareholders' equity	55,841	-	55,841	-	(604)	(211)	-	-	-	-	992	-	31	-	3,087	59,136		
Minority shareholders' equity	927	-	927	-	(188)	(422)	-	-	-	-	-	-	-	-	94	411		

The amounts disclosed in column "Stock Options" represent the effects of the delivery of shares (Stock Options, Performance Shares, Discount and Matching Shares connected with the ESOP Plans and other Group Executive Incentive Plans).
The cumulated change of revaluation reserves includes the effect for -€491 million of actuarial gain (losses) from the measurement of the actuarial liabilities (defined benefit plans), the effects of the cash flow hedges reserve for -€41 million and the effect of financial asset and liabilities at fair value for +€235 million. This cumulated change includes furthermore the effect of exchange differences reserve for +€283 million, mainly related to effect of Ruble for +€275 million and the change in the valuation reserve of the companies accounted for using the equity method for -€126 million, mainly due to the depreciation of the items in Turkish Lira for -€87 million.
The change of the other reserves includes the payment of coupons on AT1 equity instruments for -€135 million.
The change in group share capital refers to the increase of +€55 million following the resolution of the Board of Directors of 6 February 2019 of UniCredit S.p.A. executed through a withdrawal from the specifically constituted reserve, for the issue of the shares connected to the medium term incentive plan for Group personnel.
Following the resolutions of the Shareholders' Meeting of 11 April 2019 of UniCredit S.p.A., the coverage of the negative other reserves for +€293 million was executed by using: i) the share premium reserve for the component related to the payment of AT1 coupons in 2017 for -€168 million; ii) the statutory reserve, included in reserves from profit, to cover the negative reserve arising from the payment of usufruct contract signed with Mediobanca S.p.A. on UniCredit shares supporting the issuance of convertible securities denominated "Cashes" for -€125 million.
The change in net equity of minorities is mainly due to the sale of FinecoBank S.p.A.
This transaction has impacted mainly share capital and reserves from profits.
For further details about the Shareholders' equity changes see Part B - Liabilities, Section 13 of the Explanatory notes.

Consolidated accounts

Statement of changes in the consolidated shareholders' equity as at 30 June 2018

(€ million)

				PREVIOUS YEAR PROFIT (LOSS) ALLOCATION		CHANGES IN THE PERIOD												
							SHAREHOLDERS' EQUITY TRANSACTIONS											
	BALANCE AS AT 12.31.2017	CHANGE IN OPENING BALANCE	BALANCE AS AT 01.01.2018	RESERVES	DIVIDENDS AND OTHER ALLOCATIONS	CHANGES IN RESERVES	ISSUE OF NEW SHARES	PURCHASE OF TREASURY SHARES	ADVANCED DIVIDENDS	DIVIDENDS EXTRAORDINARY DISTRIBUTION	CHANGE IN EQUITY INSTRUMENTS	TREASURY SHARES DERIVATIVES	STOCK OPTIONS	CHANGES IN EQUITY INVESTMENTS	OTHER COMPREHENSIVE INCOME FIRST HALF 2018	TOTAL SHAREHOLDERS' EQUITY AS AT 06.30.2018	GROUP SHAREHOLDERS' EQUITY AS AT 06.30.2018	MINORITY SHAREHOLDERS' EQUITY AS AT 06.30.2018
Share capital:																		
- ordinary shares	21,200	-	21,200	-	-	(4)	62	-	-	-	-	-	-	-	-	21,258	20,940	318
- other shares	2	-	2	-	-	-	-	(2)	-	-	-	-	-	-	-	-	-	-
Share premium	13,488	-	13,488	-	-	(5)	-	-	-	-	-	-	-	-	-	13,483	13,393	90
Reserves:																		
- from profits	11,520	(3,012)	8,508	4,924	-	54	(60)	-	-	-	-	-	-	-	-	13,426	13,228	198
- other	7,951	-	7,951	-	-	(225)	-	-	-	-	-	-	33	-	-	7,759	7,632	127
Valuation reserves	(4,329)	(325)	(4,654)	-	-	(20)	-	-	-	-	-	-	-	-	(1,806)	(6,480)	(6,474)	(6)
Advanced dividends	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Equity instruments	4,610	-	4,610	-	-	-	-	-	-	-	-	-	-	-	-	4,610	4,610	-
Treasury shares	(3)	-	(3)	-	-	(1)	-	-	-	-	-	-	-	-	-	(4)	(3)	(1)
Profit (Loss) for the period	5,786	-	5,786	(4,924)	(862)	-	-	-	-	-	-	-	-	-	2,247	2,247	2,136	111
Total shareholders' equity	**60,225**	**(3,337)**	**56,888**	**-**	**(862)**	**(201)**	**2**	**(2)**	**-**	**-**	**-**	**-**	**33**	**-**	**441**	**56,299**	**55,462**	**837**
Group shareholders' equity	59,331	(3,327)	56,004	-	(715)	(193)	2	(2)	-	-	-	-	33	-	333	55,462		
Minority shareholders' equity	894	(10)	884	-	(147)	(8)	-	-	-	-	-	-	-	-	108	837		

The column change in opening balances includes the reclassification and remeasurement effects resulting from the first time adoption of accounting principle IFRS9. It should be noted that these effects include a negative impact for €198 million related to a company consolidated using the equity method totally compensated by previous impairment reversal. Furthermore, it is worth specifying that due to deposits certificates reclassification, performed in order to grant the homogeneous classification within the Group, the accumulated changes in fair value related to the own credit risk for €21 million have been accounted with negative impact in revaluation reserves with a corresponding positive effect under other reserves. Reference is made to the paragraph "Transition to'IFRS9 Financial Instruments' of UniCredit group" of Part A - Notes to the consolidated accounts of UniCredit group - Section 5 - Other matters in 2018 Annual Report and Accounts.

The amounts disclosed in column "Stock Options" represent the effects of the delivery of shares (Stock Options, Performance Shares, Discount and Matching Shares connected with the ESOP Plans and other Group Executive Incentive Plans).

The cumulated change of revaluation reserves includes the effect for -€54 million of actuarial gain (losses) from the measurement of the actuarial liabilities (defined benefit plans), the effects of the cash flow hedges reserve for -€98 million and the effect of financial asset and liabilities at fair value for -€1,142 million.

This change includes furthermore the effect of exchange differences reserve for -€210 million, mainly related to effect of Ruble for -€137 million and the change in the valuation reserve of the companies accounted for using the equity method for -€323 million, mainly due to the depreciation of the items in Turkish Lira for -€344 million.

The negative change of the other reserves mainly refers to the payment of coupons on AT1 equity instruments for- €120 million.

The share capital increased for +€60 million following the resolution of the Board of Directors of 7 February 2018 executed through a withdrawal from the specifically constituted reserve, for the issue of the shares connected to the medium term incentive plan for Group personnel.

Consolidated accounts

Consolidated cash flow statement (indirect method)

(€ million)

	AS AT	
	06.30.2019	06.30.2018
A. OPERATING ACTIVITIES		
1. Operations:	**4,710**	**4,446**
- profit (loss) for the period (+/-)	3,241	2,136
- gains/losses on financial assets held for trading and on other financial assets/liabilities at fair value through profit or loss (-/+)	(874)	(841)
- gains (losses) on hedge accounting (-/+)	(22)	(16)
- net losses/recoveries on impairment (+/-)	2,525	1,928
- net value adjustments/write-backs on property, plant and equipment and intangible assets (+/-)	1,063	445
- net provisions for risks and charges and other expenses/income (+/-)	(707)	297
- uncollected net premiums (-)	-	-
- other uncollected insurance income/expenses (-/+)	-	-
- unpaid duties, taxes and tax credits (+/-)	616	323
- impairment/write-backs after tax on discontinued operations (+/-)	(1,238)	64
- other adjustments (+/-)	106	110
2. Liquidity generated/absorbed by financial assets:	**(14,646)**	**(39,347)**
- financial assets held for trading	(817)	(8,091)
- financial assets designated at fair value	-	-
- other financial assets mandatorily at fair value	596	4,584
- financial assets at fair value through other comprehensive income	10,119	(1,129)
- financial assets at amortised cost	(25,473)	(35,372)
- other assets	929	661
3. Liquidity generated/absorbed by financial liabilities:	**10,415**	**(6,469)**
- financial liabilities at amortised cost	14,493	(9,015)
- financial liabilities held for trading	(3,090)	1,526
- financial liabilities designated at fair value	1,599	488
- other liabilities	(2,587)	532
Net liquidity generated/absorbed by operating activities	**479**	**(41,370)**
B. INVESTMENT ACTIVITIES		
Liquidity generated/absorbed by:		
- equity investments	41	(376)
- collected dividends on equity investments	62	127
- property, plant and equipment	214	(486)
- intangible assets	(212)	(179)
- purchases/sales of subsidiaries and business units	1,018	105
Net liquidity generated/absorbed by investment activities	**1,123**	**(809)**
C. FUNDING ACTIVITIES		
- issue/purchase of treasury shares	-	-
- issue/purchase of equity instruments	992	-
- dividend distribution and other	(1,038)	(1,067)
- sale/purchase of minority control	-	-
Net liquidity generated/absorbed by funding activities	**(46)**	**(1,067)**
NET LIQUIDITY GENERATED/ABSORBED IN THE PERIOD	**1,556**	**(43,246)**

Key:
(+) generated;
(-) absorbed.

Consolidated accounts

Reconciliation

(€ million)

ITEMS	AS AT 06.30.2019	AS AT 06.30.2018
Cash and cash balances at the beginning of the period	**30,991**	**64,493**
Net liquidity generated/absorbed in the period	1,556	(43,246)
Cash and cash balances: foreign exchange effect	31	(9)
Cash and cash balances at the end of the period	**32,578**	**21,238**

The figures related to 30 June 2018 of the point "1. Operations" in section "A. Operating activities" have been restated following the deconsolidation of FinecoBank S.p.A. and its subsidiary, Fineco Asset Management Designated Activity Company occurred, in the second quarter of 2019. For detailed information see Explanatory notes - Part A - A.1 General - Section 3. Consolidation scope and methods.
The liquidity generated in the first half of 2018 by the two companies amounted to €1.1 million.
The disposal of FinecoBank S.p.A. has generated cash of €1,005 million in the first half of 2019, net of cash and cash equivalents disposed.

For further details related to the change of the Funding activities regarding the issue/purchase of equity instruments, refer to Part B - Consolidated balance sheet - Liabilities - Section 13 - Group shareholders' equity.
The item "Cash and cash equivalents" refers to the definition according to Banca d'Italia (Circular 262, 22 December 2005 and subsequent amendments).

Part A - Accounting policies

A.1 - General

Section 1 - Statement of compliance with IFRS

These Condensed interim consolidated financial statements have been prepared in accordance with the IFRS issued by the International Accounting Standards Board (IASB), including the interpretation documents issued by the SIC and the IFRIC, and endorsed by the European Commission up to 30 June 2019, pursuant to EU Regulation No.1606/2002 which was incorporated into Italy's legislation through the Legislative Decree No.38 dated 28 February 2005 and as required by paragraph 154-ter 3 of the Single Finance Act (TUF, Legislative Decree No.58 dated 02/24/1998).

They are an integral part of the Consolidated first half financial report as required by Art.154-ter, paragraph 2, of the Single Finance Act (TUF Legislative Decree No.58 of 24 February 1998).

As required by paragraph 154-ter 2 TUF, this Consolidated first half financial report includes the Condensed interim consolidated financial statements, the Consolidated interim report on operations and the Certification required by paragraph 154-bis 5 TUF.

The contents of this Condensed interim consolidated financial statements are in line with IAS34 on interim reporting. In accordance with paragraph 10 of IAS34, the Group has opted to provide condensed first half consolidated accounts.

The Condensed interim consolidated financial statements are subject to review by Deloitte & Touche S.p.A. as per the resolution passed by the Shareholders' Meeting on 11 May 2012.

Section 2 - General preparation criteria

As mentioned above, these Condensed interim consolidated financial statements have been prepared in accordance with the international accounting standards endorsed by the European Commission.
The following documents have been used to interpret and support the application of IFRS, even though they have not all been endorsed by the European Commission:
- The Conceptual Framework for Financial Reporting;
- Implementation Guidance, Basis for Conclusions, IFRICs and any other documents prepared by the IASB or International Financial Reporting Interpretations Committee (IFRIC) supplementing the IFRS;
- Interpretative documents on the application of the IAS/IFRS in Italy prepared by the Organismo Italiano di Contabilità (OIC) and Associazione Bancaria Italiana (ABI);
- ESMA (European Securities and Markets Authority) and Consob documents on the application of specific IFRS provisions.

These Condensed interim consolidated financial statements comprise the Balance sheet, the Income statement, the Statement of comprehensive income, the Statement of changes in shareholders' equity, the Cash flow statement (compiled using the indirect method), the Explanatory notes and Annexes.

The schemes of Condensed interim consolidated financial statements as at 30 June 2019 are in line with Banca d'Italia templates as prescribed by Circular 262 dated 22 December 2005 (6th update of 30 November 2018), and they present comparative figures, as at 31 December 2018 for the Balance sheet and as at 30 June 2018 for the Income statement, the Statement of comprehensive income, the Statement of changes in shareholders' equity and the Cash flow statement.

Figures in the Consolidated accounts and Explanatory notes are given in million of euros, unless otherwise specified.

In their joint Document No.4 of 3 March 2010, Banca d'Italia, Consob and Isvap made a few observations on the current situation of the markets and businesses and requested that information essential for a better understanding of business trends and outlook be disclosed in financial reports.

In this regard, the Directors, based on the 2016-2019 Strategic Plan, identified no symptoms in the capital and financial structure and in the economic performance that could indicate uncertainty about the ability to continue as a going-concern and therefore believe with reasonable certainty that the Group will continue to operate profitably in the foreseeable future; as a result, in accordance with the provisions of IAS1, the accounts as at 30 June 2019 has been prepared on a going-concern basis.

The measurement criteria adopted are therefore consistent with this assumption and with the principles of accrual based accounting, the relevance and materiality of accounting information, and the prevalence of economic substance over legal form.

Part A - Accounting policies

These criteria have not changed with respect to the previous year, except for the modifications described in section "A.2 - Main items of the accounts" relating to the introduction of new standards and interpretations.

Risk and uncertainty due to use of estimated figures

Under the IFRS, management must make judgments, estimates and assumptions that affect the application of accounting principles and the amounts of assets and liabilities and income and expenses reported in the accounts, as well as the disclosure concerning contingent assets and liabilities. Estimates and related assumptions are based on previous experience and other factors considered reasonable under the circumstances and have been used to estimate the carrying values of assets and liabilities not readily available from other sources.

In particular, estimated figures have been used for the recognition and measurement of some of the largest items in in the Condensed interim consolidated financial statements as at 30 June 2019, as required by the accounting policies and regulations described above. These estimates are largely based on calculations of future recoverability of the values recognised in the accounts according to the rules laid down in current legislation and have been made on the assumption of a going concern, i.e. without contemplating the possibility of the forced sale of the estimated items by assessing, when referred to shareholdings, goodwill, other intangible assets, properties and deferred tax assets, that adverse changes (trigger events) did not occur in key assumptions compared with the ones in use for the consolidated financial statements as at 31 December 2018.
The processes adopted support the carrying values as at 30 June 2019.
Valuation is particularly complex because of the uncertainty in the macroeconomic and market environment; the parameters and information used to check the abovementioned values were therefore significantly affected by such factors, which could change rapidly in ways that are currently unforeseeable, such that further effects on future carrying values cannot be ruled out.

Estimates and assumptions are regularly reviewed. Any changes resulting from these reviews are recognised in the period in which the review was carried out, provided the change only concerns that period. If the revision concerns both current and future periods, it is recognised accordingly in both current and future periods.

Uncertainty affecting estimates is generally inherent, among others, in the measurement of:
- fair value of financial instruments not listed in active markets;
- loans and receivables, shareholdings and, in general, any other financial assets/liabilities;
- severance pay (in Italy) and other employee benefits;
- provisions for risks and charges and contingent assets;
- goodwill and other intangible assets;
- deferred tax assets;
- property, plant and equipment and investment properties;

whose assessment may significantly change over time according to the trend in (i) domestic and international socio-economic conditions and subsequent impact on the Group's profitability and customers' creditworthiness, (ii) financial markets which affect changes in interest rates, prices and actuarial assumptions and (iii) real estate market affecting the value of property owned by the Group or received as collateral.
With regard to credit exposures evaluation it should be noted that, with the application of IFRS9, such estimation is based on forward looking information and, in particular on the evolution of macroeconomic scenarios used in the loan loss provisions calculation, in this regards the Group updates such scenario on a half year basis. Further details are available in Part E - Information on risks and hedging policies - Section 2 - Risks of the prudential consolidated perimeter - 2.1 Credit risk.

It should be finally noted that the economic and political uncertainty in Turkey and Russia were taken into account during the assessment of the net assets owned by the Group in these countries. See Part E - Information on risks and hedging policies - Section 2 - Risks of the prudential consolidated perimeter - 2.6 - Other risks - Top and emerging risks.
Similarly the risks and uncertainties associated with the macroeconomic scenario, with specific reference to rates and spreads, with the international trade and with measures implemented by Central Banks, were considered in the valuation of assets.

With reference to valuation techniques, unobservable inputs used in the fair value measurement and sensitivities to changes in those inputs, refer to Section A.4 - Information on fair value.

Section 3 - Consolidation scope and methods

The consolidation criteria and principles used to prepare the Consolidated first half financial report as at 30 June 2019 are described below.

Consolidated accounts

For the preparation of the Consolidated first half financial report as at 30 June 2019 the following sources have been used:
- UniCredit S.p.A. first half accounts as at 30 June 2019;
- the first half accounts duly reclassified and adjusted to take account of consolidation needs and, where necessary, to align them to the Group accounting principles;

Part A - Accounting policies

- the sub-consolidated accounts of Nuova Compagnia di Partecipazioni group, including Nuova Compagnia di Partecipazioni S.p.A. (formerly Compagnia Italpetroli S.p.A.), and Capital Dev group, including Capital Dev S.p.A., and their direct and indirect subsidiaries.

Amounts in foreign currencies are converted at closing exchange rates in the balance sheet, whereas the average exchange rate for the year is used for the income statement.

The accounts and explanatory notes of the main fully consolidated subsidiaries prepared under IIAS/IFRS are subject to limited review by leading audit companies.

Subsidiaries

Entities, including structured entities, over which the Group has direct or indirect control, are considered subsidiaries.

Control over an entity entails:
- the existence of power over the relevant activities;
- the exposure to the variability of returns;
- the ability to use the power exercised in order to influence the returns to which the Group is exposed.

In order to verify the existence of control, the Group considers the following factors:
- the purpose and establishment of the investee, in order to identify which are the entity's objectives, the activities that determine its returns and how these activities are governed;
- the power, in order to understand whether the Group has contractual rights that attribute the ability to govern the relevant activities; to this end only substantial rights that provide practical ability to govern are considered;
- the exposure held in relation to the investee, in order to assess whether the Group has relations with the investee, the returns of which are subject to changes depending on the investee's performance;
- the existence of potential “principal - agent” relationships.

If the relevant activities are governed through voting rights, the existence of control is verified considering the voting rights held, including the potential ones, and the existence of any shareholders' or other agreements which attribute the right to control the majority of the voting rights, to appoint the majority of the governing body or in any case the power to determine the entity's financial and operating policies.

Subsidiaries may also include any “structured entity” in which the voting rights are not significant for establishing control, including special purpose entities and investment funds.

In the case of structured entities, the existence of control is ascertained considering both the contractual rights that enable governance of the relevant activities of the entity (or those that contribute most to the results) and the Group's exposure to the variability of returns deriving from these activities.

The carrying amount of an equity interest in a fully consolidated entity held by the Parent company or another Group company is eliminated against the recognition of the assets and liabilities of the investee as an offsetting entry to the corresponding portion of net equity of the subsidiary attributable to the Group.

Intragroup balances, the off-balance sheet transactions, the income and expenses, and the gain/losses between consolidated companies are eliminated in full, according to the method of consolidation adopted.

A subsidiary’s income and expenses are included in the consolidation from the date the Parent acquires the control. On disposal of a subsidiary, its income and expenses are consolidated up to the date of the disposal, i.e. until the Parent ceases to control the subsidiary. The difference between the consideration received of the subsidiary and the carrying amount of its net assets at the same date is recognised in the income statement under item “280. Gains (Losses) on disposal of investments” for fully consolidated companies.

The portion attributable to non-controlling interests is presented in the balance sheet under item “190. Minorities”, separately from the liabilities and net equity attributable to the Group. In the income statement, the portion attributable to minorities is also presented separately under item “340. Minorities”.
With respect to companies included in the consolidation scope for the first time, the fair value of the cost paid to obtain control of this equity interest, including ancillary expenses, is measured at the acquisition date.
The difference between the consideration received of an interest held in a subsidiary and the carrying amount of the net assets is recognised in the net equity, if the sale does not entail loss of control.

Part A - Accounting policies

Joint arrangements
A joint arrangement is a contractual agreement under the terms of which two or more counterparties arrange to jointly control an entity.
Joint control is the contractually agreed sharing of control of an arrangement, which exists only when the decisions about the relevant activities require the unanimous consent of the parties sharing control.
According to the standard IFRS11 - Joint Arrangements, such agreements must be classified as Joint Operations or Joint Ventures according to the contractual rights and obligations held by the Group.

A Joint Operation is a joint arrangement in which the parties have rights on the assets and obligations with respect to the liabilities of the arrangement.
A Joint Venture is a joint arrangement in which the parties have rights on the net assets of the arrangement.

The Group has assessed the nature of the joint arrangements and has determined that its jointly controlled equity investments are of the Joint Venture type. These equity investments are recognised using the equity method.
Carrying amount of the Joint Ventures is tested in accordance with IAS36 as a single asset, by comparing it with the corresponding recoverable amount (i.e. higher of value in use (VIU) and fair value (FV) less cost to sell).

Associates
An associate is an entity over which the investor has significant influence and which are not subsidiaries or joint ventures.
Significant influence is presumed when the investor:
- holds, directly or indirectly, at least 20% of the share capital of another entity, or
- is able, also through shareholders' agreements, to exercise significant influence through:
  - representation on the governing body of the company;
  - participation in the policy-making process, including participation in decisions about dividends or other distributions;
  - the existence of significant transactions;
  - interchange of managerial personnel;
  - provision of key technical information.

It is to be pointed out that only companies which are governed through voting rights can be classified as subject to significant influence.
Investments in associates are recognised using the equity method. Carrying amount of Associates is tested in accordance with IAS36 as a single asset, by comparing it with the corresponding recoverable amount (i.e. higher of VIU and FV less cost to sell).

Equity method
Equity investments in companies measured using the equity method include the goodwill (less any impairment loss) paid to purchase them.
The investor's share of the profit and loss of the investee after the date of acquisition is recognised in the Income statement under item “250. Profit (Loss) of investments”. Any dividends distributed reduce the carrying amount of the equity investment.

If the investor's share of an investee's losses is equal to or greater than its carrying amount, no further losses are recognised, unless the investor has incurred specific obligations or made payments on behalf of the associate.

Gains and losses on transactions with associates or joint arrangements are eliminated according to the percentage interest in the said company.

Any changes in the revaluation reserves of associates or joint arrangements, which are recorded as a contra item to changes in value of the phenomena relevant to this purpose, are reported separately in the Statement of other comprehensive income.

The following table shows the companies included in the scope of consolidation.

Part A - Accounting policies

Investments in subsidiaries and valued at equity

	COMPANY NAME	MAIN OFFICE	ADMINISTRATIVE OFFICE	TYPE OF RELATIONSHIP (1)	OWNERSHIP RELATIONSHIP HELD BY	OWNERSHIP RELATIONSHIP HOLDING %	VOTING RIGHTS % (2)
	A. LINE BY LINE METHOD						
1	**UNICREDIT SPA** Issued capital EUR 20,994,799,961.81	**MILAN**	**MILAN**		**PARENT COMPANY**		
2	A&T-PROJEKTENTWICKLUNGS GMBH & CO. POTSDAMER PLATZ BERLIN KG Issued capital EUR 613,550	MUNICH	MUNICH	1	GRUNDSTUCKSAKTIENGESELLSCHAFT AM POTSDAMER PLATZ (HAUS VATERLAND)	100.00	
3	ACIS IMMOBILIEN- UND PROJEKTENTWICKLUNGS GMBH & CO. OBERBAUM CITY KG Issued capital EUR 26,000	GRUNWALD	GRUNWALD	1	SIRIUS IMMOBILIEN- UND PROJEKTENTWICKLUNGS GMBH	100.00	98.11
4	ACIS IMMOBILIEN- UND PROJEKTENTWICKLUNGS GMBH & CO. PARKKOLONNADEN KG Issued capital EUR 26,000	GRUNWALD	GRUNWALD	1	A&T-PROJEKTENTWICKLUNGS GMBH & CO. POTSDAMER PLATZ BERLIN KG	100.00	98.11
5	ACIS IMMOBILIEN- UND PROJEKTENTWICKLUNGS GMBH & CO. STUTTGART KRONPRINZSTRASSE KG Issued capital EUR 26,000	GRUNWALD	GRUNWALD	1	HVB GESELLSCHAFT FUR GEBAUDE MBH & CO KG	100.00	98.11
6	AGROB IMMOBILIEN AG Issued capital EUR 11,689,200	ISMANING	ISMANING	1	HVB GESELLSCHAFT FUR GEBAUDE MBH & CO KG	52.72	75.02
7	AI BETEILIGUNGS GMBH Issued capital EUR 35,000	VIENNA	VIENNA	1	UNICREDIT BANK AUSTRIA AG	100.00	
8	ALLEGRO LEASING GESELLSCHAFT M.B.H. Issued capital EUR 36,500	VIENNA	VIENNA	1	UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	
					UNICREDIT LEASING (AUSTRIA) GMBH	99.80	
9	ALLIB LEASING S.R.O. Issued capital CZK 100,000	PRAGUE	PRAGUE	1	UNICREDIT LEASING CZ, A.S.	100.00	
10	ALLIB NEKRETNINE D.O.O. ZA POSLOVANJE NEKRETNINAMA Issued capital HRK 20,000	ZAGREB	ZAGREB	1	LOCAT CROATIA DOO	100.00	
11	ALMS LEASING GMBH. Issued capital EUR 36,000	VIENNA	VIENNA	1	UNICREDIT LEASING (AUSTRIA) GMBH	100.00	
12	ALPINE CAYMAN ISLANDS LTD. Issued capital EUR 798	GRAND CAYMAN	GEORGE TOWN	1	UNICREDIT BANK AUSTRIA AG	100.00	
13	ALTUS ALPHA PLC	DUBLIN	DUBLIN	4	UNICREDIT BANK AG	..	(3)
14	ALV IMMOBILIEN LEASING GESELLSCHAFT M.B.H. Issued capital EUR 36,500	VIENNA	VIENNA	1	UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	
					UNICREDIT LEASING (AUSTRIA) GMBH	99.80	
15	AMBASSADOR PARC DEDINJE D.O.O. BEOGRAD Issued capital RSD 98,672,974	BELGRADE	BELGRADE	1	UCTAM D.O.O. BEOGRAD	100.00	
16	ANTARES IMMOBILIEN LEASING GESELLSCHAFT M.B.H. Issued capital EUR 36,500	VIENNA	VIENNA	1	UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	
					UNICREDIT GARAGEN ERRICHTUNG UND VERWERTUNG GMBH	99.80	
17	ANTHEMIS EVO LLP	LONDON	LONDON	4	UNICREDIT SPA	..	(3)
18	AO UNICREDIT BANK Issued capital RUR 41,787,805,174	MOSCOW	MOSCOW	1	UNICREDIT SPA	100.00	

Part A - Accounting policies

	COMPANY NAME	MAIN OFFICE	ADMINISTRATIVE OFFICE	TYPE OF RELATIONSHIP (1)	OWNERSHIP RELATIONSHIP HELD BY	HOLDING %	VOTING RIGHTS % (2)
19	ARABELLA FINANCE DAC	DUBLIN	DUBLIN	4	UNICREDIT BANK AG	..	(3)
20	ARENA NPL ONE S.R.L. (CARTOLARIZZAZIONE 2014)	VERONA	VERONA	4	UNICREDIT SPA	..	(3)
21	ARGENTAURUS IMMOBILIEN-VERMIETUNGS- UND VERWALTUNGS GMBH Issued capital EUR 511,300	MUNICH	MUNICH	1	HVB PROJEKT GMBH	100.00	
22	ARNO GRUNDSTUECKSVERWALTUNGS GESELLSCHAFT M.B.H.	VIENNA	VIENNA	1	GALA GRUNDSTUECKVERWALTUNG GESELLSCHAFT M.B.H.	99.80	
	Issued capital EUR 36,337				UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	
23	ATLANTERRA IMMOBILIENVERWALTUNGS GMBH Issued capital EUR 1,023,000	MUNICH	MUNICH	1	HVB PROJEKT GMBH	90.00	
24	AUSTRIA LEASING GMBH	VIENNA	VIENNA	1	BETEILIGUNGSVERWALTUNGSGESELLSCHAFT DER BANK AUSTRIA CREDITANSTALT LEASING GMBH	0.40	
	Issued capital EUR 36,336				GALA GRUNDSTUECKVERWALTUNG GESELLSCHAFT M.B.H.	99.40	
					UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	
25	BA ALPINE HOLDINGS, INC. Issued capital USD 74,435,918	WILMINGTON	WILMINGTON	1	UNICREDIT BANK AUSTRIA AG	100.00	
26	BA BETRIEBSOBJEKTE GMBH Issued capital EUR 5,630,000	VIENNA	VIENNA	1	UNICREDIT BANK AUSTRIA AG	100.00	
27	BA CA LEASING (DEUTSCHLAND) GMBH	HAMBURG	HAMBURG	1	UNICREDIT LEASING SPA	94.90	
	Issued capital EUR 153,388				THROUGH A TRUST COMPANY OUTSIDE THE GROUP	5.10	(4)
28	BA CA SECUND LEASING GMBH	VIENNA	VIENNA	1	UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	
	Issued capital EUR 36,500				UNICREDIT LEASING (AUSTRIA) GMBH	99.80	
29	BA EUROLEASE BETEILIGUNGSGESELLSCHAFT M.B.H. Issued capital EUR 363,364	VIENNA	VIENNA	1	UNICREDIT ZEGA LEASING-GESELLSCHAFT M.B.H.	100.00	
30	BA GEBAEUDEVERMIETUNGSGMBH	VIENNA	VIENNA	1	BA GVG-HOLDING GMBH	89.00	
	Issued capital EUR 36,336				BA-CA MARKETS & INVESTMENT BETEILIGUNG GES.M.B.H.	10.00	
					PAYTRIA UNTERNEHMENSBETEILIGUNGEN GMBH	1.00	
31	BA GVG-HOLDING GMBH Issued capital EUR 18,168	VIENNA	VIENNA	1	UNICREDIT BANK AUSTRIA AG	100.00	
32	BA IMMO GEWINNSCHEIN FONDS1	VIENNA	VIENNA	4	UNICREDIT BANK AUSTRIA AG	..	(3)
33	BA-CA ANDANTE LEASING GMBH Issued capital EUR 36,500	VIENNA	VIENNA	1	UNICREDIT LEASING (AUSTRIA) GMBH	100.00	
34	BA-CA FINANCE (CAYMAN) II LIMITED Issued capital EUR 15,000	GEORGE TOWN	GEORGE TOWN	1	ALPINE CAYMAN ISLANDS LTD.	100.00	
35	BA-CA FINANCE (CAYMAN) LIMITED Issued capital EUR 15,000	GEORGE TOWN	GEORGE TOWN	1	ALPINE CAYMAN ISLANDS LTD.	100.00	

Part A - Accounting policies

	COMPANY NAME	MAIN OFFICE	ADMINISTRATIVE OFFICE	TYPE OF RELATIONSHIP (1)	OWNERSHIP RELATIONSHIP HELD BY	HOLDING %	VOTING RIGHTS % (2)
36	BA-CA LEASING DREI GARAGEN GMBH	VIENNA	VIENNA	1	BETEILIGUNGSVERWALTUNGSGESELLSCHAFT DER BANK AUSTRIA CREDITANSTALT LEASING GMBH	99.80	
	Issued capital EUR 35,000				UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	
37	BA-CA LEASING MAR IMMOBILIEN LEASING GMBH	VIENNA	VIENNA	1	UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	
	Issued capital EUR 36,500				UNICREDIT LEASING (AUSTRIA) GMBH	99.80	
38	BA-CA MARKETS & INVESTMENT BETEILIGUNG GES.M.B.H.	VIENNA	VIENNA	1	UNICREDIT BANK AUSTRIA AG	100.00	
	Issued capital EUR 127,177						
39	BA-CA PRESTO LEASING GMBH	VIENNA	VIENNA	1	UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	
	Issued capital EUR 36,500				UNICREDIT LEASING (AUSTRIA) GMBH	99.80	
40	BA-CA WIEN MITTE HOLDING GMBH	VIENNA	VIENNA	1	UNICREDIT BANK AUSTRIA AG	100.00	
	Issued capital EUR 35,000						
41	BA/CA-LEASING BETEILIGUNGEN GMBH	VIENNA	VIENNA	1	CALG DELTA GRUNDSTUECKVERWALTUNG GMBH	99.80	
	Issued capital EUR 454,000				UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	
42	BACA CENA IMMOBILIEN LEASING GMBH	VIENNA	VIENNA	1	UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	
	Issued capital EUR 36,500				UNICREDIT LEASING (AUSTRIA) GMBH	99.80	
43	BACA HYDRA LEASING GMBH	VIENNA	VIENNA	1	UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	
	Issued capital EUR 36,500				UNICREDIT LEASING (AUSTRIA) GMBH	99.80	
44	BACA KOMMUNALLEASING GMBH	VIENNA	VIENNA	1	UNICREDIT LEASING (AUSTRIA) GMBH	100.00	
	Issued capital EUR 36,500						
45	BACA LEASING ALFA S.R.O.	PRAGUE	PRAGUE	1	UNICREDIT LEASING CZ, A.S.	100.00	
	Issued capital CZK 110,000						
46	BACA LEASING UND BETEILIGUNGSMANAGEMENT GMBH	VIENNA	VIENNA	1	CALG IMMOBILIEN LEASING GMBH	98.80	
	Issued capital EUR 18,287				UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	
					UNICREDIT LEASING (AUSTRIA) GMBH	1.00	
47	BACAL ALPHA DOO ZA POSLOVANJE NEKRETNINAMA	ZAGREB	ZAGREB	1	LOCAT CROATIA DOO	100.00	
	Issued capital HRK 20,000						
48	BAL CARINA IMMOBILIEN LEASING GMBH	VIENNA	VIENNA	1	UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	
	Issued capital EUR 36,500				UNICREDIT LEASING (AUSTRIA) GMBH	99.80	
49	BAL HESTIA IMMOBILIEN LEASING GMBH	VIENNA	VIENNA	1	UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	
	Issued capital EUR 36,500				UNICREDIT LEASING (AUSTRIA) GMBH	99.80	
50	BAL HORUS IMMOBILIEN LEASING GMBH	VIENNA	VIENNA	1	CALG DELTA GRUNDSTUECKVERWALTUNG GMBH	99.80	
	Issued capital EUR 36,500				UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	

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	COMPANY NAME	MAIN OFFICE	ADMINISTRATIVE OFFICE	TYPE OF RELATIONSHIP (1)	OWNERSHIP RELATIONSHIP HELD BY	HOLDING %	VOTING RIGHTS % (2)
51	BAL HYPNOS IMMOBILIEN LEASING GMBH	VIENNA	VIENNA	1	CALG DELTA GRUNDSTUECKVERWALTUNG GMBH	99.80	
	Issued capital EUR 36,500				UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	
52	BAL LETO IMMOBILIEN LEASING GMBH	VIENNA	VIENNA	1	UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	
	Issued capital EUR 36,500				UNICREDIT GARAGEN ERRICHTUNG UND VERWERTUNG GMBH	99.80	
53	BAL OSIRIS IMMOBILIEN LEASING GESELLSCHAFT M.B.H.	VIENNA	VIENNA	1	UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	
	Issued capital EUR 36,500				UNICREDIT LEASING (AUSTRIA) GMBH	99.80	
54	BAL SOBEK IMMOBILIEN LEASING GMBH	VIENNA	VIENNA	1	UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	
	Issued capital EUR 36,500				UNICREDIT ZEGA LEASING-GESELLSCHAFT M.B.H.	99.80	
55	BANK AUSTRIA CREDITANSTALT LEASING IMMOBILIENANLAGEN GMBH	VIENNA	VIENNA	1	GALA GRUNDSTUECKVERWALTUNG GESELLSCHAFT M.B.H.	99.80	
	Issued capital EUR 36,500				UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	
56	BANK AUSTRIA FINANZSERVICE GMBH	VIENNA	VIENNA	1	UNICREDIT BANK AUSTRIA AG	100.00	
	Issued capital EUR 490,542						
57	BANK AUSTRIA HUNGARIA BETA LEASING KORLATOLT FELELOSSEGUE TARSASAG	BUDAPEST	BUDAPEST	1	UNIVERSALE INTERNATIONAL REALITAETEN GMBH	100.00	
	Issued capital HUF 3,000,000						
58	BANK AUSTRIA LEASING ARGO IMMOBILIEN LEASING GMBH	VIENNA	VIENNA	1	UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	
	Issued capital EUR 36,500				WOEM GRUNDSTUECKSVERWALTUNGS-GESELLSCHAFT M.B.H.	99.80	
59	BANK AUSTRIA LEASING HERA IMMOBILIEN LEASING GMBH	VIENNA	VIENNA	1	UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	
	Issued capital EUR 36,337				UNICREDIT GARAGEN ERRICHTUNG UND VERWERTUNG GMBH	99.80	
60	BANK AUSTRIA LEASING IKARUS IMMOBILIEN LEASING GESELLSCHAFT M.B.H.	VIENNA	VIENNA	1	UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	
	Issued capital EUR 36,500				UNICREDIT LEASING (AUSTRIA) GMBH	99.80	
61	BANK AUSTRIA LEASING MEDEA IMMOBILIEN LEASING GMBH	VIENNA	VIENNA	1	UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	
	Issued capital EUR 36,500				UNICREDIT LEASING (AUSTRIA) GMBH	99.80	
62	BANK AUSTRIA REAL INVEST CLIENT INVESTMENT GMBH	VIENNA	VIENNA	1	BANK AUSTRIA REAL INVEST IMMOBILIEN-MANAGEMENT GMBH	100.00	
	Issued capital EUR 145,500						
63	BANK AUSTRIA REAL INVEST IMMOBILIEN-KAPITALANLAGE GMBH	VIENNA	VIENNA	1	BANK AUSTRIA REAL INVEST IMMOBILIEN-MANAGEMENT GMBH	100.00	
	Issued capital EUR 5,000,000						
64	BANK AUSTRIA REAL INVEST IMMOBILIEN-MANAGEMENT GMBH	VIENNA	VIENNA	1	UNICREDIT BANK AUSTRIA AG	94.95	
	Issued capital EUR 10,900,500						

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	COMPANY NAME	MAIN OFFICE	ADMINISTRATIVE OFFICE	TYPE OF RELATIONSHIP (1)	OWNERSHIP RELATIONSHIP HELD BY	HOLDING %	VOTING RIGHTS % (2)
65	BANK AUSTRIA WOHNBAUBANK AG Issued capital EUR 18,765,944	VIENNA	VIENNA	1	UNICREDIT BANK AUSTRIA AG	100.00	
66	BARD ENGINEERING GMBH	EMDEN	EMDEN	4	BARD HOLDING GMBH	..	(3)
67	BARD HOLDING GMBH	EMDEN	EMDEN	4	UNICREDIT BANK AG	..	(3)
68	BAULANDENTWICKLUNG GDST 1682/8 GMBH & CO OEG	VIENNA	VIENNA	1	CALG ANLAGEN LEASING GMBH	1.00	
	Issued capital EUR 0				CALG IMMOBILIEN LEASING GMBH	99.00	
69	BAVARIA SERVICOS DE REPRESENTACAO COMERCIAL LTDA.	SAO PAULO	SAO PAULO	1	UNICREDIT SPA	100.00	
	Issued capital BRL 351,531				UNICREDIT U.S. FINANCE LLC	..	
70	BERTRAM PROJEKT UNODECIMA TECHNIKZENTRUM GMBH & CO. KG	MUNICH	MUNICH	1	ROLIN GRUNDSTUCKSPLANUNGS- UND - VERWALTUNGSGESELLSCHAFT MBH	87.00	
	Issued capital EUR 10,000				WEALTHCAP IMMOBILIEN 2 GMBH & CO. KG	6.00	
					WEALTHCAP MANAGEMENT SERVICES GMBH	1.00	
71	BETEILIGUNGSVERWALTUNGSGESELLSCHAFT DER BANK AUSTRIA CREDITANSTALT LEASING GMBH Issued capital EUR 36,500	VIENNA	VIENNA	1	UNICREDIT LEASING (AUSTRIA) GMBH	100.00	
72	BF NINE HOLDING GMBH Issued capital EUR 35,000	VIENNA	VIENNA	1	ALLEGRO LEASING GESELLSCHAFT M.B.H.	100.00	
73	BIL LEASING-FONDS GMBH & CO VELUM KG	GRUNWALD	GRUNWALD	1	BIL LEASING-FONDS VERWALTUNGS-GMBH	..	33.33
	Issued capital EUR 2,556				UNICREDIT BANK AG	100.00	33.33
74	BIL LEASING-FONDS VERWALTUNGS-GMBH Issued capital EUR 26,000	GRUNWALD	GRUNWALD	1	WEALTHCAP PEIA MANAGEMENT GMBH	100.00	
75	BORGO DI PEROLLA SRL Issued capital EUR 2,043,952	MASSA MARITTIMA	MASSA MARITTIMA	1	FONDIARIA LASA SPA	100.00	
76	BREWO GRUNDSTUECKSVERWALTUNGS-GESELLSCHAFT M.B.H. Issued capital EUR 36,337	VIENNA	VIENNA	1	UNICREDIT PEGASUS LEASING GMBH	100.00	
77	BUITENGAATS HOLDING B.V.	EEMSHAVEN	EEMSHAVEN	4	BARD ENGINEERING GMBH	..	(3)
78	C.E.CO.S. COMPLETAMENTO EDILIZIO CORSO SICILIA SPA Issued capital EUR 103,300	CATANIA	CATANIA	1	ISTITUTO IMMOBILIARE DI CATANIA SPA	100.00	
79	CA-LEASING OVUS S.R.O. Issued capital CZK 100,000	PRAGUE	PRAGUE	1	UNICREDIT LEASING CZ, A.S.	100.00	
80	CA-LEASING SENIOREN PARK GMBH	VIENNA	VIENNA	1	BETEILIGUNGSVERWALTUNGSGESELLSCHAFT DER BANK AUSTRIA CREDITANSTALT LEASING GMBH	99.80	
	Issued capital EUR 36,500				UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	
81	CA-ZETA REAL ESTATE DEVELOPMENT LIMITED LIABILITY COMPANY Issued capital HUF 3,000,000	BUDAPEST	BUDAPEST	1	UNIVERSALE INTERNATIONAL REALITAETEN GMBH	100.00	
82	CABET-HOLDING GMBH Issued capital EUR 290,909	VIENNA	VIENNA	1	UNICREDIT BANK AUSTRIA AG	100.00	

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	COMPANY NAME	MAIN OFFICE	ADMINISTRATIVE OFFICE	TYPE OF RELATIONSHIP (1)	OWNERSHIP RELATIONSHIP HELD BY	HOLDING %	VOTING RIGHTS % (2)
83	CABO BETEILIGUNGSGESELLSCHAFT M.B.H.	VIENNA	VIENNA	1	CABET-HOLDING GMBH	100.00	
	Issued capital EUR 35,000						
84	CALG 307 MOBILIEN LEASING GMBH	VIENNA	VIENNA	1	UNICREDIT ZEGA LEASING-GESELLSCHAFT M.B.H.	100.00	
	Issued capital EUR 36,500						
85	CALG 443 GRUNDSTUECKVERWALTUNG GMBH	VIENNA	VIENNA	1	BETEILIGUNGSVERWALTUNGSGESELLSCHAFT DER BANK AUSTRIA CREDITANSTALT LEASING GMBH	98.80	
	Issued capital EUR 36,336				CALG IMMOBILIEN LEASING GMBH	1.00	
					UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	
86	CALG 445 GRUNDSTUECKVERWALTUNG GMBH	VIENNA	VIENNA	1	CALG IMMOBILIEN LEASING GMBH	99.60	
	Issued capital EUR 18,168				UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.40	
87	CALG 451 GRUNDSTUECKVERWALTUNG GMBH	VIENNA	VIENNA	1	CALG DELTA GRUNDSTUECKVERWALTUNG GMBH	99.80	
	Issued capital EUR 36,500				UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	
88	CALG ALPHA GRUNDSTUECKVERWALTUNG GMBH	VIENNA	VIENNA	1	CALG DELTA GRUNDSTUECKVERWALTUNG GMBH	99.80	
	Issued capital EUR 36,500				UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	
89	CALG ANLAGEN LEASING GMBH	VIENNA	VIENNA	1	UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	
	Issued capital EUR 36,500				UNICREDIT LEASING (AUSTRIA) GMBH	99.80	
90	CALG ANLAGEN LEASING GMBH & CO GRUNDSTUECKVERMIETUNG UND - VERWALTUNG KG	MUNICH	MUNICH	1	CALG ANLAGEN LEASING GMBH	99.90	
	Issued capital EUR 2,326,378						
91	CALG DELTA GRUNDSTUECKVERWALTUNG GMBH	VIENNA	VIENNA	1	CALG ANLAGEN LEASING GMBH	99.80	
	Issued capital EUR 36,336				UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	
92	CALG GAMMA GRUNDSTUECKVERWALTUNG GMBH	VIENNA	VIENNA	1	CALG IMMOBILIEN LEASING GMBH	99.80	
	Issued capital EUR 36,337				UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	
93	CALG GRUNDSTUECKVERWALTUNG GMBH	VIENNA	VIENNA	1	CALG IMMOBILIEN LEASING GMBH	74.80	
	Issued capital EUR 36,500				UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	
					UNICREDIT LEASING (AUSTRIA) GMBH	25.00	
94	CALG IMMOBILIEN LEASING GMBH	VIENNA	VIENNA	1	CALG ANLAGEN LEASING GMBH	99.80	
	Issued capital EUR 254,355				UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	

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	COMPANY NAME	MAIN OFFICE	ADMINISTRATIVE OFFICE	TYPE OF RELATIONSHIP (1)	OWNERSHIP RELATIONSHIP HELD BY	HOLDING %	VOTING RIGHTS % (2)
95	CALG MINAL GRUNDSTUECKVERWALTUNG GMBH	VIENNA	VIENNA	1	CALG ANLAGEN LEASING GMBH	99.80	
	Issued capital EUR 18,286				UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	
96	CAPITAL DEV SPA Issued capital EUR 272,000	ROME	ROME	1	UNICREDIT SPA	100.00	
97	CAPITAL MORTGAGE SRL (CARTOLARIZZAZIONE: BIPCA CORDUSIO RMBS)	VERONA	VERONA	4	UNICREDIT SPA	..	(3)
98	CAPITAL MORTGAGE SRL (CARTOLARIZZAZIONE: CAPITAL MORTGAGE 2007 - 1)	VERONA	VERONA	4	UNICREDIT SPA	..	(3)
99	CARD COMPLETE SERVICE BANK AG Issued capital EUR 6,000,000	VIENNA	VIENNA	1	UNICREDIT BANK AUSTRIA AG	50.10	
100	CARDS & SYSTEMS EDV-DIENSTLEISTUNGS GMBH Issued capital EUR 75,000	VIENNA	VIENNA	1	UNICREDIT BANK AUSTRIA AG	55.00	
101	CASTELLANI LEASING GMBH	VIENNA	VIENNA	1	UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	10.00	
	Issued capital EUR 1,800,000				UNICREDIT ZEGA LEASING-GESELLSCHAFT M.B.H.	90.00	
102	CAVE NUOVE SPA Issued capital EUR 140,000	ROME	ROME	1	CAPITAL DEV SPA	100.00	
103	CHARADE LEASING GESELLSCHAFT M.B.H.	VIENNA	VIENNA	1	BETEILIGUNGSVERWALTUNGSGESELLSCHAFT DER BANK AUSTRIA CREDITANSTALT LEASING GMBH	74.80	
	Issued capital EUR 36,500				UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	
					UNICREDIT LEASING (AUSTRIA) GMBH	25.00	
104	CHEFREN LEASING GMBH Issued capital EUR 36,500	VIENNA	VIENNA	1	UNICREDIT LEASING (AUSTRIA) GMBH	100.00	
105	CIVITAS IMMOBILIEN LEASING GESELLSCHAFT M.B.H.	VIENNA	VIENNA	1	UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	
	Issued capital EUR 36,500				UNICREDIT LEASING (AUSTRIA) GMBH	99.80	
106	COMMUNA - LEASING GRUNDSTUECKSVERWALTUNGSGESELLSCHAFT M.B.H.	VIENNA	VIENNA	1	REAL-LEASE GRUNDSTUECKSVERWALTUNGS-GESELLSCHAFT M.B.H.	99.80	
	Issued capital EUR 36,337				UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	
107	COMPAGNIA FONDIARIA ROMANA - SOCIETA' A RESPONDABILITA' LIMITATA Issued capital EUR 103,400	ROME	ROME	1	NUOVA COMPAGNIA DI PARTECIPAZIONI SPA	100.00	
108	CONSUMER THREE SRL (CARTOLARIZZAZIONE: CONSUMER THREE)	VERONA	VERONA	4	UNICREDIT SPA	..	(3)
109	CONTRA LEASING-GESELLSCHAFT M.B.H.	VIENNA	VIENNA	1	BETEILIGUNGSVERWALTUNGSGESELLSCHAFT DER BANK AUSTRIA CREDITANSTALT LEASING GMBH	74.80	
	Issued capital EUR 36,500				JAUSERN-LEASING GESELLSCHAFT M.B.H.	25.00	
					UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	

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	COMPANY NAME	MAIN OFFICE	ADMINISTRATIVE OFFICE	TYPE OF RELATIONSHIP (1)	OWNERSHIP RELATIONSHIP HELD BY	HOLDING %	VOTING RIGHTS % (2)
110	CORDUSIO RMBS - UCFIN SRL (CARTOLARIZZAZIONE: CORDUSIO RMBS UCFIN - SERIE 2006)	VERONA	VERONA	4	UNICREDIT SPA	..	(3)
111	CORDUSIO RMBS SECURITISATION SRL (CARTOLARIZZAZIONE: CORDUSIO RMBS SECURITISATION - SERIE 2006)	VERONA	VERONA	4	UNICREDIT SPA	..	(3)
112	CORDUSIO RMBS SECURITISATION SRL (CARTOLARIZZAZIONE: CORDUSIO RMBS SECURITISATION - SERIE 2007)	VERONA	VERONA	4	UNICREDIT SPA	..	(3)
113	CORDUSIO SIM SPA Issued capital EUR 56,282,051	MILAN	MILAN	1	UNICREDIT SPA	96.10	(5)
114	CORDUSIO SOCIETA' FIDUCIARIA PER AZIONI Issued capital EUR 520,000	MILAN	MILAN	1	UNICREDIT SPA	100.00	
115	CRIVELLI SRL Issued capital EUR 10,000	MILAN	MILAN	1	UNICREDIT SPA	100.00	
116	DC BANK AG Issued capital EUR 5,000,000	VIENNA	VIENNA	1	CARD COMPLETE SERVICE BANK AG	100.00	
117	DC ELEKTRONISCHE ZAHLUNGSSYSTEME GMBH Issued capital EUR 35,000	VIENNA	VIENNA	1	KSG KARTEN-VERRECHNUNGS- UND SERVICEGESELLSCHAFT M.B.H.	100.00	
118	DEBO LEASING SRL Issued capital RON 724,400	BUCHAREST	BUCHAREST	1	UNICREDIT CONSUMER FINANCING IFN S.A.	0.01	
					UNICREDIT LEASING CORPORATION IFN S.A.	99.99	
119	DELPHA IMMOBILIEN- UND PROJEKTENTWICKLUNGS GMBH & CO. GROSSKUGEL BAUABSCHNITT ALPHA MANAGEMENT KG Issued capital EUR 255,650	MUNICH	MUNICH	1	HVB PROJEKT GMBH	100.00	
120	DELPHA IMMOBILIEN- UND PROJEKTENTWICKLUNGS GMBH & CO. GROSSKUGEL BAUABSCHNITT GAMMA MANAGEMENT KG Issued capital EUR 255,650	MUNICH	MUNICH	1	HVB PROJEKT GMBH	100.00	
121	DINERS CLUB CS, S.R.O. Issued capital EUR 995,000	BRATISLAVA	BRATISLAVA	1	DC BANK AG	100.00	
122	DINERS CLUB POLSKA SP.Z.O.O. Issued capital PLN 7,500,000	WARSAW	WARSAW	1	DC BANK AG	100.00	
123	DIRANA LIEGENSCHAFTSVERWERTUNGSGESELLSCHAFT M.B.H. Issued capital EUR 17,500	VIENNA	VIENNA	1	UNIVERSALE INTERNATIONAL REALITAETEN GMBH	100.00	
124	DLV IMMOBILIEN LEASING GESELLSCHAFT M.B.H. Issued capital EUR 36,500	VIENNA	VIENNA	1	UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	10.00	
					UNICREDIT LEASING (AUSTRIA) GMBH	90.00	
125	DUODEC Z IMMOBILIEN LEASING GESELLSCHAFT M.B.H. Issued capital EUR 36,500	VIENNA	VIENNA	1	UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	
					UNICREDIT LEASING (AUSTRIA) GMBH	99.80	
126	ELEKTRA PURCHASE NO. 28 DAC	DUBLIN	DUBLIN	4	UNICREDIT BANK AG	..	(3)

Part A - Accounting policies

	COMPANY NAME	MAIN OFFICE	ADMINISTRATIVE OFFICE	TYPE OF RELATIONSHIP (1)	OWNERSHIP RELATIONSHIP HELD BY	HOLDING %	VOTING RIGHTS % (2)
127	ELEKTRA PURCHASE NO. 31 DAC	DUBLIN	DUBLIN	4	UNICREDIT BANK AG	..	(3)
128	ELEKTRA PURCHASE NO. 32 S.A.	LUXEMBOURG	LUXEMBOURG	4	UNICREDIT BANK AG	..	(3)
129	ELEKTRA PURCHASE NO. 32 S.A. - COMPARTEMENT 2	LUXEMBOURG	LUXEMBOURG	4	UNICREDIT BANK AG	..	(3)
130	ELEKTRA PURCHASE NO. 33 DAC	DUBLIN	DUBLIN	4	UNICREDIT BANK AG	..	(3)
131	ELEKTRA PURCHASE NO. 34 DAC	DUBLIN	DUBLIN	4	UNICREDIT BANK AG	..	(3)
132	ELEKTRA PURCHASE NO. 36 DAC	DUBLIN	DUBLIN	4	UNICREDIT BANK AG	..	(3)
133	ELEKTRA PURCHASE NO. 37 DAC	DUBLIN	DUBLIN	4	UNICREDIT BANK AG	..	(3)
134	ELEKTRA PURCHASE NO. 38 DAC	DUBLIN	DUBLIN	4	UNICREDIT BANK AG	..	(3)
135	ELEKTRA PURCHASE NO. 39 DAC	DUBLIN	DUBLIN	4	UNICREDIT BANK AG	..	(3)
136	ELEKTRA PURCHASE NO. 41 DAC	DUBLIN	DUBLIN	4	UNICREDIT BANK AG	..	(3)
137	ELEKTRA PURCHASE NO. 43 DAC	DUBLIN	DUBLIN	4	UNICREDIT BANK AG	..	(3)
138	ELEKTRA PURCHASE NO. 44 DAC	DUBLIN	DUBLIN	4	UNICREDIT BANK AG	..	(3)
139	ELEKTRA PURCHASE NO. 46 DAC	DUBLIN	DUBLIN	4	UNICREDIT BANK AG	..	(3)
140	ELEKTRA PURCHASE NO. 54 DAC	DUBLIN	DUBLIN	4	UNICREDIT BANK AG	..	(3)
141	ELEKTRA PURCHASE NO. 55 DAC	DUBLIN	DUBLIN	4	UNICREDIT BANK AG	..	(3)
142	ELEKTRA PURCHASE NO. 56 DAC	DUBLIN	DUBLIN	4	UNICREDIT BANK AG	..	(3)
143	ELEKTRA PURCHASE NO. 57 DAC	DUBLIN	DUBLIN	4	UNICREDIT BANK AG	..	(3)
144	ELEKTRA PURCHASE NO. 63 DAC	DUBLIN	DUBLIN	4	UNICREDIT BANK AG	..	(3)
145	ELEKTRA PURCHASE NO. 64 DAC	DUBLIN	DUBLIN	4	UNICREDIT BANK AG	..	(3)
146	ELEKTRA PURCHASE NO. 718 DAC	DUBLIN	DUBLIN	4	UNICREDIT BANK AG	..	(3)
147	ELEKTRA PURCHASE NO. 911 LTD	ST. HELIER	ST. HELIER	4	UNICREDIT BANK AG	..	(3)
148	EUROLEASE AMUN IMMOBILIEN LEASING GESELLSCHAFT M.B.H.	VIENNA	VIENNA	1	UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	
	Issued capital EUR 36,500				UNICREDIT LEASING (AUSTRIA) GMBH	99.80	
149	EUROLEASE ANUBIS IMMOBILIEN LEASING GESELLSCHAFT M.B.H.	VIENNA	VIENNA	1	UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	
	Issued capital EUR 36,500				UNICREDIT LEASING (AUSTRIA) GMBH	99.80	
150	EUROLEASE ISIS IMMOBILIEN LEASING GESELLSCHAFT M.B.H.	VIENNA	VIENNA	1	UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	
	Issued capital EUR 36,500				UNICREDIT LEASING (AUSTRIA) GMBH	99.80	
151	EUROLEASE MARDUK IMMOBILIEN LEASING GESELLSCHAFT M.B.H.	VIENNA	VIENNA	1	UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	
	Issued capital EUR 36,500				UNICREDIT LEASING (AUSTRIA) GMBH	99.80	
152	EUROLEASE RA IMMOBILIEN LEASING GESELLSCHAFT M.B.H.	VIENNA	VIENNA	1	UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	
	Issued capital EUR 36,500				UNICREDIT GARAGEN ERRICHTUNG UND VERWERTUNG GMBH	99.80	
153	EUROLEASE RAMSES IMMOBILIEN LEASING GESELLSCHAFT M.B.H.	VIENNA	VIENNA	1	UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	
	Issued capital EUR 36,336				UNICREDIT LEASING (AUSTRIA) GMBH	99.80	
154	EUROPA BEFEKTETESI ALAPKEZELOE ZRT (EUROPA INVESTMENT FUND MANAGEMENT LTD.)	BUDAPEST	BUDAPEST	1	UNICREDIT TURN-AROUND MANAGEMENT CEE GMBH	100.00	
	Issued capital HUF 100,000,000						

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	COMPANY NAME	MAIN OFFICE	ADMINISTRATIVE OFFICE	TYPE OF RELATIONSHIP (1)	OWNERSHIP RELATIONSHIP HELD BY	HOLDING %	VOTING RIGHTS % (2)
155	EUROPA INGATLANBEFEKTETESI ALAP (EUROPE REAL-ESTATE INVESTMENT FUND)	BUDAPEST	BUDAPEST	4	UNICREDIT BANK HUNGARY ZRT.	..	(3)
156	EUROPEAN-OFFICE-FONDS	MUNICH	MUNICH	4	UNICREDIT BANK AG	..	(3)
157	EXPANDA IMMOBILIEN LEASING GESELLSCHAFT M.B.H.	VIENNA	VIENNA	1	UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	
	Issued capital EUR 36,500				UNICREDIT LEASING (AUSTRIA) GMBH	99.80	
158	F-E MORTGAGES SRL (CARTOLARIZZAZIONE: F-E MORTGAGES 2005)	VERONA	VERONA	4	UNICREDIT SPA	..	(3)
159	F-E MORTGAGES SRL (CARTOLARIZZAZIONE: F-E MORTGAGES SERIES 1 - 2003)	VERONA	VERONA	4	UNICREDIT SPA	..	(3)
160	FACTORBANK AKTIENGESELLSCHAFT	VIENNA	VIENNA	1	UNICREDIT BANK AUSTRIA AG	100.00	
	Issued capital EUR 3,000,000						
161	FINECO VERWALTUNG AG	MUNICH	MUNICH	1	UNICREDIT SPA	100.00	
	Issued capital EUR 50,000						
162	FINN ARSENAL LEASING GMBH	VIENNA	VIENNA	1	BETEILIGUNGSVERWALTUNGSGESELLSCHAFT DER BANK AUSTRIA CREDITANSTALT LEASING GMBH	99.60	
	Issued capital EUR 36,500				UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	
					UNICREDIT LEASING (AUSTRIA) GMBH	0.20	
163	FMC LEASING INGATLANHASZNOSITO KORLATOLT FELELOESSEGUE TARSASAG	BUDAPEST	BUDAPEST	1	UNIVERSALE INTERNATIONAL REALITAETEN GMBH	100.00	
	Issued capital HUF 3,000,000						
164	FMZ SAVARIA SZOLGALTATO KORLATOLT FELELOESSEG TARSASAG	BUDAPEST	BUDAPEST	1	UNICREDIT LEASING KFT	75.00	
	Issued capital HUF 3,000,000						
165	FMZ SIGMA PROJEKTENTWICKLUNGS GMBH	VIENNA	VIENNA	1	UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	
	Issued capital EUR 35,000				UNICREDIT GARAGEN ERRICHTUNG UND VERWERTUNG GMBH	99.80	
166	FOLIA LEASING GESELLSCHAFT M.B.H.	VIENNA	VIENNA	1	BETEILIGUNGSVERWALTUNGSGESELLSCHAFT DER BANK AUSTRIA CREDITANSTALT LEASING GMBH	99.80	
	Issued capital EUR 36,336				UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	
167	FONDIARIA LASA SPA	ROME	ROME	1	NUOVA COMPAGNIA DI PARTECIPAZIONI SPA	100.00	
	Issued capital EUR 3,102,000						
168	FOOD & MORE GMBH	MUNICH	MUNICH	1	UNICREDIT BANK AG	100.00	
	Issued capital EUR 100,000						
169	FUGATO LEASING GESELLSCHAFT M.B.H.	VIENNA	VIENNA	1	BETEILIGUNGSVERWALTUNGSGESELLSCHAFT DER BANK AUSTRIA CREDITANSTALT LEASING GMBH	100.00	
	Issued capital EUR 36,336						
170	GALA GRUNDSTUECKVERWALTUNG GESELLSCHAFT M.B.H.	VIENNA	VIENNA	1	CALG IMMOBILIEN LEASING GMBH	99.80	
	Issued capital EUR 27,434				UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	

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	COMPANY NAME	MAIN OFFICE	ADMINISTRATIVE OFFICE	TYPE OF RELATIONSHIP (1)	OWNERSHIP RELATIONSHIP HELD BY	HOLDING %	VOTING RIGHTS % (2)
171	GEBAEUDELEASING GRUNDSTUCKSVERWALTUNGSGESELLSCHAFT M.B.H.	VIENNA	VIENNA	1	BETEILIGUNGSVERWALTUNGSGESELLSCHAFT DER BANK AUSTRIA CREDITANSTALT LEASING GMBH	98.80	
	Issued capital EUR 36,500				UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	
					UNICREDIT LEASING (AUSTRIA) GMBH	1.00	
172	GELDILUX-TS-2015 S.A.	LUXEMBOURG	LUXEMBOURG	4	UNICREDIT BANK AG	..	(3)
173	GEMEINDELEASING GRUNDSTUECKVERWALTUNG GESELLSCHAFT M.B.H.	VIENNA	VIENNA	1	BETEILIGUNGSVERWALTUNGSGESELLSCHAFT DER BANK AUSTRIA CREDITANSTALT LEASING GMBH	37.30	
	Issued capital EUR 18,333				CALG IMMOBILIEN LEASING GMBH	37.50	
					UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	
					UNICREDIT LEASING (AUSTRIA) GMBH	25.00	
174	GEMMA VERWALTUNGSGESELLSCHAFT MBH & CO. VERMIETUNGS KG	PULLACH	PULLACH	4	ORESTOS IMMOBILIEN-VERWALTUNGS GMBH	..	(3)
175	GENERAL LOGISTIC SOLUTIONS LLC Issued capital RUB 2,342,309,444	MOSCOW	MOSCOW	1	UCTAM RU LIMITED LIABILITY COMPANY	100.00	
176	GRUNDSTUCKSAKTIENGESELLSCHAFT AM POTSDAMER PLATZ (HAUS VATERLAND) Issued capital EUR 4,086,245	MUNICH	MUNICH	1	TERRENO GRUNDSTUCKSVERWALTUNG GMBH & CO. ENTWICKLUNGS- UND FINANZIERUNGSVERMITTLUNGS-KG	98.24	
177	GRUNDSTUCKSGESELLSCHAFT SIMON BESCHRANKT HAFTENDE KOMMANDITGESELLSCHAF Issued capital EUR 51,500	MUNICH	MUNICH	1	HVB GESELLSCHAFT FUR GEBAUDE MBH & CO KG	100.00	
178	GRUNDSTUECKSVERWALTUNG LINZ-MITTE GMBH	VIENNA	VIENNA	1	UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	
	Issued capital EUR 35,000				UNICREDIT LEASING (AUSTRIA) GMBH	99.80	
179	H.F.S. IMMOBILIENFONDS GMBH Issued capital EUR 25,565	EBERSBERG	EBERSBERG	1	WEALTHCAP INVESTMENT SERVICES GMBH	100.00	
180	H.F.S. LEASINGFONDS DEUTSCHLAND 1 GMBH & CO. KG (IMMOBILIENLEASING) Issued capital EUR 97,154,824	MUNICH	MUNICH	1	HVB IMMOBILIEN AG	100.00	
181	H.F.S. LEASINGFONDS DEUTSCHLAND 7 GMBH & CO. KG Issued capital EUR 85,430,630	MUNICH	MUNICH	1	HVB IMMOBILIEN AG	99.41	
182	H.F.S. LEASINGFONDS GMBH Issued capital EUR 26,000	EBERSBERG	EBERSBERG	1	WEALTHCAP INVESTMENT SERVICES GMBH	100.00	
183	HAWA GRUNDSTUCKS GMBH & CO. OHG HOTELVERWALTUNG	MUNICH	MUNICH	1	HVB GESELLSCHAFT FUR GEBAUDE MBH & CO KG	99.50	
	Issued capital EUR 276,200				TIVOLI GRUNDSTUCKS-AKTIENGESELLSCHAFT	0.50	
184	HAWA GRUNDSTUCKS GMBH & CO. OHG IMMOBILIENVERWALTUNG	MUNICH	MUNICH	1	HVB GESELLSCHAFT FUR GEBAUDE MBH & CO KG	99.50	
	Issued capital EUR 54,300				TIVOLI GRUNDSTUCKS-AKTIENGESELLSCHAFT	0.50	

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	COMPANY NAME	MAIN OFFICE	ADMINISTRATIVE OFFICE	TYPE OF RELATIONSHIP (1)	OWNERSHIP RELATIONSHIP HELD BY	HOLDING %	VOTING RIGHTS % (2)
185	HELICONUS SRL (CARTOLARIZZAZIONE: HELICONUS)	VERONA	VERONA	4	UNICREDIT SPA	..	(3)
186	HERKU LEASING GESELLSCHAFT M.B.H.	VIENNA	VIENNA	1	BETEILIGUNGSVERWALTUNGSGESELLSCHAFT DER BANK AUSTRIA CREDITANSTALT LEASING GMBH	74.80	
	Issued capital EUR 36,500				UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	
					UNICREDIT LEASING (AUSTRIA) GMBH	25.00	
187	HJS 12 BETEILIGUNGSGESELLSCHAFT MBH	MUNICH	MUNICH	1	UNICREDIT BANK AG	100.00	
	Issued capital EUR 25,000						
188	HONEU LEASING GESELLSCHAFT M.B.H.	VIENNA	VIENNA	1	BETEILIGUNGSVERWALTUNGSGESELLSCHAFT DER BANK AUSTRIA CREDITANSTALT LEASING GMBH	74.80	
	Issued capital EUR 36,336				UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	
					UNICREDIT LEASING (AUSTRIA) GMBH	25.00	
189	HUMAN RESOURCES SERVICE AND DEVELOPMENT GMBH	VIENNA	VIENNA	1	UNICREDIT BANK AUSTRIA AG	100.00	
	Issued capital EUR 18,168						
190	HVB CAPITAL LLC	WILMINGTON	WILMINGTON	1	UNICREDIT BANK AG	100.00	
	Issued capital USD 10,000						
191	HVB CAPITAL LLC II	WILMINGTON	WILMINGTON	1	UNICREDIT BANK AG	100.00	
	Issued capital USD 13						
192	HVB CAPITAL LLC III	WILMINGTON	WILMINGTON	1	UNICREDIT BANK AG	100.00	
	Issued capital USD 10,000						
193	HVB FUNDING TRUST	WILMINGTON	WILMINGTON	4	UNICREDIT BANK AG	..	(3)
194	HVB FUNDING TRUST II	WILMINGTON	WILMINGTON	1	UNICREDIT BANK AG	100.00	
	Issued capital USD 2,279						
195	HVB FUNDING TRUST III	WILMINGTON	WILMINGTON	4	UNICREDIT BANK AG	..	(3)
196	HVB GESELLSCHAFT FUR GEBAUDE MBH & CO KG	MUNICH	MUNICH	1	UNICREDIT BANK AG	100.00	
	Issued capital EUR 10,000,000						
197	HVB HONG KONG LIMITED	HONG KONG	HONG KONG	1	UNICREDIT BANK AG	100.00	
	Issued capital USD 129						
198	HVB IMMOBILIEN AG	MUNICH	MUNICH	1	UNICREDIT BANK AG	100.00	
	Issued capital EUR 520,000						
199	HVB LEASING CZECH REPUBLIC S.R.O.	PRAGUE	PRAGUE	1	UNICREDIT LEASING CZ, A.S.	100.00	
	Issued capital CZK 49,632,000						
200	HVB PROJEKT GMBH	MUNICH	MUNICH	1	HVB IMMOBILIEN AG	94.00	
	Issued capital EUR 24,543,000				UNICREDIT BANK AG	6.00	
201	HVB SECUR GMBH	MUNICH	MUNICH	1	UNICREDIT BANK AG	100.00	
	Issued capital EUR 50,000						
202	HVB TECTA GMBH	MUNICH	MUNICH	1	HVB IMMOBILIEN AG	94.00	
	Issued capital EUR 1,534,000				UNICREDIT BANK AG	6.00	
203	HVB VERWA 4 GMBH	MUNICH	MUNICH	1	UNICREDIT BANK AG	100.00	
	Issued capital EUR 26,000						

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	COMPANY NAME	MAIN OFFICE	ADMINISTRATIVE OFFICE	TYPE OF RELATIONSHIP (1)	OWNERSHIP RELATIONSHIP HELD BY	HOLDING %	VOTING RIGHTS % (2)
204	HVB VERWA 4.4 GMBH Issued capital EUR 25,000	MUNICH	MUNICH	1	HVB VERWA 4 GMBH	100.00	
205	HVB-LEASING JUPITER INGATLANHASZNOSITO KORLATOLT FELELOESSEGUE TARSASAG Issued capital HUF 3,000,000	BUDAPEST	BUDAPEST	1	UNIVERSALE INTERNATIONAL REALITAETEN GMBH	100.00	
206	HVB-LEASING ROCCA INGATLANHASZNOSITO KORLATOLT FELELOESSEGUE TARSASAG Issued capital HUF 3,000,000	BUDAPEST	BUDAPEST	1	UNIVERSALE INTERNATIONAL REALITAETEN GMBH	100.00	
207	HVZ GMBH & CO. OBJEKT KG Issued capital EUR 148,090,766	MUNICH	MUNICH	1	PORTIA GRUNDSTUCKS-VERWALTUNGSGESELLSCHAFT MBH & CO. OBJEKT KG	100.00	
208	HYPO-BANK VERWALTUNGSZENTRUM GMBH & CO. KG OBJEKT ARABELLASTRASSE Issued capital EUR 25,600	MUNICH	MUNICH	1	HVB GESELLSCHAFT FUR GEBAUDE MBH & CO KG	100.00	
209	IDEA FIMIT SGR FONDO SIGMA IMMOBILIARE	ROME	ROME	4	UNICREDIT SPA	..	(3)
210	IMMOBILIEN HOLDING GMBH Issued capital EUR 36,336	VIENNA	VIENNA	1	UNICREDIT BANK AUSTRIA AG	100.00	
211	IMMOBILIEN RATING GMBH Issued capital EUR 50,000	VIENNA	VIENNA	1	BANK AUSTRIA REAL INVEST IMMOBILIEN-MANAGEMENT GMBH	61.00	
					UNICREDIT BANK AUSTRIA AG	19.00	
					UNICREDIT LEASING (AUSTRIA) GMBH	19.00	
212	IMMOBILIENLEASING GRUNDSTUECKSVERWALTUNGS-GESELLSCHAFT M.B.H. Issued capital EUR 36,500	VIENNA	VIENNA	1	ARNO GRUNDSTUECKSVERWALTUNGS GESELLSCHAFT M.B.H.	74.80	
					UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	
					UNICREDIT LEASING (AUSTRIA) GMBH	25.00	
213	INTERRA GESELLSCHAFT FUR IMMOBILIENVERWALTUNG MBH Issued capital EUR 26,000	MUNICH	MUNICH	1	HVB IMMOBILIEN AG	93.85	
					UNICREDIT BANK AG	6.15	
214	INTRO LEASING GESELLSCHAFT M.B.H. Issued capital EUR 36,336	VIENNA	VIENNA	1	PROJEKT-LEASE GRUNDSTUECKSVERWALTUNGS-GESELLSCHAFT M.B.H.	100.00	
215	ISB UNIVERSALE BAU GMBH Issued capital EUR 6,288,890	BERLIN	BERLIN	1	UNIVERSALE INTERNATIONAL REALITAETEN GMBH	100.00	
216	ISTITUTO IMMOBILIARE DI CATANIA SPA Issued capital EUR 7,700,000	CATANIA	CATANIA	1	CAPITAL DEV SPA	93.92	
					UNICREDIT SPA	1.12	
217	ISTITUTO PER L'EDILIZIA POPOLARE DI SAN BERILLO SRL IN LIQUIDAZIONE Issued capital EUR 154,800	CATANIA	CATANIA	1	ISTITUTO IMMOBILIARE DI CATANIA SPA	99.90	
218	JAUSERN-LEASING GESELLSCHAFT M.B.H. Issued capital EUR 36,336	VIENNA	VIENNA	1	UNICREDIT LEASING (AUSTRIA) GMBH	100.00	
219	KAISERWASSER BAU- UND ERRICHTUNGS GMBH UND CO OG Issued capital EUR 36,336	VIENNA	VIENNA	1	UNICREDIT BANK AUSTRIA AG	99.80	0.00

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	COMPANY NAME	MAIN OFFICE	ADMINISTRATIVE OFFICE	TYPE OF RELATIONSHIP (1)	OWNERSHIP RELATIONSHIP HELD BY	HOLDING %	VOTING RIGHTS % (2)
220	KLEA ZS-LIEGENSCHAFTSVERMIETUNG G.M.B.H.	VIENNA	VIENNA	1	PAYTRIA UNTERNEHMENSBETEILIGUNGEN GMBH	0.20	
	Issued capital EUR 36,336				UNICREDIT BANK AUSTRIA AG	99.80	
221	KSG KARTEN-VERRECHNUNGS- UND SERVICEGESELLSCHAFT M.B.H.	VIENNA	VIENNA	1	CARD COMPLETE SERVICE BANK AG	100.00	
	Issued capital EUR 44,000						
222	KUNSTHAUS LEASING GMBH	VIENNA	VIENNA	1	KUTRA GRUNDSTUECKSVERWALTUNGS-GESELLSCHAFT M.B.H.	5.00	
	Issued capital EUR 36,500				UNICREDIT LEASING (AUSTRIA) GMBH	95.00	
223	KUTRA GRUNDSTUECKSVERWALTUNGS-GESELLSCHAFT M.B.H.	VIENNA	VIENNA	1	CALG DELTA GRUNDSTUECKVERWALTUNG GMBH	99.80	
	Issued capital EUR 36,337				UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	
224	LAGERMAX LEASING GMBH	VIENNA	VIENNA	1	UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	
	Issued capital EUR 36,500				UNICREDIT LEASING (AUSTRIA) GMBH	99.80	
225	LAGEV IMMOBILIEN LEASING GESELLSCHAFT M.B.H.	VIENNA	VIENNA	1	UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	
	Issued capital EUR 36,500				UNICREDIT LEASING (AUSTRIA) GMBH	99.80	
226	LARGE CORPORATE ONE SRL (CARTOLARIZZAZIONE: LARGE CORPORATE ONE)	VERONA	VERONA	4	UNICREDIT SPA	..	(3)
227	LARGO LEASING GESELLSCHAFT M.B.H.	VIENNA	VIENNA	1	UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	
	Issued capital EUR 36,500				UNICREDIT LEASING (AUSTRIA) GMBH	1.00	
					VAPE COMMUNA LEASINGGESELLSCHAFT M.B.H.	98.80	
228	LEASFINANZ ALPHA ASSETVERMIETUNG GMBH	VIENNA	VIENNA	1	LEASFINANZ GMBH	100.00	
	Issued capital EUR 35,000						
229	LEASFINANZ BANK GMBH	VIENNA	VIENNA	1	BACA LEASING UND BETEILIGUNGSMANAGEMENT GMBH	100.00	
	Issued capital EUR 36,500						
230	LEASFINANZ GMBH	VIENNA	VIENNA	1	BACA LEASING UND BETEILIGUNGSMANAGEMENT GMBH	100.00	
	Issued capital EUR 218,019						
231	LEGATO LEASING GESELLSCHAFT M.B.H.	VIENNA	VIENNA	1	BETEILIGUNGSVERWALTUNGSGESELLSCHAFT DER BANK AUSTRIA CREDITANSTALT LEASING GMBH	74.80	
	Issued capital EUR 36,500				UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	
					UNICREDIT LEASING (AUSTRIA) GMBH	25.00	
232	LELEV IMMOBILIEN LEASING GESELLSCHAFT M.B.H.	VIENNA	VIENNA	1	GALA GRUNDSTUECKVERWALTUNG GESELLSCHAFT M.B.H.	99.80	
	Issued capital EUR 36,500				UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	
233	LINO HOTEL-LEASING GMBH	VIENNA	VIENNA	1	UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	
	Issued capital EUR 36,500				UNICREDIT LEASING (AUSTRIA) GMBH	99.80	
234	LIPARK LEASING GESELLSCHAFT M.B.H.	VIENNA	VIENNA	1	BETEILIGUNGSVERWALTUNGSGESELLSCHAFT DER BANK AUSTRIA CREDITANSTALT LEASING GMBH	74.80	
	Issued capital EUR 36,500				UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	
					UNICREDIT LEASING (AUSTRIA) GMBH	25.00	

Part A - Accounting policies

	COMPANY NAME	MAIN OFFICE	ADMINISTRATIVE OFFICE	TYPE OF RELATIONSHIP (1)	OWNERSHIP RELATIONSHIP HELD BY	HOLDING %	VOTING RIGHTS % (2)
235	LIVA IMMOBILIEN LEASING GESELLSCHAFT M.B.H.	VIENNA	VIENNA	1	UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	
	Issued capital EUR 36,500				UNICREDIT GARAGEN ERRICHTUNG UND VERWERTUNG GMBH	99.80	
236	LOCAT CROATIA DOO	ZAGREB	ZAGREB	1	ZAGREBACKA BANKA D.D.	100.00	
	Issued capital HRK 39,000,000						
237	LOCAT SV SRL (CARTOLARIZZAZIONE: SERIE 2016)	CONEGLIANO	CONEGLIANO	4	UNICREDIT LEASING SPA	..	(3)
238	M. A. V. 7., BANK AUSTRIA LEASING BAUTRAEGER GMBH & CO.OG.	VIENNA	VIENNA	1	UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	1.96	
	Issued capital EUR 3,707				UNICREDIT LUNA LEASING GMBH	98.04	
239	MBC IMMOBILIEN LEASING GESELLSCHAFT M.B.H.	VIENNA	VIENNA	1	UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	
	Issued capital EUR 36,500				UNICREDIT LEASING (AUSTRIA) GMBH	99.80	
240	MENUETT GRUNDSTUECKSVERWALTUNGS-GESELLSCHAFT M.B.H.	VIENNA	VIENNA	1	UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	
	Issued capital EUR 36,337				UNICREDIT LEASING (AUSTRIA) GMBH	99.80	
241	MERKURHOF GRUNDSTUCKSGESELLSCHAFT MIT BESCHRANKTER HAFTUNG	MUNICH	MUNICH	1	UNICREDIT BANK AG	100.00	
	Issued capital EUR 5,112,919						
242	MM OMEGA PROJEKTENTWICKLUNGS GMBH	VIENNA	VIENNA	1	UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	
	Issued capital EUR 35,000				UNICREDIT GARAGEN ERRICHTUNG UND VERWERTUNG GMBH	99.80	
243	MOC VERWALTUNGS GMBH & CO. IMMOBILIEN KG	MUNICH	MUNICH	4	HVB PROJEKT GMBH	..	(3)
244	MOEGRA LEASING GESELLSCHAFT M.B.H.	VIENNA	VIENNA	1	BETEILIGUNGSVERWALTUNGSGESELLSCHAFT DER BANK AUSTRIA CREDITANSTALT LEASING GMBH	74.80	
	Issued capital EUR 36,500				UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	
					UNICREDIT LEASING (AUSTRIA) GMBH	25.00	
245	MOMENTUM ALLWEATHER STRATEGIES - LONG TERM STRATEG	HAMILTON	HAMILTON	4	UNICREDIT SPA	..	(3)
246	MOMENTUM LONG TERM VALUE FUND	HAMILTON	HAMILTON	4	UNICREDIT SPA	..	(3)
247	NAGE LOKALVERMIETUNGSGESELLSCHAFT M.B.H.	VIENNA	VIENNA	1	UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	
	Issued capital EUR 36,500				UNICREDIT GARAGEN ERRICHTUNG UND VERWERTUNG GMBH	99.80	
248	NF OBJEKT FFM GMBH	MUNICH	MUNICH	1	HVB IMMOBILIEN AG	100.00	
	Issued capital EUR 25,000						
249	NF OBJEKTE BERLIN GMBH	MUNICH	MUNICH	1	HVB IMMOBILIEN AG	100.00	
	Issued capital EUR 25,000						
250	NOE HYPO LEASING ASTRICTA GRUNDSTUECKVERMIETUNGS GESELLSCHAFT M.B.H.	VIENNA	VIENNA	1	UNICREDIT LEASING (AUSTRIA) GMBH	95.00	
	Issued capital EUR 36,337						

Part A - Accounting policies

	COMPANY NAME	MAIN OFFICE	ADMINISTRATIVE OFFICE	TYPE OF RELATIONSHIP (1)	OWNERSHIP RELATIONSHIP HELD BY	HOLDING %	VOTING RIGHTS % (2)
251	NUOVA COMPAGNIA DI PARTECIPAZIONI SPA	ROME	ROME	1	UNICREDIT SPA	100.00	
	Issued capital EUR 200,000						
252	OCEAN BREEZE ASSET GMBH & CO. KG	BREMEN	BREMEN	1	OCEAN BREEZE ENERGY GMBH & CO. KG	100.00	
	Issued capital EUR 2,000						
253	OCEAN BREEZE ENERGY GMBH & CO. KG	BREMEN	BREMEN	1	HJS 12 BETEILIGUNGSGESELLSCHAFT MBH	100.00	
	Issued capital EUR 2,000						
254	OCEAN BREEZE FINANCE S.A.- COMPARTMENT 1	LUXEMBOURG	LUXEMBOURG	4	UNICREDIT BANK AG	..	(3)
255	OCEAN BREEZE GMBH	BREMEN	BREMEN	1	OCEAN BREEZE ENERGY GMBH & CO. KG	100.00	
	Issued capital EUR 25,000						
256	OCT Z IMMOBILIEN LEASING GESELLSCHAFT M.B.H	VIENNA	VIENNA	1	UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	
	Issued capital EUR 36,500				UNICREDIT GARAGEN ERRICHTUNG UND VERWERTUNG GMBH	99.80	
257	OLG HANDELS- UND BETEILIGUNGSVERWALTUNGSGESELLSCHAFT M.B.H.	VIENNA	VIENNA	1	BETEILIGUNGSVERWALTUNGSGESELLSCHAFT DER BANK AUSTRIA CREDITANSTALT LEASING GMBH	100.00	
	Issued capital EUR 36,336						
258	OMNIA GRUNDSTUCKS-GMBH & CO. OBJEKT HAIDENAUPLATZ KG	MUNICH	MUNICH	1	HVB IMMOBILIEN AG	94.00	
	Issued capital EUR 26,000				UNICREDIT BANK AG	6.00	
259	OMNIA GRUNDSTUECKS-GMBH & CO. OBJEKT PERLACH KG	MUNICH	MUNICH	1	ORESTOS IMMOBILIEN-VERWALTUNGS GMBH	94.78	93.87
	Issued capital EUR 5,125,701				WEALTHCAP LEASING GMBH	5.22	5.14
260	OOO UNICREDIT GARANT	MOSCOW	MOSCOW	1	OOO UNICREDIT LEASING	100.00	
	Issued capital RUR 106,998,000						
261	OOO UNICREDIT LEASING	MOSCOW	MOSCOW	1	AO UNICREDIT BANK	100.00	
	Issued capital RUR 149,160,248						
262	ORBIT PERFORMANCE STRATEGIES - ORBIT US CLASSE I U	HAMILTON	HAMILTON	4	UNICREDIT SPA	..	(3)
263	ORESTOS IMMOBILIEN-VERWALTUNGS GMBH	MUNICH	MUNICH	1	HVB PROJEKT GMBH	100.00	
	Issued capital EUR 10,149,150						
264	OTHMARSCHEN PARK HAMBURG GMBH & CO. CENTERPARK KG	MUNICH	MUNICH	1	HVB PROJEKT GMBH	10.00	
	Issued capital EUR 51,129				T & P FRANKFURT DEVELOPMENT B.V.	30.00	
					T & P VASTGOED STUTTGART B.V.	60.00	
265	OTHMARSCHEN PARK HAMBURG GMBH & CO. GEWERBEPARK KG	MUNICH	MUNICH	1	HVB PROJEKT GMBH	10.00	
	Issued capital EUR 51,129				T & P FRANKFURT DEVELOPMENT B.V.	30.00	
					T & P VASTGOED STUTTGART B.V.	60.00	
266	PAI (BERMUDA) LIMITED	HAMILTON	HAMILTON	1	UNICREDIT SPA	100.00	
	Issued capital USD 12,000						
267	PAI MANAGEMENT LTD	DUBLIN	DUBLIN	1	UNICREDIT SPA	100.00	
	Issued capital EUR 1,032,000						
268	PALAIS ROTHSCHILD VERMIETUNGS GMBH & CO OG	VIENNA	VIENNA	1	SCHOELLERBANK AKTIENGESELLSCHAFT	100.00	
	Issued capital EUR 2,180,185						

Part A - Accounting policies

	COMPANY NAME	MAIN OFFICE	ADMINISTRATIVE OFFICE	TYPE OF RELATIONSHIP (1)	OWNERSHIP RELATIONSHIP HELD BY	HOLDING %	VOTING RIGHTS % (2)
269	PARCO DELLE ACACIE DUE S.P.A.	ROME	ROME	1	CAPITAL DEV SPA	100.00	
	Issued capital EUR 90,000						
270	PARSEC 6 SPA	ROME	ROME	1	CAPITAL DEV SPA	100.00	
	Issued capital EUR 90,000						
271	PAYTRIA UNTERNEHMENSBETEILIGUNGEN GMBH	VIENNA	VIENNA	1	UNICREDIT BANK AUSTRIA AG	100.00	
	Issued capital EUR 36,336						
272	PELOPS LEASING GESELLSCHAFT M.B.H.	VIENNA	VIENNA	1	EUROLEASE RAMSES IMMOBILIEN LEASING GESELLSCHAFT M.B.H.	99.80	
	Issued capital EUR 36,337				UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	
273	PENSIONSKASSE DER HYPO VEREINSBANK VVAG	MUNICH	MUNICH	4	UNICREDIT BANK AG	..	(3)
274	PERIKLES 20092 VERMOGENSVERWALTUNG GMBH	BREMEN	BREMEN	1	HJS 12 BETEILIGUNGSGESELLSCHAFT MBH	100.00	
	Issued capital EUR 25,000						
275	PIANA LEASING GESELLSCHAFT M.B.H.	VIENNA	VIENNA	1	UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	
	Issued capital EUR 36,500				UNICREDIT LEASING (AUSTRIA) GMBH	99.80	
276	PIRTA VERWALTUNGS GMBH	VIENNA	VIENNA	1	UNICREDIT SPA	100.00	
	Issued capital EUR 2,067,138						
277	PISANA S.P.A.	ROME	ROME	1	CAPITAL DEV SPA	100.00	
	Issued capital EUR 1,000,000						
278	POLLUX IMMOBILIEN GMBH	VIENNA	VIENNA	1	PAYTRIA UNTERNEHMENSBETEILIGUNGEN GMBH	0.20	
	Issued capital EUR 36,500				UNICREDIT BANK AUSTRIA AG	99.80	
279	POMINVEST DD	SPLIT	SPLIT	1	ZAGREBACKA BANKA D.D.	88.66	88.95
	Issued capital HRK 17,434,000						
280	PORTIA GRUNDSTUCKS-VERWALTUNGSGESELLSCHAFT MBH & CO. OBJEKT KG	MUNICH	MUNICH	1	HVB GESELLSCHAFT FUR GEBAUDE MBH & CO KG	100.00	
	Issued capital EUR 500,013,550						
281	POSATO LEASING GESELLSCHAFT M.B.H.	VIENNA	VIENNA	1	BETEILIGUNGSVERWALTUNGSGESELLSCHAFT DER BANK AUSTRIA CREDITANSTALT LEASING GMBH	74.80	
	Issued capital EUR 36,500				UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	
					UNICREDIT LEASING (AUSTRIA) GMBH	25.00	
282	PRELUDE GRUNDSTUECKSVERWALTUNGS-GESELLSCHAFT M.B.H.	VIENNA	VIENNA	1	BETEILIGUNGSVERWALTUNGSGESELLSCHAFT DER BANK AUSTRIA CREDITANSTALT LEASING GMBH	98.80	
	Issued capital EUR 36,500				UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	
					UNICREDIT LEASING (AUSTRIA) GMBH	1.00	
283	PRO WOHNBAU GMBH	VIENNA	VIENNA	1	BA-CA MARKETS & INVESTMENT BETEILIGUNG GES.M.B.H.	0.31	
	Issued capital EUR 23,621,113				IMMOBILIEN HOLDING GMBH	99.69	

Part A - Accounting policies

	COMPANY NAME	MAIN OFFICE	ADMINISTRATIVE OFFICE	TYPE OF RELATIONSHIP (1)	OWNERSHIP RELATIONSHIP HELD BY	HOLDING %	VOTING RIGHTS % (2)
284	PROJEKT-LEASE GRUNDSTUECKSVERWALTUNGS-GESELLSCHAFT M.B.H.	VIENNA	VIENNA	1	ARNO GRUNDSTUECKSVERWALTUNGS GESELLSCHAFT M.B.H.	74.80	
	Issued capital EUR 36,500				UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	
					UNICREDIT LEASING (AUSTRIA) GMBH	25.00	
285	QUADEC Z IMMOBILIEN LEASING GESELLSCHAFT M.B.H.	VIENNA	VIENNA	1	UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	
	Issued capital EUR 36,500				UNICREDIT LEASING (AUSTRIA) GMBH	99.80	
286	QUART Z IMMOBILIEN LEASING GESELLSCHAFT M.B.H.	VIENNA	VIENNA	1	CALG ANLAGEN LEASING GMBH	99.80	
	Issued capital EUR 36,500				UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	
287	QUINT Z IMMOBILIEN LEASING GESELLSCHAFT M.B.H	VIENNA	VIENNA	1	UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	
	Issued capital EUR 36,500				UNICREDIT LEASING (AUSTRIA) GMBH	99.80	
288	RANA-LIEGENSCHAFTSVERWERTUNG GMBH	VIENNA	VIENNA	1	UNIVERSALE INTERNATIONAL REALITAETEN GMBH	99.90	
	Issued capital EUR 72,700						
289	REAL INVEST EUROPE DER BANK AUSTRIA REAL INVEST IMMOBILIEN- KAPI	VIENNA	VIENNA	4	UNICREDIT BANK AUSTRIA AG	..	(3)
290	REAL INVEST IMMOBILIEN GMBH	VIENNA	VIENNA	1	TREUCONSULT BETEILIGUNGSGESELLSCHAFT M.B.H.	99.00	
	Issued capital EUR 36,400						
291	REAL INVEST PROPERTY GMBH & CO SPB JOTA KG	VIENNA	VIENNA	1	BANK AUSTRIA REAL INVEST IMMOBILIEN-MANAGEMENT GMBH	..	32.07
	Issued capital EUR 0				TREUCONSULT BETEILIGUNGSGESELLSCHAFT M.B.H.	44.55	
292	REAL-LEASE GRUNDSTUECKSVERWALTUNGS-GESELLSCHAFT M.B.H.	VIENNA	VIENNA	1	UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	
	Issued capital EUR 36,500				UNICREDIT GARAGEN ERRICHTUNG UND VERWERTUNG GMBH	99.80	
293	REAL-RENT LEASING GESELLSCHAFT M.B.H.	VIENNA	VIENNA	1	UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	
	Issued capital EUR 73,000				UNICREDIT LEASING (AUSTRIA) GMBH	99.80	
294	REGEV REALITAETENVERWERTUNGSGESELLSCHAFT M.B.H.	VIENNA	VIENNA	1	UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	
	Issued capital EUR 726,728				UNICREDIT LEASING (AUSTRIA) GMBH	99.80	
295	RIGEL IMMOBILIEN GMBH	VIENNA	VIENNA	1	PAYTRIA UNTERNEHMENSBETEILIGUNGEN GMBH	0.20	
	Issued capital EUR 36,500				UNICREDIT BANK AUSTRIA AG	99.80	
296	ROLIN GRUNDSTUCKSPLANUNGS- UND -VERWALTUNGSGESELLSCHAFT MBH	MUNICH	MUNICH	1	WEALTHCAP INVESTMENT SERVICES GMBH	100.00	
	Issued capital EUR 30,677						
297	ROSENKAVALIER 2008 GMBH	FRANKFURT	FRANKFURT	4	UNICREDIT BANK AG	..	(3)
298	ROSENKAVALIER 2015 UG	FRANKFURT	FRANKFURT	4	UNICREDIT BANK AG	..	(3)

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	COMPANY NAME	MAIN OFFICE	ADMINISTRATIVE OFFICE	TYPE OF RELATIONSHIP (1)	OWNERSHIP RELATIONSHIP HELD BY	HOLDING %	VOTING RIGHTS % (2)
299	RSB ANLAGENVERMIETUNG GESELLSCHAFT M.B.H. Issued capital EUR 36,337	VIENNA	VIENNA	1	UNICREDIT ZEGA LEASING-GESELLSCHAFT M.B.H.	100.00	
300	S. MARIA DELLA GUARDIA S.R.L. Issued capital EUR 210,000	CATANIA	CATANIA	1	ISTITUTO IMMOBILIARE DI CATANIA SPA	51.00	
301	SALVATORPLATZ-GRUNDSTUCKSGESELLSCHAFT MBH & CO. OHG SAARLAND Issued capital EUR 1,533,900	MUNICH	MUNICH	1	HVB GESELLSCHAFT FUR GEBAUDE MBH & CO KG	100.00	
302	SALVATORPLATZ-GRUNDSTUCKSGESELLSCHAFT MBH & CO. OHG VERWALTUNGSZENTRUM	MUNICH	MUNICH	1	PORTIA GRUNDSTUCKS-VERWALTUNGSGESELLSCHAFT MBH & CO. OBJEKT KG	97.78	
	Issued capital EUR 2,300,850				TIVOLI GRUNDSTUCKS-AKTIENGESELLSCHAFT	2.22	
303	SAMAR SPA Issued capital EUR 50,000	ROME	ROME	1	CAPITAL DEV SPA	100.00	
304	SANITA' - S.R.L. IN LIQUIDAZIONE Issued capital EUR 5,164,333	ROME	ROME	1	UNICREDIT SPA	99.60	
305	SCHOELLERBANK AKTIENGESELLSCHAFT	VIENNA	VIENNA	1	PAYTRIA UNTERNEHMENSBETEILIGUNGEN GMBH	0.01	
	Issued capital EUR 20,000,000				UNICREDIT BANK AUSTRIA AG	99.99	
306	SCHOELLERBANK INVEST AG Issued capital EUR 2,543,549	SALZBURG	SALZBURG	1	SCHOELLERBANK AKTIENGESELLSCHAFT	100.00	
307	SECA-LEASING GESELLSCHAFT M.B.H.	VIENNA	VIENNA	1	CALG DELTA GRUNDSTUECKVERWALTUNG GMBH	74.80	
	Issued capital EUR 36,500				UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	
					UNICREDIT LEASING (AUSTRIA) GMBH	25.00	
308	SEDEC Z IMMOBILIEN LEASING GESELLSCHAFT M.B.H.	VIENNA	VIENNA	1	UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	
	Issued capital EUR 36,500				UNICREDIT GARAGEN ERRICHTUNG UND VERWERTUNG GMBH	99.80	
309	SELFOSS BETEILIGUNGSGESELLSCHAFT MBH Issued capital EUR 25,000	GRUNWALD	GRUNWALD	1	HVB PROJEKT GMBH	100.00	
310	SEXT Z IMMOBILIEN LEASING GESELLSCHAFT M.B.H	VIENNA	VIENNA	1	CALG DELTA GRUNDSTUECKVERWALTUNG GMBH	99.80	
	Issued capital EUR 36,500				UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	
311	SHOPPING PALACE BRATISLAVA, V.O.S. Issued capital EUR 0	BRATISLAVA	BRATISLAVA	1	REAL INVEST PROPERTY GMBH & CO SPB JOTA KG	100.00	
312	SIA UNICREDIT INSURANCE BROKER Issued capital EUR 15,080	RIGA	RIGA	1	SIA UNICREDIT LEASING	100.00	
313	SIA UNICREDIT LEASING Issued capital EUR 15,569,120	RIGA	RIGA	1	UNICREDIT SPA	100.00	
314	SIGMA LEASING GMBH	VIENNA	VIENNA	1	CALG ANLAGEN LEASING GMBH	99.40	
	Issued capital EUR 18,286				UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	
					UNICREDIT LEASING (AUSTRIA) GMBH	0.40	

Part A - Accounting policies

	COMPANY NAME	MAIN OFFICE	ADMINISTRATIVE OFFICE	TYPE OF RELATIONSHIP (1)	OWNERSHIP RELATIONSHIP HELD BY	HOLDING %	VOTING RIGHTS % (2)
315	SIMON VERWALTUNGS-AKTIENGESELLSCHAFT I.L. Issued capital EUR 2,556,459	MUNICH	MUNICH	1	UNICREDIT BANK AG	99.98	
316	SIRIUS IMMOBILIEN GMBH Issued capital EUR 36,500	VIENNA	VIENNA	1	PAYTRIA UNTERNEHMENSBETEILIGUNGEN GMBH	0.20	
					UNICREDIT BANK AUSTRIA AG	99.80	
317	SIRIUS IMMOBILIEN- UND PROJEKTENTWICKLUNGS GMBH Issued capital EUR 30,000	MUNICH	MUNICH	1	HVB PROJEKT GMBH	5.00	
					SOLOS IMMOBILIEN- UND PROJEKTENTWICKLUNGS GMBH & CO. SIRIUS BETEILIGUNGS KG	95.00	
318	SOCIETA' DI GESTIONI ESATTORIALI IN SICILIA SO.G.E.SI. S.P.A. IN LIQ. Issued capital EUR 36,151,500	PALERMO	PALERMO	1	UNICREDIT SPA	80.00	
319	SOFIGERE SOCIETE PAR ACTIONS SIMPLIFIEE (IN LIQUIDAZIONE) Issued capital EUR 40,000	PARIS	PARIS	1	UNICREDIT SPA	100.00	
320	SOLOS IMMOBILIEN- UND PROJEKTENTWICKLUNGS GMBH & CO. SIRIUS BETEILIGUNGS KG Issued capital EUR 35,800	MUNICH	MUNICH	1	HVB PROJEKT GMBH	100.00	
321	SONATA LEASING-GESELLSCHAFT M.B.H. Issued capital EUR 36,336	VIENNA	VIENNA	1	ARNO GRUNDSTUECKSVERWALTUNGS GESELLSCHAFT M.B.H.	1.00	
					UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	
					UNICREDIT LEASING (AUSTRIA) GMBH	98.80	
322	SPECTRUM GRUNDSTUECKSVERWALTUNGS-GESELLSCHAFT M.B.H. Issued capital EUR 36,336	VIENNA	VIENNA	1	WOEM GRUNDSTUECKSVERWALTUNGS-GESELLSCHAFT M.B.H.	100.00	
323	SPREE GALERIE HOTELBETRIEBSGESELLSCHAFT MBH Issued capital EUR 511,300	MUNICH	MUNICH	1	ARGENTAURUS IMMOBILIEN-VERMIETUNGS- UND VERWALTUNGS GMBH	100.00	
324	STEWE GRUNDSTUECKSVERWALTUNGS-GESELLSCHAFT M.B.H. Issued capital EUR 36,337	VIENNA	VIENNA	1	PROJEKT-LEASE GRUNDSTUECKSVERWALTUNGS-GESELLSCHAFT M.B.H.	24.00	
					UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	
					UNICREDIT GARAGEN ERRICHTUNG UND VERWERTUNG GMBH	75.80	
325	STRUCTURED INVEST SOCIETE ANONYME Issued capital EUR 125,500	LUXEMBOURG	LUXEMBOURG	1	UNICREDIT BANK AG	100.00	
326	SUCCESS 2015 B.V.	AMSTERDAM	AMSTERDAM	4	UNICREDIT LEASING (AUSTRIA) GMBH	..	(3)
327	SVILUPPO IMMOBILIARE PESCACCIO - SOCIETA' A RESPONSABILITA' LIMITATA Issued capital EUR 10,000	ROME	ROME	1	CAVE NUOVE SPA	100.00	
328	T & P FRANKFURT DEVELOPMENT B.V. Issued capital EUR 4,938,271	AMSTERDAM	MUNICH	1	HVB PROJEKT GMBH	100.00	
329	T & P VASTGOED STUTTGART B.V. Issued capital EUR 10,769,773	AMSTERDAM	MUNICH	1	HVB PROJEKT GMBH	87.50	

Part A - Accounting policies

	COMPANY NAME	MAIN OFFICE	ADMINISTRATIVE OFFICE	TYPE OF RELATIONSHIP (1)	OWNERSHIP RELATIONSHIP HELD BY	HOLDING %	VOTING RIGHTS % (2)
330	TERRENO GRUNDSTUCKSVERWALTUNG GMBH & CO. ENTWICKLUNGS- UND FINANZIERUNGSVERMITTLUNGS-KG Issued capital EUR 920,400	MUNICH	MUNICH	1	HVB TECTA GMBH	75.00	
331	TERZ Z IMMOBILIEN LEASING GESELLSCHAFT M.B.H. Issued capital EUR 36,500	VIENNA	VIENNA	1	UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	
					UNICREDIT GARAGEN ERRICHTUNG UND VERWERTUNG GMBH	99.80	
332	TIVOLI GRUNDSTUCKS-AKTIENGESELLSCHAFT Issued capital EUR 6,240,000	MUNICH	MUNICH	1	PORTIA GRUNDSTUCKS-VERWALTUNGSGESELLSCHAFT MBH & CO. OBJEKT KG	99.77	
333	TREDEC Z IMMOBILIEN LEASING GESELLSCHAFT M.B.H. Issued capital EUR 36,500	VIENNA	VIENNA	1	UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	
					UNICREDIT GARAGEN ERRICHTUNG UND VERWERTUNG GMBH	99.80	
334	TREUCONSULT BETEILIGUNGSGESELLSCHAFT M.B.H. Issued capital EUR 365,000	VIENNA	VIENNA	1	BANK AUSTRIA REAL INVEST IMMOBILIEN-MANAGEMENT GMBH	100.00	
335	TRICASA GRUNDBESITZ GESELLSCHAFT MBH & CO. 1. VERMIETUNGS KG Issued capital EUR 6,979,476	MUNICH	MUNICH	1	ORESTOS IMMOBILIEN-VERWALTUNGS GMBH	100.00	
336	TRICASA GRUNDBESITZGESELLSCHAFT DES BURGERLICHEN RECHTS NR. 1 Issued capital EUR 13,687,272	MUNICH	MUNICH	1	ORESTOS IMMOBILIEN-VERWALTUNGS GMBH	100.00	
337	UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG Issued capital EUR 10,000	VIENNA	VIENNA	1	BA EUROLEASE BETEILIGUNGSGESELLSCHAFT M.B.H.	90.00	
					BA-CA ANDANTE LEASING GMBH	10.00	
338	UCTAM BALTICS SIA Issued capital EUR 4,265,585	RIGA	RIGA	1	UNICREDIT TURN-AROUND MANAGEMENT CEE GMBH	100.00	
339	UCTAM BH D.O.O. Issued capital BAM 2,000	MOSTAR	MOSTAR	1	UNICREDIT TURN-AROUND MANAGEMENT CEE GMBH	100.00	
340	UCTAM BULGARIA EOOD Issued capital BGN 20,000	SOFIA	SOFIA	1	UNICREDIT TURN-AROUND MANAGEMENT CEE GMBH	100.00	
341	UCTAM CZECH REPUBLIC SRO Issued capital CZK 45,500,000	PRAGUE	PRAGUE	1	UNICREDIT TURN-AROUND MANAGEMENT CEE GMBH	100.00	
342	UCTAM D.O.O. BEOGRAD Issued capital RSD 631,564,325	BELGRADE	BELGRADE	1	UNICREDIT TURN-AROUND MANAGEMENT CEE GMBH	100.00	
343	UCTAM HUNGARY KFT Issued capital HUF 10,300,000	BUDAPEST	BUDAPEST	1	EUROPA BEFEKTETESI ALAPKEZELOE ZRT (EUROPA INVESTMENT FUND MANAGEMENT LTD.)	1.00	
					UNICREDIT TURN-AROUND MANAGEMENT CEE GMBH	99.00	
344	UCTAM RETAIL HUNGARY KFT. Issued capital HUF 10,000,000	BUDAPEST	BUDAPEST	1	EUROPA BEFEKTETESI ALAPKEZELOE ZRT (EUROPA INVESTMENT FUND MANAGEMENT LTD.)	1.00	
					UNICREDIT TURN-AROUND MANAGEMENT CEE GMBH	99.00	

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	COMPANY NAME	MAIN OFFICE	ADMINISTRATIVE OFFICE	TYPE OF RELATIONSHIP (1)	OWNERSHIP RELATIONSHIP HELD BY	HOLDING %	VOTING RIGHTS % (2)
345	UCTAM RO S.R.L. Issued capital RON 30,560,080	BUCHAREST	BUCAREST	1	UNICREDIT TURN-AROUND MANAGEMENT CEE GMBH	100.00	
346	UCTAM RU LIMITED LIABILITY COMPANY Issued capital RUB 4,000,000	MOSCOW	MOSCOW	1	UCTAM BALTICS SIA	..	
					UNICREDIT TURN-AROUND MANAGEMENT CEE GMBH	100.00	
347	UCTAM SVK S.R.O. Issued capital EUR 5,000	BRATISLAVA	BRATISLAVA	1	UCTAM BALTICS SIA	15.00	0.01
					UNICREDIT TURN-AROUND MANAGEMENT CEE GMBH	85.00	99.99
348	UCTAM UPRAVLJANJE D.O.O. Issued capital EUR 7,500	LJUBLJANA	LJUBLJANA	1	UNICREDIT TURN-AROUND MANAGEMENT CEE GMBH	100.00	
349	UFFICIUM IMMOBILIEN LEASING GESELLSCHAFT M.B.H. Issued capital EUR 36,337	VIENNA	VIENNA	1	KUTRA GRUNDSTUECKSVERWALTUNGS-GESELLSCHAFT M.B.H.	5.00	
					UNICREDIT LEASING (AUSTRIA) GMBH	95.00	
350	UNICOM IMMOBILIEN LEASING GESELLSCHAFT M.B.H. Issued capital EUR 36,500	VIENNA	VIENNA	1	UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	
					UNICREDIT LEASING (AUSTRIA) GMBH	99.80	
351	UNICREDIT AURORA LEASING GMBH Issued capital EUR 219,000	VIENNA	VIENNA	1	UNICREDIT LEASING (AUSTRIA) GMBH	100.00	
352	UNICREDIT BANK A.D. BANJA LUKA Issued capital BAM 97,055,000	BANJA LUKA	BANJA LUKA	1	UNICREDIT SPA	98.46	
353	UNICREDIT BANK AG Issued capital EUR 2,407,151,016	MUNICH	MUNICH	1	UNICREDIT SPA	100.00	
354	UNICREDIT BANK AUSTRIA AG Issued capital EUR 1,681,033,521	VIENNA	VIENNA	1	UNICREDIT SPA	100.00	
355	UNICREDIT BANK CZECH REPUBLIC AND SLOVAKIA, A.S. Issued capital CZK 8,754,617,898	PRAGUE	PRAGUE	1	UNICREDIT SPA	100.00	
356	UNICREDIT BANK D.D. Issued capital BAM 119,195,000	MOSTAR	MOSTAR	1	ZAGREBACKA BANKA D.D.	99.35	99.31
357	UNICREDIT BANK HUNGARY ZRT. Issued capital HUF 24,118,220,000	BUDAPEST	BUDAPEST	1	UNICREDIT SPA	100.00	
358	UNICREDIT BANK IRELAND PLC Issued capital EUR 1,343,118,650	DUBLIN	DUBLIN	1	UNICREDIT SPA	100.00	
359	UNICREDIT BANK S.A. Issued capital RON 1,177,748,253	BUCHAREST	BUCHAREST	1	UNICREDIT SPA	98.63	
360	UNICREDIT BANK SERBIA JSC Issued capital RSD 23,607,620,000	BELGRADE	BELGRADE	1	UNICREDIT SPA	100.00	
361	UNICREDIT BANKA SLOVENIJA D.D. Issued capital EUR 20,383,698	LJUBLJANA	LJUBLJANA	1	UNICREDIT SPA	100.00	
362	UNICREDIT BETEILIGUNGS GMBH Issued capital EUR 1,000,000	MUNICH	MUNICH	1	UNICREDIT BANK AG	100.00	
363	UNICREDIT BIZTOSITASKOEZVETITO KFT Issued capital HUF 5,000,000	BUDAPEST	BUDAPEST	1	UNICREDIT BANK HUNGARY ZRT.	100.00	

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	COMPANY NAME	MAIN OFFICE	ADMINISTRATIVE OFFICE	TYPE OF RELATIONSHIP (1)	OWNERSHIP RELATIONSHIP HELD BY	HOLDING %	VOTING RIGHTS % (2)
364	UNICREDIT BPC MORTAGE SRL (COVERED BONDS)	VERONA	VERONA	4	UNICREDIT SPA	..	(3)
365	UNICREDIT BPC MORTGAGE S.R.L. Issued capital EUR 12,000	VERONA	VERONA	1	UNICREDIT SPA	60.00	
366	UNICREDIT BROKER S.R.O. Issued capital EUR 8,266	BRATISLAVA	BRATISLAVA	1	UNICREDIT LEASING SLOVAKIA A.S.	100.00	
367	UNICREDIT BULBANK AD Issued capital BGN 285,776,674	SOFIA	SOFIA	1	UNICREDIT SPA	99.45	
368	UNICREDIT CAPITAL MARKETS LLC Issued capital USD 100,100	NEW YORK	NEW YORK	1	UNICREDIT U.S. FINANCE LLC	100.00	
369	UNICREDIT CENTER AM KAISERWASSER GMBH Issued capital EUR 35,000	VIENNA	VIENNA	1	UNICREDIT BANK AUSTRIA AG	100.00	
370	UNICREDIT CONSUMER FINANCING EAD Issued capital BGN 2,800,000	SOFIA	SOFIA	1	UNICREDIT BULBANK AD	100.00	
371	UNICREDIT CONSUMER FINANCING IFN S.A. Issued capital RON 103,269,200	BUCHAREST	BUCHAREST	1	UNICREDIT BANK S.A.	50.10	
					UNICREDIT SPA	49.90	
372	UNICREDIT DIRECT SERVICES GMBH Issued capital EUR 767,000	MUNICH	MUNICH	1	UNICREDIT BANK AG	100.00	
373	UNICREDIT FACTORING CZECH REPUBLIC AND SLOVAKIA, A.S. Issued capital CZK 222,600,000	PRAGUE	PRAGUE	1	UNICREDIT BANK CZECH REPUBLIC AND SLOVAKIA, A.S.	100.00	
374	UNICREDIT FACTORING EAD Issued capital BGN 1,000,000	SOFIA	SOFIA	1	UNICREDIT BULBANK AD	100.00	
375	UNICREDIT FACTORING SPA Issued capital EUR 414,348,000	MILAN	MILAN	1	UNICREDIT SPA	100.00	
376	UNICREDIT FLEET MANAGEMENT EOOD Issued capital BGN 100,000	SOFIA	SOFIA	1	UNICREDIT BULBANK AD	100.00	
377	UNICREDIT FLEET MANAGEMENT S.R.O. Issued capital CZK 5,000,000	PRAGUE	PRAGUE	1	UNICREDIT LEASING CZ, A.S.	100.00	
378	UNICREDIT FLEET MANAGEMENT S.R.O. Issued capital EUR 6,639	BRATISLAVA	BRATISLAVA	1	UNICREDIT LEASING SLOVAKIA A.S.	100.00	
379	UNICREDIT GARAGEN ERRICHTUNG UND VERWERTUNG GMBH Issued capital EUR 57,000	VIENNA	VIENNA	1	EUROLEASE RAMSES IMMOBILIEN LEASING GESELLSCHAFT M.B.H.	99.80	
					UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	
380	UNICREDIT GLOBAL LEASING EXPORT GMBH Issued capital EUR 36,336	VIENNA	VIENNA	1	UNICREDIT SPA	100.00	
381	UNICREDIT GLOBAL LEASING PARTICIPATION MANAGEMENT GMBH Issued capital EUR 35,000	VIENNA	VIENNA	1	UNICREDIT LEASING SPA	100.00	
382	UNICREDIT GUSTRA LEASING GMBH Issued capital EUR 35,000	VIENNA	VIENNA	1	UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	10.00	
					UNICREDIT PEGASUS LEASING GMBH	90.00	

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	COMPANY NAME	MAIN OFFICE	ADMINISTRATIVE OFFICE	TYPE OF RELATIONSHIP (1)	OWNERSHIP RELATIONSHIP HELD BY	HOLDING %	VOTING RIGHTS % (2)
383	UNICREDIT HAMRED LEASING GMBH	VIENNA	VIENNA	1	UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	10.00	
	Issued capital EUR 35,000				UNICREDIT PEGASUS LEASING GMBH	90.00	
384	UNICREDIT INSURANCE BROKER EOOD	SOFIA	SOFIA	1	UNICREDIT LEASING EAD	100.00	
	Issued capital BGN 5,000						
385	UNICREDIT INSURANCE BROKER SRL	BUCHAREST	BUCHAREST	1	PIRTA VERWALTUNGS GMBH	0.03	
	Issued capital RON 150,000				UNICREDIT INSURANCE MANAGEMENT CEE GMBH	99.97	
386	UNICREDIT INSURANCE MANAGEMENT CEE GMBH	VIENNA	VIENNA	1	PIRTA VERWALTUNGS GMBH	100.00	
	Issued capital EUR 156,905						
387	UNICREDIT INTERNATIONAL BANK (LUXEMBOURG) SA	LUXEMBOURG	LUXEMBOURG	1	UNICREDIT SPA	100.00	
	Issued capital EUR 13,406,600						
388	UNICREDIT JELZALOGBANK ZRT.	BUDAPEST	BUDAPEST	1	UNICREDIT BANK HUNGARY ZRT.	100.00	
	Issued capital HUF 3,000,000,000						
389	UNICREDIT KFZ LEASING GMBH	VIENNA	VIENNA	1	GALA GRUNDSTUECKVERWALTUNG GESELLSCHAFT M.B.H.	100.00	
	Issued capital EUR 648,000						
390	UNICREDIT LEASED ASSET MANAGEMENT SPA	MILAN	MILAN	1	UNICREDIT LEASING SPA	100.00	
	Issued capital EUR 1,000,000						
391	UNICREDIT LEASING (AUSTRIA) GMBH	VIENNA	VIENNA	1	BA-CA MARKETS & INVESTMENT BETEILIGUNG GES.M.B.H.	10.00	
	Issued capital EUR 17,296,134				PAYTRIA UNTERNEHMENSBETEILIGUNGEN GMBH	0.02	
					UNICREDIT BANK AUSTRIA AG	89.98	
392	UNICREDIT LEASING ALPHA ASSETVERMIETUNG GMBH	VIENNA	VIENNA	1	BETEILIGUNGSVERWALTUNGSGESELLSCHAFT DER BANK AUSTRIA CREDITANSTALT LEASING GMBH	100.00	
	Issued capital EUR 35,000						
393	UNICREDIT LEASING AVIATION GMBH	HAMBURG	HAMBURG	1	UNICREDIT LEASING GMBH	100.00	
	Issued capital EUR 1,600,000						
394	UNICREDIT LEASING CORPORATION IFN S.A.	BUCHAREST	BUCHAREST	1	UNICREDIT BANK S.A.	99.96	
	Issued capital RON 90,989,013				UNICREDIT CONSUMER FINANCING IFN S.A.	0.04	
395	UNICREDIT LEASING CROATIA D.O.O. ZA LEASING	ZAGREB	ZAGREB	1	ZAGREBACKA BANKA D.D.	100.00	
	Issued capital HRK 28,741,800						
396	UNICREDIT LEASING CZ, A.S.	PRAGUE	PRAGUE	1	UNICREDIT BANK CZECH REPUBLIC AND SLOVAKIA, A.S.	100.00	
	Issued capital CZK 981,452,000						
397	UNICREDIT LEASING EAD	SOFIA	SOFIA	1	UNICREDIT BULBANK AD	100.00	
	Issued capital BGN 2,605,000						
398	UNICREDIT LEASING FINANCE GMBH	HAMBURG	HAMBURG	1	UNICREDIT LEASING GMBH	100.00	
	Issued capital EUR 17,580,000						
399	UNICREDIT LEASING FLEET MANAGEMENT S.R.L.	BUCHAREST	BUCHAREST	1	PIRTA VERWALTUNGS GMBH	90.02	
	Issued capital RON 680,000				UNICREDIT LEASING CORPORATION IFN S.A.	9.98	

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	COMPANY NAME	MAIN OFFICE	ADMINISTRATIVE OFFICE	TYPE OF RELATIONSHIP (1)	OWNERSHIP RELATIONSHIP: HELD BY	OWNERSHIP RELATIONSHIP: HOLDING %	VOTING RIGHTS % (2)
400	UNICREDIT LEASING FUHRPARKMANAGEMENT GMBH Issued capital EUR 364,000	VIENNA	VIENNA	1	UNICREDIT LEASING (AUSTRIA) GMBH	100.00	
401	UNICREDIT LEASING GMBH Issued capital EUR 15,000,000	HAMBURG	HAMBURG	1	UNICREDIT BANK AG	100.00	
402	UNICREDIT LEASING HUNGARY ZRT Issued capital HUF 50,000,000	BUDAPEST	BUDAPEST	1	UNICREDIT BANK HUNGARY ZRT.	100.00	
403	UNICREDIT LEASING IMMOTRUCK ZRT. Issued capital HUF 52,500,000	BUDAPEST	BUDAPEST	1	UNIVERSALE INTERNATIONAL REALITAETEN GMBH	100.00	
404	UNICREDIT LEASING INSURANCE SERVICES S.R.O. Issued capital EUR 5,000	BRATISLAVA	BRATISLAVA	1	UNICREDIT LEASING SLOVAKIA A.S.	100.00	
405	UNICREDIT LEASING KFT Issued capital HUF 3,100,000	BUDAPEST	BUDAPEST	1	UNIVERSALE INTERNATIONAL REALITAETEN GMBH	100.00	
406	UNICREDIT LEASING SLOVAKIA A.S. Issued capital EUR 26,560,000	BRATISLAVA	BRATISLAVA	1	UNICREDIT LEASING CZ, A.S.	100.00	
407	UNICREDIT LEASING SPA Issued capital EUR 1,106,877,000	MILAN	MILAN	1	UNICREDIT SPA	100.00	
408	UNICREDIT LEASING SRBIJA D.O.O. BEOGRAD Issued capital RSD 1,078,133,000	BELGRADE	BELGRADE	1	UNICREDIT BANK SERBIA JSC	100.00	
409	UNICREDIT LEASING TECHNIKUM GMBH	VIENNA	VIENNA	1	LEASFINANZ GMBH	99.80	
	Issued capital EUR 35,000				UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	
410	UNICREDIT LEASING VERSICHERUNGSSERVICE GMBH & CO KG Issued capital EUR 36,500	VIENNA	VIENNA	1	UNICREDIT LEASING (AUSTRIA) GMBH	100.00	
411	UNICREDIT LEASING, LEASING, D.O.O. Issued capital EUR 25,039,658	LJUBLJANA	LJUBLJANA	1	UNICREDIT BANKA SLOVENIJA D.D.	100.00	
412	UNICREDIT LUNA LEASING GMBH	VIENNA	VIENNA	1	UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	
	Issued capital EUR 36,500				UNICREDIT LEASING (AUSTRIA) GMBH	99.80	
413	UNICREDIT MOBILIEN UND KFZ LEASING GMBH	VIENNA	VIENNA	1	BETEILIGUNGSVERWALTUNGSGESELLSCHAFT DER BANK AUSTRIA CREDITANSTALT LEASING GMBH	98.80	
	Issued capital EUR 36,500				UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	
					UNICREDIT LEASING (AUSTRIA) GMBH	1.00	
414	UNICREDIT OBG S.R.L. Issued capital EUR 10,000	VERONA	VERONA	1	UNICREDIT SPA	60.00	
415	UNICREDIT OBG SRL (COVERED BONDS)	VERONA	VERONA	4	UNICREDIT SPA	..	(3)
416	UNICREDIT OPERATIV LIZING KFT Issued capital HUF 3,000,000	BUDAPEST	BUDAPEST	1	UNICREDIT BANK HUNGARY ZRT.	100.00	
417	UNICREDIT PARTNER D.O.O. BEOGRAD Issued capital RSD 2,001,875	BELGRADE	BELGRADE	1	UNICREDIT BANK SERBIA JSC	100.00	

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	COMPANY NAME	MAIN OFFICE	ADMINISTRATIVE OFFICE	TYPE OF RELATIONSHIP (1)	OWNERSHIP RELATIONSHIP HELD BY	HOLDING %	VOTING RIGHTS % (2)
418	UNICREDIT PEGASUS LEASING GMBH	VIENNA	VIENNA	1	CALG IMMOBILIEN LEASING GMBH	74.80	
	Issued capital EUR 36,500				UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	
					UNICREDIT LEASING (AUSTRIA) GMBH	25.00	
419	UNICREDIT POJISTOVACI MAKLERSKA SPOL.S R.O.	PRAGUE	PRAGUE	1	UNICREDIT LEASING CZ, A.S.	100.00	
	Issued capital CZK 510,000						
420	UNICREDIT POLARIS LEASING GMBH	VIENNA	VIENNA	1	UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	
	Issued capital EUR 36,500				UNICREDIT LEASING (AUSTRIA) GMBH	99.80	
421	UNICREDIT RENT D.O.O. BEOGRAD	BELGRADE	BELGRADE	1	UNIVERSALE INTERNATIONAL REALITAETEN GMBH	100.00	
	Issued capital RSD 3,285,948,900						
422	UNICREDIT SERVICES GMBH	VIENNA	VIENNA	1	UNICREDIT SERVICES S.C.P.A.	100.00	
	Issued capital EUR 1,200,000						
423	UNICREDIT SERVICES S.C.P.A.	MILAN	MILAN	1	CORDUSIO SIM SPA	..	
	Issued capital EUR 237,523,160				CORDUSIO SOCIETA' FIDUCIARIA PER AZIONI	..	
					UNICREDIT BANK AG	..	
					UNICREDIT FACTORING SPA	..	
					UNICREDIT SPA	100.00	100.00
424	UNICREDIT SUBITO CASA SPA	MILAN	MILAN	1	UNICREDIT SPA	100.00	
	Issued capital EUR 500,000						
425	UNICREDIT TECHRENT LEASING GMBH	VIENNA	VIENNA	1	BETEILIGUNGSVERWALTUNGSGESELLSCHAFT DER BANK AUSTRIA CREDITANSTALT LEASING GMBH	99.00	
	Issued capital EUR 36,336				UNICREDIT LEASING (AUSTRIA) GMBH	1.00	
426	UNICREDIT TURN-AROUND MANAGEMENT CEE GMBH	VIENNA	VIENNA	1	UNICREDIT SPA	100.00	
	Issued capital EUR 750,000						
427	UNICREDIT U.S. FINANCE LLC	WILMINGTON	NEW YORK	1	UNICREDIT BANK AG	100.00	
	Issued capital USD 130						
428	UNICREDIT ZEGA LEASING-GESELLSCHAFT M.B.H.	VIENNA	VIENNA	1	BETEILIGUNGSVERWALTUNGSGESELLSCHAFT DER BANK AUSTRIA CREDITANSTALT LEASING GMBH	99.80	
	Issued capital EUR 36,500				UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	
429	UNIVERSALE INTERNATIONAL REALITAETEN GMBH	VIENNA	VIENNA	1	UNICREDIT BANK AUSTRIA AG	100.00	
	Issued capital EUR 32,715,000						
430	V.M.G. VERMIETUNGSGESELLSCHAFT MBH	MUNICH	MUNICH	1	WEALTHCAP INVESTMENT SERVICES GMBH	100.00	
	Issued capital EUR 25,565						
431	VAPE COMMUNA LEASINGGESELLSCHAFT M.B.H.	VIENNA	VIENNA	1	BETEILIGUNGSVERWALTUNGSGESELLSCHAFT DER BANK AUSTRIA CREDITANSTALT LEASING GMBH	74.80	
	Issued capital EUR 36,500				UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	
					UNICREDIT LEASING (AUSTRIA) GMBH	25.00	
432	VERMIETUNGSGESELLSCHAFT MBH & CO OBJEKT MOC KG	MUNICH	MUNICH	1	HVB IMMOBILIEN AG	89.28	89.23
	Issued capital EUR 48,728,161						

Part A - Accounting policies

	COMPANY NAME	MAIN OFFICE	ADMINISTRATIVE OFFICE	TYPE OF RELATIONSHIP (1)	OWNERSHIP RELATIONSHIP HELD BY	HOLDING %	VOTING RIGHTS % (2)
433	VICOVARO RE SRL Issued capital EUR 10,000	ROME	ROME	1	CAPITAL DEV SPA	100.00	
434	VISCONTI SRL Issued capital EUR 11,000,000	MILAN	MILAN	1	UNICREDIT SPA	76.00	
435	WEALTH MANAGEMENT CAPITAL HOLDING GMBH Issued capital EUR 26,000	MUNICH	MUNICH	1	UNICREDIT BANK AG	100.00	
436	WEALTHCAP ENTITY SERVICE GMBH Issued capital EUR 25,000	MUNICH	MUNICH	1	WEALTHCAP REAL ESTATE MANAGEMENT GMBH	100.00	
437	WEALTHCAP EQUITY GMBH Issued capital EUR 500,000	MUNICH	MUNICH	1	WEALTHCAP INITIATOREN GMBH	100.00	
438	WEALTHCAP EQUITY MANAGEMENT GMBH Issued capital EUR 25,000	MUNICH	MUNICH	1	WEALTHCAP EQUITY GMBH	100.00	
439	WEALTHCAP FONDS GMBH Issued capital EUR 512,000	MUNICH	MUNICH	1	WEALTHCAP INITIATOREN GMBH	100.00	
440	WEALTHCAP IMMOBILIEN 1 GMBH & CO. KG	MUNICH	MUNICH	1	WEALTHCAP REAL ESTATE MANAGEMENT GMBH	100.00	50.00
	Issued capital EUR 5,000				WEALTHCAP VORRATS-2 GMBH	..	50.00
441	WEALTHCAP IMMOBILIEN 2 GMBH & CO. KG	MUNICH	MUNICH	1	WEALTHCAP REAL ESTATE MANAGEMENT GMBH	94.34	50.00
	Issued capital EUR 10,600				WEALTHCAP VORRATS-2 GMBH	5.66	50.00
442	WEALTHCAP IMMOBILIENFONDS DEUTSCHLAND 36 KOMPLEMENTAR GMBH Issued capital EUR 25,565	GRUNWALD	MUNICH	1	H.F.S. LEASINGFONDS GMBH	100.00	
443	WEALTHCAP IMMOBILIENFONDS DEUTSCHLAND 38 KOMPLEMENTAR GMBH Issued capital EUR 25,000	GRUNWALD	GRUNWALD	1	WEALTHCAP ENTITY SERVICE GMBH	100.00	
444	WEALTHCAP INITIATOREN GMBH Issued capital EUR 1,533,876	MUNICH	MUNICH	1	WEALTH MANAGEMENT CAPITAL HOLDING GMBH	100.00	
445	WEALTHCAP INVESTMENT SERVICES GMBH	MUNICH	MUNICH	1	UNICREDIT BANK AG	10.00	
	Issued capital EUR 4,000,000				WEALTH MANAGEMENT CAPITAL HOLDING GMBH	90.00	
446	WEALTHCAP INVESTMENTS INC. Issued capital USD 312,000	WILMINGTON	ATLANTA	1	WEALTHCAP FONDS GMBH	100.00	
447	WEALTHCAP INVESTORENBETREUUNG GMBH Issued capital EUR 60,000	MUNICH	MUNICH	1	WEALTHCAP INVESTMENT SERVICES GMBH	100.00	
448	WEALTHCAP KAPITALVERWALTUNGSGESELLSCHAFT MBH Issued capital EUR 125,000	MUNICH	MUNICH	1	WEALTH MANAGEMENT CAPITAL HOLDING GMBH	100.00	
449	WEALTHCAP LEASING GMBH Issued capital EUR 25,000	GRUNWALD	MUNICH	1	WEALTH MANAGEMENT CAPITAL HOLDING GMBH	100.00	
450	WEALTHCAP LOS GATOS 131 ALBRIGHT WAY L.P. Issued capital USD 1,000	WILMINGTON	WILMINGTON	1	WEALTHCAP INVESTMENTS INC.	100.00	
451	WEALTHCAP MANAGEMENT SERVICES GMBH Issued capital EUR 50,000	GRUNWALD	GRUNWALD	1	WEALTHCAP PEIA MANAGEMENT GMBH	100.00	

Part A - Accounting policies

	COMPANY NAME	MAIN OFFICE	ADMINISTRATIVE OFFICE	TYPE OF RELATIONSHIP (1)	OWNERSHIP RELATIONSHIP HELD BY	HOLDING %	VOTING RIGHTS % (2)
452	WEALTHCAP OBJEKT DRESDEN GMBH & CO. KG	MUNICH	MUNICH	1	WEALTHCAP IMMOBILIEN 1 GMBH & CO. KG	10.10	25.00
	Issued capital EUR 10,000				WEALTHCAP IMMOBILIEN 2 GMBH & CO. KG	10.10	25.00
					WEALTHCAP KAPITALVERWALTUNGSGESELLSCHAFT MBH	79.80	25.00
453	WEALTHCAP OBJEKT-VOHNEN 1 GMBH & CO. KG	MUNICH	MUNICH	1	WEALTHCAP IMMOBILIEN 1 GMBH & CO. KG	10.10	33.33
	Issued capital EUR 10,000				WEALTHCAP KAPITALVERWALTUNGSGESELLSCHAFT MBH	89.90	33.33
454	WEALTHCAP OBJEKT-VORRAT 24 GMBH & CO. KG	MUNICH	MUNICH	1	WEALTHCAP IMMOBILIEN 1 GMBH & CO. KG	10.10	25.00
	Issued capital EUR 10,000				WEALTHCAP IMMOBILIEN 2 GMBH & CO. KG	10.10	25.00
					WEALTHCAP KAPITALVERWALTUNGSGESELLSCHAFT MBH	79.80	25.00
455	WEALTHCAP OBJEKT-VORRAT 25 GMBH & CO. KG	MUNICH	MUNICH	1	WEALTHCAP IMMOBILIEN 1 GMBH & CO. KG	10.10	25.00
	Issued capital EUR 10,000				WEALTHCAP IMMOBILIEN 2 GMBH & CO. KG	10.10	25.00
					WEALTHCAP KAPITALVERWALTUNGSGESELLSCHAFT MBH	79.80	25.00
456	WEALTHCAP OBJEKTE GRASBRUNN UND ISMANING GMBH & CO. KG	MUNICH	MUNICH	1	WEALTHCAP IMMOBILIEN 1 GMBH & CO. KG	6.00	25.00
	Issued capital EUR 10,000				WEALTHCAP IMMOBILIEN 2 GMBH & CO. KG	6.00	25.00
					WEALTHCAP KAPITALVERWALTUNGSGESELLSCHAFT MBH	88.00	25.00
457	WEALTHCAP PEIA KOMPLEMENTAR GMBH	GRUNWALD	GRUNWALD	1	WEALTHCAP PEIA MANAGEMENT GMBH	100.00	
	Issued capital EUR 26,000						
458	WEALTHCAP PEIA MANAGEMENT GMBH	MUNICH	MUNICH	1	UNICREDIT BANK AG	6.00	
	Issued capital EUR 1,023,000				WEALTH MANAGEMENT CAPITAL HOLDING GMBH	94.00	
459	WEALTHCAP PORTLAND PARK SQUARE, L.P.	WILMINGTON	WILMINGTON	1	WEALTHCAP INVESTMENTS INC.	99.90	
	Issued capital USD 1,000						
460	WEALTHCAP REAL ESTATE MANAGEMENT GMBH	MUNICH	MUNICH	1	WEALTHCAP INVESTMENT SERVICES GMBH	100.00	
	Issued capital EUR 60,000						
461	WEALTHCAP VORRATS-2 GMBH	GRUNWALD	BAD SODEN	1	WEALTHCAP FONDS GMBH	100.00	
	Issued capital EUR 25,000						
462	WEALTHCAP WOHNEN 1A GMBH & CO. KG	MUNICH	MUNICH	1	WEALTHCAP IMMOBILIEN 1 GMBH & CO. KG	10.10	33.33
	Issued capital EUR 10,000				WEALTHCAP KAPITALVERWALTUNGSGESELLSCHAFT MBH	89.90	33.33
463	WEICKER S. A R.L.	LUXEMBOURG	LUXEMBOURG	1	UNICREDIT BANK AG	100.00	
	Issued capital EUR 20,658,840						
464	WOEM GRUNDSTUECKSVERWALTUNGS-GESELLSCHAFT M.B.H.	VIENNA	VIENNA	1	UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	
	Issued capital EUR 36,336				UNICREDIT LEASING (AUSTRIA) GMBH	99.80	
465	Z LEASING ALFA IMMOBILIEN LEASING GESELLSCHAFT M.B.H.	VIENNA	VIENNA	1	UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	
	Issued capital EUR 36,500				UNICREDIT LEASING (AUSTRIA) GMBH	99.80	
466	Z LEASING ARKTUR IMMOBILIEN LEASING GESELLSCHAFT M.B.H.	VIENNA	VIENNA	1	UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	
	Issued capital EUR 36,500				UNICREDIT LEASING (AUSTRIA) GMBH	99.80	

Part A - Accounting policies

	COMPANY NAME	MAIN OFFICE	ADMINISTRATIVE OFFICE	TYPE OF RELATIONSHIP (1)	OWNERSHIP RELATIONSHIP HELD BY	HOLDING %	VOTING RIGHTS % (2)
467	Z LEASING AURIGA IMMOBILIEN LEASING GESELLSCHAFT M.B.H.	VIENNA	VIENNA	1	UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	
	Issued capital EUR 36,500				UNICREDIT GARAGEN ERRICHTUNG UND VERWERTUNG GMBH	99.80	
468	Z LEASING CORVUS IMMOBILIEN LEASING GESELLSCHAFT M.B.H.	VIENNA	VIENNA	1	BA EUROLEASE BETEILIGUNGSGESELLSCHAFT M.B.H.	99.80	
	Issued capital EUR 36,500				UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	
469	Z LEASING DORADO IMMOBILIEN LEASING GESELLSCHAFT M.B.H.	VIENNA	VIENNA	1	CALG GRUNDSTUECKVERWALTUNG GMBH	99.80	
	Issued capital EUR 36,500				UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	
470	Z LEASING DRACO IMMOBILIEN LEASING GESELLSCHAFT M.B.H.	VIENNA	VIENNA	1	GALA GRUNDSTUECKVERWALTUNG GESELLSCHAFT M.B.H.	99.80	
	Issued capital EUR 36,500				UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	
471	Z LEASING GAMA IMMOBILIEN LEASING GESELLSCHAFT M.B.H.	VIENNA	VIENNA	1	UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	
	Issued capital EUR 36,500				UNICREDIT LEASING (AUSTRIA) GMBH	99.80	
472	Z LEASING GEMINI IMMOBILIEN LEASING GESELLSCHAFT M.B.H.	VIENNA	VIENNA	1	UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	
	Issued capital EUR 36,500				UNICREDIT GARAGEN ERRICHTUNG UND VERWERTUNG GMBH	99.80	
473	Z LEASING HEBE IMMOBILIEN LEASING GESELLSCHAFT M.B.H.	VIENNA	VIENNA	1	GEBAEUDELEASING GRUNDSTUCKSVERWALTUNGSGESELLSCHAFT M.B.H.	99.80	
	Issued capital EUR 36,500				UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	
474	Z LEASING HERCULES IMMOBILIEN LEASING GESELLSCHAFT M.B.H.	VIENNA	VIENNA	1	UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	
	Issued capital EUR 36,500				UNICREDIT GARAGEN ERRICHTUNG UND VERWERTUNG GMBH	99.80	
475	Z LEASING IPSILON IMMOBILIEN LEASING GESELLSCHAFT M.B.H.	VIENNA	VIENNA	1	UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	
	Issued capital EUR 36,500				UNICREDIT GARAGEN ERRICHTUNG UND VERWERTUNG GMBH	99.80	
476	Z LEASING ITA IMMOBILIEN LEASING GESELLSCHAFT M.B.H.	VIENNA	VIENNA	1	GALA GRUNDSTUECKVERWALTUNG GESELLSCHAFT M.B.H.	99.80	
	Issued capital EUR 36,500				UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	
477	Z LEASING JANUS IMMOBILIEN LEASING GESELLSCHAFT M.B.H.	VIENNA	VIENNA	1	GALA GRUNDSTUECKVERWALTUNG GESELLSCHAFT M.B.H.	99.80	
	Issued capital EUR 36,500				UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	
478	Z LEASING KALLISTO IMMOBILIEN LEASING GESELLSCHAFT M.B.H.	VIENNA	VIENNA	1	UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	
	Issued capital EUR 36,500				UNICREDIT LEASING (AUSTRIA) GMBH	99.80	

Part A - Accounting policies

	COMPANY NAME	MAIN OFFICE	ADMINISTRATIVE OFFICE	TYPE OF RELATIONSHIP (1)	OWNERSHIP RELATIONSHIP HELD BY	HOLDING %	VOTING RIGHTS % (2)
479	Z LEASING KAPA IMMOBILIEN LEASING GESELLSCHAFT M.B.H.	VIENNA	VIENNA	1	GALA GRUNDSTUECKVERWALTUNG GESELLSCHAFT M.B.H.	99.80	
	Issued capital EUR 36,500				UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	
480	Z LEASING LYRA IMMOBILIEN LEASING GESELLSCHAFT M.B.H.	VIENNA	VIENNA	1	GALA GRUNDSTUECKVERWALTUNG GESELLSCHAFT M.B.H.	99.80	
	Issued capital EUR 36,500				UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	
481	Z LEASING NEREIDE IMMOBILIEN LEASING GESELLSCHAFT M.B.H.	VIENNA	VIENNA	1	UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	
	Issued capital EUR 36,500				UNICREDIT LEASING (AUSTRIA) GMBH	99.80	
482	Z LEASING OMEGA IMMOBILIEN LEASING GESELLSCHAFT M.B.H.	VIENNA	VIENNA	1	CALG DELTA GRUNDSTUECKVERWALTUNG GMBH	99.80	
	Issued capital EUR 36,500				UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	
483	Z LEASING PERSEUS IMMOBILIEN LEASING GESELLSCHAFT M.B.H.	VIENNA	VIENNA	1	UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	10.00	
	Issued capital EUR 36,500				UNICREDIT ZEGA LEASING-GESELLSCHAFT M.B.H.	90.00	
484	Z LEASING SCORPIUS IMMOBILIEN LEASING GESELLSCHAFT M.B.H.	VIENNA	VIENNA	1	UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	
	Issued capital EUR 36,500				UNICREDIT LEASING (AUSTRIA) GMBH	99.80	
485	Z LEASING TAURUS IMMOBILIEN LEASING GESELLSCHAFT M.B.H.	VIENNA	VIENNA	1	BA EUROLEASE BETEILIGUNGSGESELLSCHAFT M.B.H.	99.80	
	Issued capital EUR 73,000				UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	
486	Z LEASING VENUS IMMOBILIEN LEASING GESELLSCHAFT M.B.H.	VIENNA	VIENNA	1	UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	
	Issued capital EUR 36,500				UNICREDIT LEASING (AUSTRIA) GMBH	99.80	
487	Z LEASING VOLANS IMMOBILIEN LEASING GESELLSCHAFT M.B.H.	VIENNA	VIENNA	1	UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	
	Issued capital EUR 36,500				UNICREDIT PEGASUS LEASING GMBH	99.80	
488	ZABA PARTNER D.O.O. ZA BROKERSKE POSLOVE U OSIGURANJU I REOSIGURANJU Issued capital HRK 1,500,000	ZAGREB	ZAGREB	1	ZAGREBACKA BANKA D.D.	100.00	
489	ZAGREB NEKRETNINE DOO Issued capital HRK 5,000,000	ZAGREB	ZAGREB	1	ZAGREBACKA BANKA D.D.	100.00	
490	ZAGREBACKA BANKA D.D. Issued capital HRK 6,404,839,100	ZAGREB	ZAGREB	1	UNICREDIT SPA	84.48	
491	ZANE BH DOO Issued capital BAM 131,529	SARAJEVO	SARAJEVO	1	ZAGREB NEKRETNINE DOO	100.00	
492	ZAPADNI TRGOVACKI CENTAR D.O.O. Issued capital HRK 20,000	RIJEKA	RIJEKA	1	UNIVERSALE INTERNATIONAL REALITAETEN GMBH	100.00	
493	ZB INVEST D.O.O. ZA UPRAVLJANJE INVESTICIJSKIM FONDOVIMA Issued capital HRK 4,000,000	ZAGREB	ZAGREB	1	ZAGREBACKA BANKA D.D.	100.00	

Part A - Accounting policies

						OWNERSHIP RELATIONSHIP		
	COMPANY NAME	MAIN OFFICE	ADMINISTRATIVE OFFICE	TYPE OF RELATIONSHIP (1)	NATURE OF RELATIONSHIP (5)	HELD BY	HOLDING %	VOTING RIGHTS % (2)
	VALUED AT EQUITY METHOD **A.2 INVESTMENTS IN JOINT VENTURES**							
1	FIDES LEASING GMBH Issued capital EUR 36,000	VIENNA	VIENNA	7	2	CALG ANLAGEN LEASING GMBH	50.00	
2	HETA BA LEASING SUED GMBH Issued capital EUR 36,500	KLAGENFURT	KLAGENFURT	7	2	UNIVERSALE INTERNATIONAL REALITAETEN GMBH	50.00	
3	KOC FINANSAL HIZMETLER AS Issued capital TRY 6,483,066,144	ISTANBUL	ISTANBUL	7	2	UNICREDIT SPA	50.00	
4	PALATIN GRUNDSTUECKVERWALTUNGS GESELLSCHAFT M.B.H. Issued capital EUR 36,336	STOCKERAU	STOCKERAU	7	2	UNICREDIT LEASING (AUSTRIA) GMBH	50.00	
5	PURGE GRUNDSTUECKSVERWALTUNGS-GESELLSCHAFT M.B.H. IN LIQ. Issued capital EUR 36,336	VIENNA	VIENNA	7	2	BETEILIGUNGSVERWALTUNGSGESELLSCHAFT DER BANK AUSTRIA CREDITANSTALT LEASING GMBH	50.00	
6	STICHTING CUSTODY SERVICES YKB Issued capital EUR 125,000	AMSTERDAM	AMSTERDAM	7	2	YAPI KREDI BANK NEDERLAND N.V.	40.95	
7	YAPI KREDI BANK MALTA LTD. Issued capital EUR 60,000,000	ST. JULIAN'S	ST. JULIAN'S	7	1	KOC FINANSAL HIZMETLER AS	..	
						YAPI KREDI HOLDING BV	40.95	
8	YAPI KREDI BANK AZERBAIJAN CLOSED JOINT STOCK COMPANY Issued capital AZN 55,895,904	BAKU	BAKU	7	1	YAPI KREDI FINANSAL KIRALAMA AO	0.04	
						YAPI KREDI YATIRIM MENKUL DEGERLER AS	0.04	
						YAPI VE KREDI BANKASI AS	40.87	
9	YAPI KREDI BANK NEDERLAND N.V. Issued capital EUR 48,589,110	AMSTERDAM	AMSTERDAM	7	1	YAPI KREDI HOLDING BV	13.42	
						YAPI VE KREDI BANKASI AS	27.53	
10	YAPI KREDI DIVERSIFIED PAYMENT RIGHTS FINANCE COMPANY Issued capital USD 1,000	GEORGE TOWN	GEORGE TOWN	7	2	YAPI VE KREDI BANKASI AS	40.95	(4)
11	YAPI KREDI FAKTORING AS Issued capital TRY 75,183,837	ISTANBUL	ISTANBUL	7	2	ENTERNASYONAL TURIZM YATIRIM A.S.	..	
						YAPI KREDI FINANSAL KIRALAMA AO	..	
						YAPI VE KREDI BANKASI AS	40.93	
12	YAPI KREDI FINANSAL KIRALAMA AO Issued capital TRY 389,927,705	ISTANBUL	ISTANBUL	7	2	YAPI VE KREDI BANKASI AS	40.95	
13	YAPI KREDI HOLDING BV Issued capital EUR 102,000,000	AMSTERDAM	AMSTERDAM	7	2	YAPI VE KREDI BANKASI AS	40.95	
14	YAPI KREDI PORTFOEY YOENETIMI AS Issued capital TRY 8,510,688	ISTANBUL	ISTANBUL	7	2	YAPI KREDI YATIRIM MENKUL DEGERLER AS	35.76	87.32
						YAPI VE KREDI BANKASI AS	5.18	12.65
15	YAPI KREDI YATIRIM MENKUL DEGERLER AS Issued capital TRY 197,682,787	ISTANBUL	ISTANBUL	7	2	YAPI KREDI FINANSAL KIRALAMA AO	..	
						YAPI VE KREDI BANKASI AS	40.94	
16	YAPI VE KREDI BANKASI AS Issued capital TRY 8,398,165,828	ISTANBUL	ISTANBUL	7	1	KOC FINANSAL HIZMETLER AS	40.95	
	A.3 COMPANIES UNDER SIGNIFICANT INFLUENCE							
17	ADLER FUNDING LLC Issued capital USD 2,142,857	DOVER	NEW YORK	8	5	UNICREDIT BANK AG	32.81	
18	ALLIANZ YASAM VE EMEKLILIK AS Issued capital TRY 139,037,203	ISTANBUL	ISTANBUL	8	2	YAPI KREDI FAKTORING AS	0.04	
						YAPI KREDI FINANSAL KIRALAMA AO	19.93	
						YAPI KREDI YATIRIM MENKUL DEGERLER AS	0.04	
						YAPI VE KREDI BANKASI AS	..	

Part A - Accounting policies

						OWNERSHIP RELATIONSHIP		
	COMPANY NAME	MAIN OFFICE	ADMINISTRATIVE OFFICE	TYPE OF RELATIONSHIP (1)	NATURE OF RELATIONSHIP (5)	HELD BY	HOLDING %	VOTING RIGHTS % (2)
19	ALLIANZ ZB D.O.O. DRUSTVO ZA UPRAVLJANJIE OBVEZNIM MIROVINSKIM FONDOM Issued capital HRK 105,000,000	ZAGREB	ZAGREB	8	5	ZAGREBACKA BANKA D.D.	49.00	
20	ARWAG HOLDING-AKTIENGESELLSCHAFT Issued capital EUR 3,000,000	VIENNA	VIENNA	8	5	IMMOBILIEN HOLDING GMBH	34.38	
21	ASSET BANCARI II Issued capital EUR 25,050,203	MILAN	MILAN	8	2	UNICREDIT SPA	21.55	
22	AVIVA SPA Issued capital EUR 247,000,000	MILAN	MILAN	8	4	UNICREDIT SPA	49.00	
23	BANK FUER TIROL UND VORARLBERG AKTIENGESELLSCHAFT Issued capital EUR 68,062,500	INNSBRUCK	INNSBRUCK	8	1	CABO BETEILIGUNGSGESELLSCHAFT M.B.H.	37.53	40.51
						UNICREDIT BANK AUSTRIA AG	9.85	6.34
24	BANQUE DE COMMERCE ET DE PLACEMENTS SA Issued capital CHF 75,000,000	GENEVA	GENEVA	8	1	YAPI VE KREDI BANKASI AS	30.67	
25	BARN BV Issued capital EUR 237,890,000	AMSTERDAM	AMSTERDAM	8	2	AO UNICREDIT BANK	40.00	
26	BKS BANK AG Issued capital EUR 85,886,000	KLAGENFURT	KLAGENFURT	8	1	CABO BETEILIGUNGSGESELLSCHAFT M.B.H.	23.15	24.16
						UNICREDIT BANK AUSTRIA AG	6.63	6.14
27	CAMFIN S.P.A. Issued capital EUR 1,000,000	MILAN	MILAN	8	5	UNICREDIT SPA	13.64	22.22
28	CASH SERVICE COMPANY AD Issued capital BGN 12,500,000	SOFIA	SOFIA	8	5	UNICREDIT BULBANK AD	20.00	
29	CBD INTERNATIONAL SP.ZO.O. Issued capital PLN 100,500	WARSAW	WARSAW	8	2	ISB UNIVERSALE BAU GMBH	49.75	
30	CNP UNICREDIT VITA S.P.A. Issued capital EUR 381,698,529	MILAN	MILAN	8	4	UNICREDIT SPA	38.80	
31	COMPAGNIA AEREA ITALIANA S.P.A. Issued capital EUR 352,940	FIUMICINO (ROME)	FIUMICINO (ROME)	8	5	UNICREDIT SPA	36.59	
32	COMTRADE GROUP B.V. Issued capital EUR 4,522,000	ROTTERDAM	AMSTERDAM	8	5	UNICREDIT BANK AG	21.05	
33	CREDITRAS ASSICURAZIONI SPA Issued capital EUR 52,000,000	MILAN	MILAN	8	4	UNICREDIT SPA	50.00	
34	CREDITRAS VITA SPA Issued capital EUR 112,200,000	MILAN	MILAN	8	4	UNICREDIT SPA	50.00	
35	DA VINCI S.R.L. Issued capital EUR 100,000	ROME	ROME	8	5	IDEA FIMIT SGR FONDO SIGMA IMMOBILIARE	37.50	
36	INCONTRA ASSICURAZIONI S.P.A. Issued capital EUR 5,200,000	MILAN	MILAN	8	4	UNICREDIT SPA	49.00	
37	MEDIOBANCA BANCA DI CREDITO FINANZIARIO SPA Issued capital EUR 443,608,089	MILAN	MILAN	8	1	UNICREDIT SPA	8.40	
38	MULTIPLUS CARD D.O.O. ZA PROMIDZBU I USLUGE Issued capital HRK 5,000,000	ZAGREB	ZAGREB	8	2	ZAGREB NEKRETNINE DOO	75.00	25.00
39	NAUTILUS TANKERS LIMITED Issued capital USD 2,000	LA VALLETTA	LA VALLETTA	8	5	UNICREDIT BANK AG	45.00	

Part A - Accounting policies

	COMPANY NAME	MAIN OFFICE	ADMINISTRATIVE OFFICE	TYPE OF RELATIONSHIP (1)	NATURE OF RELATIONSHIP (5)	OWNERSHIP RELATIONSHIP HELD BY	HOLDING %	VOTING RIGHTS % (2)
40	NOTARTREUHANDBANK AG Issued capital EUR 8,030,000	VIENNA	VIENNA	8	2	UNICREDIT BANK AUSTRIA AG	25.00	
41	OBERBANK AG Issued capital EUR 105,853,000	LINZ	LINZ	8	1	CABO BETEILIGUNGSGESELLSCHAFT M.B.H.	23.76	25.97
						UNICREDIT BANK AUSTRIA AG	3.41	1.32
42	OESTERREICHISCHE KONTROLLBANK AKTIENGESELLSCHAFT Issued capital EUR 130,000,000	VIENNA	VIENNA	8	1	CABET-HOLDING GMBH	24.75	
						SCHOELLERBANK AKTIENGESELLSCHAFT	8.26	
						UNICREDIT BANK AUSTRIA AG	16.14	
43	OESTERREICHISCHE WERTPAPIERDATEN SERVICE GMBH Issued capital EUR 100,000	VIENNA	VIENNA	8	2	UNICREDIT BANK AUSTRIA AG	29.30	
44	PSA PAYMENT SERVICES AUSTRIA GMBH Issued capital EUR 285,000	VIENNA	VIENNA	8	2	SCHOELLERBANK AKTIENGESELLSCHAFT	4.52	
						UNICREDIT BANK AUSTRIA AG	19.48	
45	RCI FINANCIAL SERVICES S.R.O. Issued capital CZK 70,000,000	PRAGUE	PRAGUE	8	2	UNICREDIT LEASING CZ, A.S.	50.00	49.86
46	RISANAMENTO SPA Issued capital EUR 197,951,784	MILAN	MILAN	8	5	UNICREDIT SPA	22.23	
47	TORRE SGR S.P.A. Issued capital EUR 3,200,000	ROME	ROME	8	2	UNICREDIT SPA	37.50	
48	UNI GEBAEUDEMANAGEMENT GMBH Issued capital EUR 18,168	LINZ	LINZ	8	2	BA GVG-HOLDING GMBH	50.00	
49	WKBG WIENER KREDITBUERGSCHAFTS- UND BETEILIGUNGSBANK AG Issued capital EUR 15,550,309	VIENNA	VIENNA	8	2	UNICREDIT BANK AUSTRIA AG	21.54	
50	YAPI KREDI KORAY GAYRIMENKUL YATIRIM ORTAKLIGI AS Issued capital TRY 40,000,000	ISTANBUL	ISTANBUL	8	2	YAPI VE KREDI BANKASI AS	30.45	

Notes to the table showing the investments in subsidiaries and valued at equity:
(1) Type of relationship:
1= majority of voting rights at ordinary shareholders' meeting;
2= dominant influence at ordinary shareholders' meeting;
3= agreements with other shareholders;
4= other types of control;
5= centralised management pursuant to paragraph 1 of Art.39 of "Legislative decree 136/2015";
6= centralised management pursuant to paragraph 2 of Art.39 of "Legislative decree 136/2015";
7= joint control;
8= associated companies.
(2) Voting rights available in general meeting. Voting rights are disclosed only if different from the percentage of ownership.
(3) Companies consolidated line by line under IFRS10 as a result of the simultaneous availability of power to govern the relevant activities and exposures to variability of related returns.
(4) In the consolidated financial statements the Group's stake is 100% as the trust company does not share in the profits. The voting rights are held by the grantor, a Group company.
(5) The equity investment in Cordusio SIM - Advisory & Family Office S.p.A. is consolidated at 100% by virtue of UniCredit S.p.A.'s 96.10% and its option on minority interests representing 3.90% of the share capital.
(6) Nature of relationship:
1= Banks;
2= Financial entities;
3= Ancillary banking entities services;
4= Insurance enterprises;
5= Non-financial enterprises;
6= Other equity investments;
(7) SPV consolidated IFRS11.
We remind that, starting from 1 January 2014, after the endorsement of IFRS11 the option to consolidate joint controlled entities proportionally has been eliminated, imposing the net equity method for those companies that fall in the scope of the aforementioned IFRS11.

Part A - Accounting policies

Changes in the scope of consolidation

Companies consolidated line by line, including the Parent company and those ones classified as non-current assets and asset disposal groups, decreased by 12 entities compared with 31 December 2018 (9 inclusions and 21 exclusions as a result of disposals, changes of the consolidation method and mergers), from 505 as at 31 December 2018 to 493 as at 30 June 2019.

Companies consolidated at equity, including those ones classified as non-current assets and asset disposal groups, decreased by 4 entity compared with 31 December 2018, from 54 as at 31 December 2018 to 50 as at 30 June 2019 due to 2 disposals and 2 changes of the consolidation method.

We remind that after the application of IFRS11, starting from 1 January 2014, the option to consolidate joint controlled entities proportionally has been eliminated, imposing the net equity method for those companies that fall in the scope of the aforementioned IFRS11.

With reference to 30 June 2019, it can be noted that 225 controlled entities (of which 19 belonging to the banking group) were not consolidated, of which 214 for materiality threshold and/or liquidation procedures. Based on available information, it is believed that their consolidation would not have impacted significantly the Group equity.

Among the non-consolidated remaining 11 entities can be outlined:
- 2 investment funds which quotas are entirely or partially subscribed by the Group and for which consolidation would not determine neither a significant increase in Group consolidated assets;
- 6 entities deriving from restructuring procedures which risks are measured coherently as part of the credit exposures;
- 3 entities temporarily slightly exceeding the materiality threshold of €1 million total assets.

Wholly-owned subsidiaries

The following table shows the changes in equity investments in wholly-owned subsidiaries.

Equity investments in wholly-owned subsidiaries (consolidated line by line): annual changes

	NUMBER OF COMPANIES
A. Opening balance (from previous year)	**505**
B. Increased by	**9**
B.1 Newly established companies	1
B.2 Change of the consolidation method	5
B.3 Entities consolidated for the first time in the year	3
C. Reduced by	**21**
C.1 Disposal/Liquidation	10
C.2 Change of the consolidation method	10
C.3 Absorption by other Group entities	1
D. Closing balance	**493**

The tables below analyse the other increases and decreases occurred during the year by company.

Part A - Accounting policies

Increases

Newly established companies
During the period there was a newly established company UniCredit Leased Asset Management S.p.A.

Change of the consolidation method

COMPANY NAME	MAIN OFFICE
WEICKER S. A R.L.	LUXEMBOURG
WEALTHCAP OBJEKT-VORRAT 24 GMBH & CO. KG	MUNICH
WEALTHCAP OBJEKT-VOHNEN 1 GMBH & CO. KG	MUNICH

COMPANY NAME	MAIN OFFICE
WEALTHCAP OBJEKT DRESDEN GMBH & CO. KG	MUNICH
WEALTHCAP OBJEKT-VORRAT 25 GMBH & CO. KG	MUNICH

Entities consolidated for the first time in the year

COMPANY NAME	MAIN OFFICE
UNICREDIT GUSTRA LEASING GMBH	VIENNA
WEALTHCAP WOHNEN 1A GMBH & CO. KG	MUNICH

COMPANY NAME	MAIN OFFICE
ELEKTRA PURCHASE NO. 64 DAC	DUBLIN

Reductions
The above table refers to disposals and liquidations of inactive companies.

Disposal/Liquidation

COMPANY NAME	MAIN OFFICE
MCL RE LJUBLJANA, POSLOVNI NAJEM NEPREMI NIN, D.O.O.	LJUBLJANA
CORIT - CONCESSIONARIA RISCOSSIONE TRIBUTI S.P.A. IN LIQUIDAZIONE	ROME
UNICREDIT LEASING LUNA KFT	BUDAPEST
UNICREDIT LEASING MARS KFT	BUDAPEST
FINECO ASSET MANAGEMENT DESIGNATED ACTIVITY COMPANY	DUBLIN

COMPANY NAME	MAIN OFFICE
SOCIETA' ITALIANA GESTIONE ED INCASSO CREDITI S.P.A. IN LIQUIDAZIONE	ROME
BACA LEASING CARMEN GMBH	VIENNA
UNICREDIT LEASING URANUS KFT	BUDAPEST
ELEKTRA PURCHASE NO. 48 DAC	DUBLIN
FINECOBANK SPA	MILAN

On 8 May 2019 UniCredit S.p.A. (UniCredit) sold ordinary shares of FinecoBank S.p.A. (Fineco) of which, at the time, it held 35.3% of the capital for a share of 17%, through an ABB procedure. No.103.5 million ordinary shares have been disposed at a price of €9.80 per share.

Following the completion of the transaction, settled on 10 May 2019, UniCredit, on 30 June 2019, held a stake in Fineco equal to 18.3% of the share capital (corresponding to No.111.6 million shares).

Before the disposal, on 7 May 2019 UniCredit's Board of Directors and by Fineco’s Board of Directors approved a series of actions and procedures aimed at ensuring Fineco ability to operate independently, also in case of possible exit from the UniCredit group. In this context, the parties have entered into a framework agreement concerning:
- the commitment undertaken by the UniCredit Board of Directors to: (i) renounce to any administrative right on the matters referred to in Art.2364 of the Italian Civil Code, relating to any residual portion held in Fineco, including the appointment or removal of the Board of Directors, the approval of Fineco annual financial statement, dividends distribution as well as other matters for which the ordinary shareholders' meeting is responsible; (ii) avoid subscribing any type of agreement aimed at pursuing the same objectives as in the previous point (i);
- the subscription of a financial guarantee contract (“Collateral”) granted by UniCredit in favour of Fineco, in order to neutralise the credit risk exposure of Fineco against UniCredit (mainly deriving from UniCredit Bonds subscribed by Fineco); this contract does not require Fineco the payment of commissions;
- the subscription of a contract that allows Fineco to continue to use certain names and trademarks containing the term "Fineco”, owned by UniCredit, together with the provision of an American option in favour of Fineco to purchase the brand at increasing exercise prices until 2032;
- the subscription of a Master Service Agreement ("MSA") for the supply of certain services for a specific period of time by UniCredit group in favour of Fineco to allow the latter to continue its operations (included access to UniCredit ATM and international operations); these services are provided at market prices.

Part A - Accounting policies

Due to the actions outlined in the previous points, and in particular to the renounce to any administrative right and the fact that the contracts stipulated do not allow UniCredit to influence the strategic and investment choices of Fineco, UniCredit does not have the power to govern the relevant activities of Fineco.

In addition, the part of equity investment maintained and the subscription (in January 2018) of the Additional Tier 1 held in Fineco, do not determine an exposure to the variability of the results of Fineco causing a control on it.

Finally, with reference to the correlation between power and returns, it should be noted that the residual equity investment held and the renounce to any administrative rights do not allow UniCredit to determine in any way Fineco’s choices regarding the distribution of dividends.
On the basis of these circumstances, it is possible to state that UniCredit has no control over Fineco as the conditions established by IFRS10 are not met.
Likewise, due to the aforementioned inability of UniCredit to influence the choices of Fineco management, it is possible to state that UniCredit is not in a position to exercise significant influence in accordance with IAS28.
Therefore, as there is no control or significant influence, with reference to 30 June 2019, the Group proceeded to derecognise assets, liabilities and third parties equity relating to Fineco from the consolidated financial statements and to recognise the payment received and the maintained share accounting for the difference in the income statement (the parent company UniCredit S.p.A., as at 30 June 2019, derecognised the equity investment sold).
The maintained share (18.3%) has been classified as a financial instrument in the category "other assets mandatorily at fair value".

As described above, UniCredit proceeded to recognise, in its consolidated financial statements, a capital gain for a total amount of €1,287 million net of transaction costs directly attributable to ABB and before tax impacts (the parent company UniCredit S.p.A., as at 30 June 2019, recognised a capital gain for €1,722 million net of transaction costs directly attributable to ABB and before tax impacts).
This capital gain includes the effects deriving from the revaluation of the portion maintained at the opening price of the trade date (8 May 2019).
In particular, it should be noted that the fair value of 18.3% share maintained amounted to €1,105.5 million.
As at 30 June 2019 the stake held was measured at fair value, as required by its accounting category, causing the recognition of a valuation loss of €14.5 million.

In addition to the above, it should be noted that UniCredit proceeded to recognise on the date of loss of control in Fineco:
- a liability of €55 million deriving from the Collateral contract; the amount of this liability has been calculated by discounting the commissions that UniCredit would have received if it had given the same guarantee to third parties at market conditions, determining the recognition of "other operating expenses" of the same amount;
- “Fineco” trademark cancellation previously recognised for an amount of €93 million as well as a credit to banks for an amount of €23 million as a result of the trademark concession contract; this credit, which led to the recognition of "other operating income" of the same amount, reflects the amount that UniCredit expects to collect due to the exercise of the option to purchase the brand in the first useful period (the parent company UniCredit S.p.A., as at 30 June 2019, recognised only the aforementioned bank receivable).

Change of the consolidation method

COMPANY NAME	MAIN OFFICE
LIFE MANAGEMENT ERSTE GMBH	MUNICH
UNICREDIT-LEASING NEPTUNUS KFT	BUDAPEST
PIONEER ALTERNATIVE INVESTMENTS (ISRAEL) LIMITED IN VOLUNTARY LIQUIDATION	RAMAT GAN
UNICREDIT-LEASING HOSPES KFT	BUDAPEST
RE-ST.MARX HOLDING GMBH	VIENNA

COMPANY NAME	MAIN OFFICE
VERWALTUNGSGESELLSCHAFT KATHARINENHOF MBH	MUNICH
PAI (NEW YORK) LIMITED	DOVER
WEALTHCAP OBJEKT-VORRAT 20 GMBH & CO. KG	MUNICH
TRANSTERRA GESELLSCHAFT FUR IMMOBILIENVERWALTUNG MBH	MUNICH
DELPHA IMMOBILIEN- UND PROJEKTENTWICKLUNGS GMBH & CO. GROSSKUGEL BAUABSCHNITT BETA MANAGEMENT KG	MUNICH

The changes in the consolidation method refer to companies excluded from the consolidation scope due to their immateriality.

Part A - Accounting policies

Absorption by other Group entities

COMPANY NAME OF THE MERGERED ENTITY	MAIN OFFICE
HVB CAPITAL PARTNERS AG	MUNICH

COMPANY NAME OF THE TAKING IN ENTITY	MAIN OFFICE
UNICREDIT BANK AG	MUNICH

Entities line by line which changed the company name during the year

COMPANY NAME	MAIN OFFICE
ZABA PARTNER D.O.O. ZA BROKERSKE POSLOVE U OSIGURANJU I REOSIGURANJU (ex. ZABA PARTNER DOO ZA POSREDOVANJE U OSIGURANJU I REOSIGURANJU)	ZAGREB
OOO UNICREDIT GARANT (ex. AO LOCAT LEASING RUSSIA)	MOSCOW

COMPANY NAME	MAIN OFFICE
UNICREDIT HAMRED LEASING GMBH (ex. HAMZO PROJECT DEVELOPMENT I GMBH)	VIENNA
WEALTHCAP OBJEKTE GRASBRUNN UND ISMANING GMBH & CO. KG (ex. WEALTHCAP OBJEKT-VORRAT 21 GMBH & CO. KG)	MUNICH

Equity investments in joint ventures and in companies under significant influence (consolidated at net equity): annual changes

	NUMBER OF COMPANIES
A. Opening balance (from previous year)	**54**
B. Increased by	**-**
B.1 Newly established companies	-
B.2 Change of the consolidation method	-
B.3 Entities consolidated for the first time in the year	-
C. Reduced by	**4**
C.1 Disposal/Liquidation	2
C.2 Change of the consolidation method	2
C.3 Absorption by other Group entities	-
D. Closing balance	**50**

Increases

During the period there were no changes in newly established companies, change of the consolidation method and entities consolidated for the first time in the year.

Reductions

Disposal/Liquidation

COMPANY NAME	MAIN OFFICE
OESTERREICHISCHE HOTEL- UND TOURISMUSBANK GESELLSCHAFT M.B.H.	VIENNA

COMPANY NAME	MAIN OFFICE
SWANCAP PARTNERS GMBH	MUNICH

Change of the consolidation method

COMPANY NAME	MAIN OFFICE
EUROPROGETTI & FINANZA S.R.L. IN LIQUIDAZIONE	ROME

COMPANY NAME	MAIN OFFICE
PAYDIREKT BETEILIGUNGSGESELLSCHAFT PRIVATER BANKEN MBH	BERLIN

As at 30 June 2019 the following were carried at cost:
- 15 equity investments (all held either directly or through consolidated subsidiaries) in associates;
- 8 equity investments (of which 2 held either directly or through consolidated subsidiaries) in jointly-controlled companies.

Section 4 - Events subsequent to the reference date

No material events have occurred after 30 June 2019 that would make necessary to change any of the information provided in the Consolidated first half financial report as at the same date.
For further details and information refer to the Consolidated interim report on operations.

Part A - Accounting policies

Section 5 - Other matters

In 2019 the following standards, amendments or interpretations or revisions came into force:
- Amendments to IAS28: Long-term Interests in Associates and Joint Ventures (October 2017);
- Amendments to IAS19: Plan Amendment, Curtailment or Settlement (February 2018);
- Annual Improvements to IFRS Standards 2015-2017 Cycle (December 2017);
- IFRS16 - Leasing (EU Regulation 2017/1986);
- IFRIC23 Uncertainty over Income Tax Treatments (Reg. UE 2018/1595);
- Amendments to IFRS9: Prepayment Features with Negative Compensation (EU Regulation 2018/498).

As at 30 June 2019, no accounting standards applicable to reporting starting from or after 1 January 2020 have been endorsed by the European Commission.

IFRS16, effective starting from 1 January 2019 and subject to the completion of the endorsement process by the European Union on 31 October 2017, modifies the previous set of international accounting principles and interpretations on leases and, in particular, IAS17.
IFRS16 introduces a new definition for leases and confirms the current distinction between two types of leases (operating and finance) with reference to the accounting treatment to be applied by the lessor.
With reference to the accounting treatment to be applied by the lessee, the new accounting standard sets, for all the leasing typologies, the recognition of an asset, representing the right of use of the underlying asset and, at the same time, a liability for the future payments requested by the lease contract.
At the initial recognition such asset is measured on the basis of the lease contract cash flows. After the initial recognition the right of use will be measured on the basis of the rules set for the assets by IAS16, IAS38 or by IAS40 and therefore applying the cost model, less any accumulated depreciation and any accumulated impairment losses, the revaluation model or the fair value model as applicable.

In this context, the Group has performed the activities aimed to ensure compliance with this accounting principle, in particular with reference to the calculation and accounting for right of use and lease liability that represent the main discontinuity compared to the previous accounting model required by IAS17.
The activities aimed to the development of rules, principles and IT systems to be used for the proper evaluation of new assets and liabilities and the subsequent calculation of the related economic effects have been finalised.

For more details on the contents of the standard and on the main accounting choices taken by the Group, see the section "A2 - Main items of the accounts" of this document.

With reference to the First time adoption of IFRS16 the Group decided, as allowed by the standard, to calculate the lease liability as the present value of future lease payments as at 1 January 2019 and to determine the right of use on the basis of the value of the lease liability.
As a result comparative information has not been restated.

On 1 January 2019 the Group has recognised the right of use tangible assets for an amount of €2,486 million relating to lease contracts of buildings for an amount of €2,404 million; other tangible assets have been also recognised for an amount of 82 million (including land, office furniture and fitting, electronic systems, other).

At the same date the Group has also recognised lease liabilities for an amount of €2,555 million relating to lease contracts of buildings for an amount of €2,475 million; other lease liabilities have been also recognised for an amount of €80 million (including land, office furniture and fitting, electronic systems, other).

The difference between right of use and lease liability arises from the inclusion in the right of use of prepaid and deferred payments, from the recognition as part of the right of use of the provisions for risks and charges previously recognised for vacancies on rented buildings and from sublease contracts entered with third parties external to the Group that have been classified as finance lease. Indeed, in case the Group subleases to third parties assets acquired in lease contracts, it recognizes a finance lease receivable.

The impact accounted for in FTA Reserve amounts to -€6 million and it is mainly due to differences arising from sublease transactions if the terms of the head leases are not perfectly mirrored by the terms of the associated subleases.
It should be finally noted that the Notes to the consolidated accounts - Part B - Consolidated balance sheet of the consolidated financial statement as at 31 December 2018 showed future minimum non-cancellable lease payments amounting to €361 million relating to operating leases and lease payments for €187 million relating to finance lease.
It should be also noted that these amounts cannot be reconciled with the amount of the lease liability recognised on 1 January 2019 as they only comprise payments arising from leasing contract. Conversely the initial application of IFRS16 has led to recognise a lease liability for both contracts formally qualified as leases and rental contracts.

Part A - Accounting policies

Finally, as at 30 June 2019, the IASB has issued the following accounting standards, interpretations or changes to the existing accounting standards, the application of which is however subject to the completion of the endorsement process by the competent bodies of the European Union:
- IFRS17: Insurance Contracts (May 2017);
- Amendments to IFRS3: Business combination (October 2018);
- Amendments to IAS1 and IAS8: Definition of Material (October 2018);
- Amendments to the IFRS Conceptual Framework (March 2018).

Note that as at 30 June 2019 the amount of unrecognised **deferred tax assets** (DTA) is equal to €4,269 million. For additional information, also with reference to the sustainability test performed as at 30 June 2019, refer to Part B, Section 11, of the Notes to the consolidated accounts of the Consolidated financial statements as at 31 December 2018. In this regards, during the period, no events or additional information have arisen that require a change in the assumptions used for the evaluation.

The Consolidated first half financial report as at 30 June 2019 has been approved by the Board of Directors' meeting of 6 August 2019, which authorised its publication, also according to IAS10.

The whole document is filed in the competent offices and entities as required by law.

A.2 - Main items of the accounts

With regard to the classification and measurement criteria of the main items, refer to Part A.2 of the Notes to the consolidated accounts of the Consolidated financial statements as at 31 December 2018, except for the items coming from lease contracts that are further detailed below.

Lessor
Lease contracts shall be classified by the lessor in finance leases and operating leases.
Finance leases effectively transfer all the risks and benefits of ownership of an asset to the lessee. The lessee acquires the economic benefit of the use of the leased asset for most of its useful life, in exchange for a commitment to pay to the lessor an amount approximately equivalent to the fair value of the asset and related finance costs. Recognition in the lessor's accounts is as follows:
- in assets, the value of the loan, less the principal of lease payments due and paid by the lessee;
- in profit or loss, interest received.

Operating leases do not transfer all the risks and benefits of ownership of an asset to the lessee which are therefore retained by the lessor.
In case of operating leases, the lessor recognises in the income statement the leases payments on an accrual basis.

Lessee
The lessee recognises an asset representing the right of use of the underlying asset and, at the same time, a liability for the future payments requested by the lease contract.
It should be noted that as allowed by the standard, the Group has decided not to recognise any right of use nor lease liability with reference to the following lease contracts:
- leases of intangible assets;
- short term leases, lower than 12 months; and
- low value assets leases. For this purpose an asset is considered as "low value" when its fair value as new is equal to or lower than €5 thousand. This category mainly comprises office equipment (PC, monitors, tablets, etc.) and fixed and mobile phones.

Therefore, lease payments concerning these kind of lease assets are recognised in item "190. Administrative expenses" on an accrual basis.

With reference to contracts different from those mentioned above, the lease liability, recognised in Item "10. Financial liabilities at amortised cost", is determined by discounting the future lease payments to be due over the lease term at the proper discount rate.
Future lease payments subject to discounting are determined based on contractual provisions and net of VAT, when applicable, as the obligation to pay this tax starts when the invoice is issued by the lessor and not at the starting date of the lease contract.
In addition, if the lease payments foreseen by the contracts include additional services beside the mere rental of the asset, the right of use and the associated lease liability are calculated considering also these components.
To perform the mentioned calculation, lease payments have to be discounted at the interest rate implicit in the contract or, if it is not available, at the incremental borrowing rate. The latter is determined on the basis of the cost of funding for liabilities of similar duration and similar security of those implicit in the lease contract.
In order to determine the lease term it is necessary to consider the non-cancellable period, established in the contract, in which the lessee is entitled to use the underlying asset taking also into account potential renewal options if the lessee is reasonably certain to renew.

Part A - Accounting policies

In particular, with reference to those contracts that allow the lessee to tacitly renew the lease contract after a first set of years, the lease term is determined taking into account factors such as the length of the first period, the existence of dismissal plans for the asset leased and any other circumstance indicating the reasonably certainty of the renewal.

The right of use is initially recognised in item "90. Property, plant and equipment" on the basis of the initial recognition amount of the associated lease liability, adjusted to consider, if applicable, lease payments made at or before the commencement of the lease, initial direct costs and estimates of costs required to restore the assets to the conditions requested by the terms of the lease contract.

Subsequent to the initial recognition, interests accrue on the lease liability at the interest rate implicit in the contract and are recognised in item "20. Interest expenses and similar charges".
The amount of the lease liability is reassessed in case of changes in the lease term, also arising from a change in the assessment of an option to purchase the leased asset, or in the lease payments, either coming from a change in an index or rate used to determine these payments or as a result of the amount expected to be payable under a residual value guarantees.
In these cases, the carrying value of the lease liability is calculated by discounting lease payments over the lease term using the original or a revised discount rate as applicable.
Changes in the amount of the lease liability resulting from the reassessment are recognised as an adjustment of the right of use.

In case of modification of a lease contracts, the lessee recognises an additional separate lease if the modification increases the scope of the lease adding to the right of use one or more assets and the consideration to be paid for such increase is commensurate with the stand-alone price of the increase.
For other types of modifications the lease liability is recalculated by discounting the lease payments for the revised lease term using a revised discount rate.
Changes in the Lease liabilities also adjust the carrying value of the corresponding right of use with the exception of gains/losses relating to the partial or full termination of the lease that are recognised in the income statement.

Subsequent to the initial recognition the right of use is depreciated over the lease term and subject to impairment if applicable. Depreciation and impairment are recognised in item "210. Net value adjustments/write-backs on property, plant and equipment".

A.3 - Information on transfers between portfolios of financial assets

There were no transfers between portfolios of financial assets in the first half 2019.

A.4 - Information on fair value

Qualitative information

This section presents a disclosure on fair value as required by IFRS13.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an ordinary transaction between market participants in the principal market at the measurement date (i.e. an exit price).

The fair value of a financial liability with a demand feature (e.g. a demand deposit) cannot be lower than the amount payable on demand, discounted from the first date that the amount could be required to be paid.

For financial instruments listed in active markets, fair value is determined on the basis of official prices in the principal market to which the Group has access (*Mark to Market*).

A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from a pricing service, dealer, broker, agency that determines prices or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. If a published price quotation in an active market does not exist for a financial instrument in its entirety, but active markets exist for its component parts, fair value can be determined on the basis of the relevant market prices for the component parts.

Part A - Accounting policies

If the observable prices in active market or other observable inputs, such as the quoted price of a similar instrument in an active market, the Group may use another valuation techniques, such as:
- a market approach (e.g. using quoted prices for similar liabilities or equity instruments held by other parties as assets);
- cost approach (e.g. it reflects the amount that would be required currently to replace the service capacity of an asset, that is the current replacement cost);
- an income approach (e.g. a present value technique that takes into account the future cash flows that a market participant would expect to receive from holding the liability or equity instrument as an asset).

The Group uses valuation models (*Mark to Model*) in keeping with the methods generally accepted and used by the market. Valuation models include techniques based on the discounting of future cash flows and on volatility estimates, and they are subject to revision both during their development and periodically in order to ensure their consistency with the objectives of the valuation.

These methods use inputs based on prices set in recent transactions for the instrument being valued and/or prices/quotations for instruments having similar characteristics in terms of risk profile. Indeed, these prices/quotations are relevant for determining significant parameters in terms of credit, liquidity and price risk of the instrument being valued. Reference to these market parameters allows to limit the discretionary nature of the valuation, and ensures that the resulting fair value can be verified. If, for one or more risk factors it is not possible to refer to market data, the valuation models employed use estimates based on historical data as inputs.

As a further guarantee of the objectivity of valuations derived from valuation models, the Group employs:
- independent price verifications (IPVs);
- fair value adjustments (FVAs).

Independent price verification requires that the prices are verified at least monthly by Risk Management units that are independent from the units that assume the risk exposure.
This verification calls for comparing and adjusting the price in line with valuations obtained from independent market participants.

For instruments not quoted in active markets, the above verification process uses prices contributed by info providers as a reference, and assigns a greater weighting to those prices that are considered representative of the instrument being valued.
This valuation can include the feasibility of the transaction at the price observed, the number of contributors, the degree of similarity of the financial instruments, the consistency of prices from different sources, and the process followed by the info provider to obtain the information.

A.4.1 Fair value levels 2 and 3: valuation techniques and inputs used

Hereby we provide IFRS13 disclosure requirements about accounting portfolios measured at fair value on a recurring basis, not measured at fair value, or measured at fair value on a non-recurring basis.

Assets and Liabilities measured at fair value on a recurring basis

Fixed-income securities

Fixed-income securities are priced in a two tier process depending on the liquidity in the respective market. Liquid instruments in active markets are marked to market and consequently positions in these instruments are disclosed in reference to Fair Value Hierarchy under Level 1[9]. In order to assess it, within the global bond Independent Price Verification (IPV) process a daily Liquidity Indicator is defined taking into account: the number of executable bid/ask quotes, their relative sizes and spreads. Such indicator is tracked over a 20 business days time window in order to obtain a stable monthly indicator.

Instruments not traded in active markets are marked to model based on implied credit spread curves derived from the former Level 1 instruments. The model maximises the use of observable input and minimises the use of unobservable inputs. With this respect, depending on the proximity of the credit spread curve applied, the bonds are disclosed as Level 2 or Level 3 respectively; Level 3 is applied in case credit spread curves used are significantly unobservable. Under fair value accounting, fair value adjustments for liquidity and model deficiencies compensate for the lack of market observables for the Level 2 and Level 3 positions.
In the global bond IPV process market prices of Level 1 bonds and pricing models for illiquid bonds are regularly verified for accuracy.

9 As far as Italian Government bonds are concerned, it is worth stressing they are typically exchanged on the MTS market which is largely acknowledged as the main liquid platform for this kind of asset.

Part A - Accounting policies

Structured financial products
The Group determines the fair value of structured financial products not quoted on active markets using the appropriate derivative valuation methodology given the nature of the embedded structure (when this is not to be separated). Such instruments are classified as Level 2 or Level 3 depending on the observability of significant inputs to the model.

Asset Backed Securities
UniCredit valuation process relies on internal policies centered on two pillars
- extension and implementation across all the Group's Legal Entities of an Independent Price Verification (IPV) process suited to the changed market conditions for Structured credit bonds;
- integration of current Fair Value Adjustments Policy.

According to the IPV process the quality of a price is assessed based upon the availability of quotes of independent market players for identical assets.

The process relies first on *consensus data provider* as reliable collector of market quotes.

As a second step, prices are assessed by benchmarking each security to a pool of similar securities with available market quotes. An alternative approach consists in evaluating the instrument through the use of quantitative pricing models, which are applicable every time that information regarding market participants assumptions on model parameters are reasonably made available without excessive costs or efforts.

Derivatives
Fair value of derivatives not traded in an active market is determined using a mark-to-model valuation technique.
Where active markets exist for its component parts, then fair value is determined on the basis of the relevant market prices for the component parts. Valuation techniques that are based on significant inputs that are observable are referred to as Level 2 valuations, while those based on techniques that use significant unobservable inputs are referred to as Level 3 valuations.

Equity instruments
Equity instruments are assigned to Level 1 when a quoted price is available on a liquid market and to Level 3 when no quotations are available or quotations have been suspended indefinitely. These instruments are classifies as Level 2 only when trading volume on the market where the instrument is quoted has decreased significantly.

Investment funds
The Group holds investments in certain investment funds that publish net asset value (NAV) per share, including mutual funds, private equity funds, hedge funds (including funds of funds) and real estate funds. The Group's investments include co-investments in funds that are managed by the Group and investments in funds that are managed by third parties and in particular:

Real estate funds
Real estate funds are mapped to Level 1 when quoted prices are available on an active market; when this condition does not hold, real estate funds are disclosed as Level 3 and they are evaluated through an adequate credit adjustment of the NAV based on the specific features of each fund.

Other funds
The Group holds investments also in mutual funds, hedge funds and private equity funds.
Funds are usually assigned to Level 1 when a quoted price is available on an active market.
Funds are disclosed as Level 2 or Level 3 depending on NAV availability, portfolio transparency and possible issues relating to position write-off.

Property, plant and equipment measured at fair value
The Group owns property, plant and equipment held for investment purposes, which are valued according to the fair value model for Real Estate investments linked to liabilities that generate a return on investments themselves.
The attribution of fair value levels is based on the level of observability of the significant market parameters used by the valuation technique. Given the current portfolio composition, most of the positions are at Level 3.

Fair Value Adjustments (FVA)
Fair value adjustment is defined as the amount to be added either to the market observed mid-price or to the theoretical price generated by a valuation model with the aim of obtaining a fair value of the position. Therefore FVA are aimed at insuring that the fair value reflects the actual exit price of a certain position.

Part A - Accounting policies

Below a list of adjustments:
- Credit/Debit Valuation Adjustment (CVA/DVA);
- model risk;
- close-out costs;
- other adjustments.

Credit/Debit Valuation Adjustment (CVA/DVA)
Credit valuation adjustments (CVAs) and debit valuation adjustments (DVAs) are incorporated into derivative valuations to reflect the impact on fair value of counterparty credit risk and UniCredit own credit quality respectively.

UniCredit CVA/DVA methodology is based on the following inputs:
- EAD derived by simulation techniques. Simulated exposures also take into account Specific Wrong-Way Risk that arises from transactions where there is a correlation between counterparty credit risk and the underlying derivative risk factors;
- PD implied by current market default rates, obtained from Credit Default Swaps;
- LGD based on the estimated level of expected recovery should a counterparty default and implied by current market default rates, obtained from credit default swaps.

As at t 30 June 2019, net CVA/DVA cumulative adjustment, relating to performing counterparts, amounts to €206 million negative the part related to own credit spread evolution, which is filtered out from regulatory capital (accordingly to CRDIV), amounts to €19.5 million positive.

Funding Cost and Benefit Adjustment (FCA/FBA)
Funding Valuation Adjustment (FundVA) is the sum of a Funding Cost Adjustment (FCA) and of a Funding Benefit Adjustment (FBA) that indeed accounts for the expected future funding costs/benefits for derivatives that are not fully collateralised. Most material contributors are in-the-money trades with uncollateralised counterparties.

UniCredit FVA methodology is based on the following inputs:
- positive and Negative exposure profiles derived leveraging on a risk-neutral spin-off of the Counterparty credit risk internal model;
- PD term structure implied by current market default rates obtained from credit default swaps;
- a funding spread curve that is representative of the average funding spread of peer financial groups.

Model risk
Financial models are used for the valuation of the financial instruments if the direct market quotes are not readily available. In general the model risk is represented by the possibility that a financial instrument's evaluation is actually sensitive to the choice of model. It is possible to value the same financial instrument by using alternative models which could provide different results in term of pricing. The model risk adjustment refers to the risk that the actual fair value of the instrument differs from the value produced by the model.

Close-out costs
It measures the implicit costs of closing an (aggregated) trading position. The position could be closed by a long position (or purchase in the case of a short position), or by entering into a new transaction (or several transactions) that offsets (hedges) the open position. The close-out costs are typically derived from the bid/ask spreads observed on the market. It accounts for the fact that a position is valued at mid but can only be closed at bid or ask. This adjustment is not needed when the position is marked at bid or ask and already represents an exit price. In addition a close-out adjustment of the NAV is applied when there are some penalties relating to position write-off in an investment fund.

Other adjustments
Other fair value adjustments, which are not included in the previous categories, could be taken into consideration to align the evaluation to the current exit price, also according to the level of liquidity of the market and valuation parameters, e.g. adjustment of equity prices whose quotation on the market are not representative of the effective exit price.

Assets and liabilities not measured at fair value or measured at fair value on a non-recurring basis
Financial instrument not carried at fair value, for example retail loans and deposit, and credit facilities extended to corporate clients are not managed on a fair value basis.
For these instruments fair value is calculated for disclosure purposes only and does not impact the balance sheet or the profit or loss. Additionally, since these instruments generally do not trade, there is significant management judgment required to determine their fair values as defined by IFRS13.

Part A - Accounting policies

Cash and cash balances
Cash and cash balances are not carried at amounts that approximate fair value, due to their short-term nature and generally negligible credit risk.

Financial assets at amortised cost
For the assets that are composed by securities, fair value is determined according to what explained in section “Assets and liabilities measured at fair value on a recurring basis - Fixed income securities”.
On the other hands, fair value for performing loans to banks and customers is determined using the discounted cash flow model adjusted for credit risk. Some portfolios are valued according to simplified approaches, which however take into account the financial features of the financial instruments.

Property, plant and equipment held for investment purposes
The fair value of property, plant and equipment held for investment purposes is determined on the basis of a valuation by an independent appraiser who holds a recognised and relevant professional qualification which perform its valuation mainly on the basis of an indirect knowledge of the assets through the information made available by the owner and relating to the localisation, consistency, destination and in consideration of market analysis.
The attribution of fair value levels is based on the level of observability of the significant market parameters used by the valuation technique.

Financial liabilities at amortised cost
Fair value for debt securities in issue is determined using the discounted cash flow model adjusted for UniCredit credit risk. The Credit Spread is determined using UCG’s subordinated and non-subordinated risk curves.
On the other hands, Fair value for other financial liabilities is determined using the discounted cash flow model adjusted for UniCredit credit risk. The Credit Spread is determined using UCG’s senior and subordinated risk curves.

Description of the valuation techniques
Specific valuation techniques are used to value positions for which a market price is not directly observable from market sources. The Group uses well known valuation techniques for determining fair values of financial and non-financial instruments that are not actively traded and quoted. The valuation techniques used for Level 2 and 3 assets and liabilities are described below.

Option Pricing Model
Option model valuation techniques are generally used for instruments in which the holder has a contingent right or obligation based on the occurrence of a future event, such as the price of a referenced asset going above or below a predetermined strike price. Option models estimate the likelihood of the specified event occurring by incorporating assumptions such as volatility estimates, price of the underlying instrument and expected rate of return.

Discounted cash flow
Discounted cash flow valuation techniques generally consist of developing an estimate of future cash flows that are expected to occur over the life of an instrument. The model requires the estimation of the cash flow and the adoption of market’s parameters for the discounting: discount rate or discount margin reflects the credit and/or funding spreads required by the market for instruments with similar risk and liquidity profiles to produce a “discounted value”. The fair value of the contract is given by the sum of the present values of future cash flows.

Hazard Rate Model
The valuation of CDS instruments requires the knowledge of the entity’s survival probability at future dates. The estimate of this probability curve uses the standard model for survival probabilities and requires as parameters the credit default swap market quotes on standard future dates in addition to the risk free curve and the expected recovery rate. The hazard rate is part of the described process and it indicates the instantaneous probability of default at different future instants.

Market Approach
A valuation technique that uses prices generated by market transactions involving identical or comparable (i.e. similar) assets, liabilities or a group of assets and liabilities.

Gordon Growth Model
This is the model used to determine the intrinsic value of an equity investment, based on a series of future dividends which grow at a constant rate. Given a dividend to be paid in a specific year and the hypothesis that the dividend grows at a constant rate, the model computes the present value of future dividends.

Dividend Discount Model
This model is used to determine the value of an equity investment, based on the series of predicted future dividends. Given a dividend to be paid in a specific year and the hypothesis that the dividend grows at a constant rate, the model computes the fair value of an equity share as the sum of the present value of all future dividends.

Part A - Accounting policies

Adjusted NAV
Net asset value is the total value of a fund's assets less liabilities. An increase in net asset value would result in an increase in a fair value measure. Usually for funds classified as Level 3, NAV represents a risk free valuation, therefore in this case the NAV is adjusted so as to consider the issuer's default risk.

Description of the inputs used to measure the fair value of items categorised in Level 2 and 3
Hereby a description of the main significant inputs used to measure the fair value of items categorised in Level 2 and 3 of the fair value hierarchy.

Volatility
Volatility is a measure for variation of price of a financial instrument over time. In particular, volatility measures the speed and severity of market price changes for an instrument, parameter or market index given the particular instrument, parameter or index changes in value over time, expressed as a percentage of relative change in price. The higher the volatility of the underlying, the riskier the instrument. In general, long option positions benefit from increases in volatility, whereas short option positions will suffer losses.
There are different types of volatility:
- volatility of interest rate;
- inflation volatility;
- volatility of foreign exchange;
- volatility of equity stocks, equity or other indexes/prices.

Correlation
Correlation is a measure of the relationship between the movements of two variables. When parameters are positively correlated, an increase in correlation results in a higher fair value measure. On the contrary, given a short correlation position, an increase in correlation, in isolation, would generally result in a decrease in a fair value measure. Therefore changes in correlation levels can have a major impact, favorable or unfavorable, on the fair value of an instrument, depending on the type of correlation.

Correlation is a pricing input for a derivative product where the payoff is driven by multiple underlying risks. The level of correlation used in the valuation of derivatives with multiple underlying risks depends on a number of factors including the nature of those risks.

Dividends
The derivation of a forward price for an individual stock or index is important both for measuring fair value for forward or swap contracts and for measuring fair value using option pricing models. The relationship between the current stock price and the forward price is based on a combination of expected future dividend levels and payment timings and, to a lesser extent, the relevant funding rates applicable to the stock in question.
The dividend yield and timing represents the most significant parameter in determining fair value for instruments that are sensitive to an equity forward price.

Interest rate curve
The calculation of the interest rate curve is based on standard bootstrapping techniques relying on the set of quotes of appropriate financial instruments, for each currency, which turns interest rates in zero-coupon.
Less liquid currencies interest curve refer to the rates in currencies for which a market liquidity doesn't exist in terms of tightness, depth and resiliency. The illiquidity of these input data impacts directly the valuation of securities or derivatives expressed in illiquid currencies.

Inflation swap rate
The determination of forward levels for inflation indexes is based on swap quote over inflation indexes. Swap over inflation may present a low liquidity level whether there is no liquid market in terms of rigidity, deepness and resistance. The illiquidity of those inputs has an indirect impact on the valuation of a debt instrument linked to inflation (inflation-linked note) or in case of a derivative over inflation.

Credit spreads
Different valuation models, especially for credit derivatives require an input for the credit spread which reflects the credit quality of the associated credit name.
The credit spread of a particular security is quoted in relation to the yield on a benchmark security or reference rate (typically either U.S. Treasury or LIBOR/EURIBOR) and is generally expressed in terms of basis points.
The ranges for credit spreads cover a variety of underlings (index and single names), regions, sectors, maturities and credit qualities (high-yield and investment-grade). The broad range of this population gives rise to the width of the ranges of unobservable inputs.

Loss Given Default (LGD)/Recovery Rate
LGD also known as loss severity (the inverse concept is the recovery rate) represents the percentage of contractual cash flows lost in the event of a default, expressed as the net amount of loss relating to the outstanding balance. An increase in the loss severity, in isolation, would result in a

decrease in a fair value measure. Loss given default is facility-specific because such losses are generally understood to be influenced by key transaction characteristics such as the presence of collateral and the degree of subordination.

Price
Where market prices are not observable, comparison via proxy is used to measure a fair value.

Prepayment Rate (PR)
The PR is the estimated rate at which forecasted prepayments of principal of the related debt instrument are expected to occur. Voluntary unscheduled payments (prepayments) change the future cash flows for the investor and thereby change the fair value of the security.
In general as prepayment speeds change, the weighted average life of the security changes, which impacts the valuation either positively or negatively, depending upon the nature of the security and the direction of the change in the weighted average life.

Probability of Default (PD)
The probability of default is an estimate of the likelihood of not collecting contractual amounts. It provides an estimate of the likelihood that a client of a financial institution will be unable to meet its debt obligations over a particular time horizon. The PD of an obligor not only depends on the risk characteristics of that particular obligor but also the economic environment and the degree to which it affects the obligor.

Early conversion
The early conversion is the estimate of the probability that the liability would be converted into equity earlier than the terms stated.

EBITDA
EBITDA is an indicator of the current operating profitability of the business, that is the income generated by the use of the company's assets and the commercialisation of the products manufactured.

Ke
The Ke (cost of capital) represents the minimum rate that the company has to offer to its shareholders as remuneration for the funds received.

Growth rate
It is the constant growth rate used for the future dividends estimate.

A.4.2 Valuations processes and sensitivities
The Group verifies that the value attributed to each position reflects the current fair value in an appropriate way. Assets and liabilities subject to fair value measurements are determined using different techniques, among which (but not only) models such as *discounted cash flow* and internal models. On the basis of the observability of the input used, all the measurements are classified as Level 1, Level 2 or Level 3 of the fair value hierarchy.
When a financial instrument, measured at fair value, is valued through the use of one or more significant inputs not directly observable on the market, a further procedure for the price verification is implemented. These procedures include the revision of relevant historical data, the analysis of profits and losses, the individual valuation of each component for structural products and *benchmarking*. This approach uses subjective opinions and judgments based on experience and, therefore, it could require valuation adjustments which take into account the *bid/ask* spread, liquidity and counterparty risk, in addition to the valuation model type adopted.

According to Group Market Risk Governance guidelines, in order to ensure the right separateness of the functions in charge of the model development and those in charge of the validation processes, all valuation models developed by Group companies' front offices are independently tested centrally and validated by the Group Internal Validation functions. The aim of this independent control structure is evaluating the model risk from a theoretical solidity, calibration techniques eventually applied and appropriateness of the model for a specific product in a defined market point of views.
In addition to the daily *mark-to-market or mark-to-model valuation*, the *Independent Price Verification* (IPV) is applied by from *Market Risk* function with the aim of guaranteeing a fair value provided by an independent structure for all instruments, illiquid included.

Part A - Accounting policies

A.4.3 Fair value hierarchy

IFRS13 establishes a fair value hierarchy according to the observability of the input used in the valuation techniques adopted for valuations.

The fair value hierarchy level associated to assets and liabilities is set as the minimum level among all significant valuation inputs used.
A valuation input is not considered significant for the fair value of an instrument if the remaining inputs are able to explain the major part of the fair value variance itself over a period of three months.
In some specific cases, the significance limit is assessed in relation to the fair value of the instrument at the measurement date.

In particular, three levels are considered:
- Level 1: fair value for instruments classified within this level is determined according to the quoted prices on active markets;
- Level 2: fair value for instruments classified within this level is determined according to the valuation models which use observable inputs on active markets;
- Level 3: fair value for instruments classified within this level is determined according to the valuation models which prevalently use significant unobservable input on active markets.

Financial instruments are classified to a certain fair value level according to the observability of the input used for the valuation.

Level 1 (quoted prices in active markets): quoted prices (unadjusted) in active markets are available for identical assets or liabilities that the entity has the ability to access at the measurement date. An active market is a market in which orderly transactions for the asset or liability take place with sufficient frequency and volume for pricing information to be provided on an on-going basis (e.g. MTS market about prices for most of the government bonds therein traded).

Level 2 (observable inputs): inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. Inputs are observable if they are developed on the basis of publicly available information about actual events or transactions and reflect the assumptions that market participants would use when pricing the asset or liability.

Level 3 (unobservable inputs): inputs other than the ones included in Level 1 and Level 2, not directly observable on the market for the evaluation of asset and liability, or used for the definition of significant adjustments to fair value. Unobservable inputs shall reflect the assumptions that market participants would use when pricing the asset or liability, including assumptions about risk.

When fair value is measured directly taking into consideration an observable price and quoted on an active market, the hierarchy attribution process will assign Level 1. When fair value has to be measured either via Comparable approach or via Mark-to-Model approach, the hierarchy attribution process will assign Level 2 or Level 3, depending on the observability of all the significant input parameters.

Within the choice among various valuation techniques the Group employs the one which maximises the use of observable inputs.

Transfers between hierarchy levels

The main drivers to transfers in and out the fair values levels (both between L1 and L2 and in/out L3) include changes in market conditions (among which liquidity parameter) and enhancements to valuation techniques and weights for unobservable inputs used for the valuation itself.
Quantitative and qualitative details about transfers between fair values levels occurred in the period is presented in Part A.4.5 - Fair Value Hierarchy.

A.4.4 Other information

The Group uses the IFRS13 exception for fair value measurements on a net basis with reference to financial assets and liabilities with offsetting positions of market risk or counterparty credit risk.

Part A - Accounting policies

Quantitative information

A.4.5 Fair value hierarchy

The following tables show the portfolios breakdown in terms of financial assets and liabilities valued at fair value.

A.4.5.1 Assets and liabilities measured at fair value on a recurring basis: breakdown by fair value levels

(€ million)

FINANCIAL ASSETS/LIABILITIES MEASURED AT FAIR VALUE	AMOUNTS AS AT 06.30.2019			AMOUNTS AS AT 12.31.2018		
	LEVEL 1	LEVEL 2	LEVEL 3	LEVEL 1	LEVEL 2	LEVEL 3
1. Financial assets at fair value through profit or loss	33,237	51,673	4,128	32,823	48,509	4,805
a) Financial assets held for trading	23,480	42,574	1,290	25,215	37,940	2,076
b) Financial assets designated at fair value	-	-	-	-	-	-
c) Other financial assets mandatorily at fair value	9,757	9,099	2,838	7,608	10,569	2,729
2. Financial assets at fair value through other comprehensive income	64,085	12,702	992	76,844	10,392	1,044
3. Hedging derivatives	187	6,024	-	99	4,579	4
4. Property, plant and equipment	-	-	48	-	-	47
5. Intangible assets	-	-	-	-	-	-
Total	**97,509**	**70,399**	**5,168**	**109,766**	**63,480**	**5,900**
1. Financial liabilities held for trading	9,339	30,217	854	13,515	28,236	1,360
2. Financial liabilities designated at fair value	408	10,364	574	427	8,664	227
3. Hedging derivatives	212	7,598	-	100	5,907	25
Total	**9,959**	**48,179**	**1,428**	**14,042**	**42,807**	**1,612**

The item “1. c) Other financial assets mandatorily at fair value” at Level 3 as at 30 June 2019 includes the investments in Atlante and Italian Recovery Fund, former Atlante II (carrying value €353 million) and in “Schema Volontario” (carrying value €14 million).
As at 30 June 2019 the fair value of the financial assets of the “Schema Volontario” was determined using internal models, while concerning Atlante and Italian Recovery Fund, former Atlante II, the fair value was determined having as reference the valuation of the financial assets provided from the fund itself, supplemented, if appropriate, using internal models.
See Part B - Section 2.5 - Other financial assets mandatorily at fair value income for further information of the Explanatory notes of this document.

Transfers between level of fair value occurring during the year mainly reflect the evolution of reference market and the enhancement of processes for fair value level attribution in some Group entities.

Besides the transfers related to financial assets and liabilities carried at level 3 detailed in the sections below during the year the following transfers occurred:

- from Level 1 to Level 2 owing to a worsening of the liquidity and price reliability indicators (based on the bid-ask spread, relative size and applicability of the published prices) collected by third parties as calculated and recorded in the context of the Global Bond IPV process:
  - of financial assets measured at fair value through profit or loss (financial assets held for trading, designed at fair value and mandatorily at fair value) for approximately €181 million;
  - of financial assets measured at fair value through reserves (financial assets at fair value through other comprehensive income) for approximately €52 million;
  - of financial liabilities measured at fair value through profit or loss (financial liabilities held for trading and designed at fair value) for approximately €14 million;
- from Level 2 to Level 1 owing to an improvement of the liquidity and price reliability indicators (based on the bid-ask spread, relative size and applicability of the published prices) collected by third parties as calculated and recorded in the context of the Global Bond IPV (Independent Price Verification) process:
  - of financial assets measured at fair value through profit or loss (financial assets held for trading, designed at fair value and mandatorily at fair value) for approximately €1,517 million;
  - of financial assets measured at fair value through reserves (financial assets at fair value through other comprehensive income) for approximately €115 million;
  - of financial liabilities measured at fair value through profit or loss (financial liabilities held for trading and designed at fair value) for approximately €11 million.

Part A - Accounting policies

A.4.5.2 Annual changes in assets measured at fair value on a recurring basis (level 3)

(€ million)

	CHANGES IN FIRST HALF 2019							
	FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS							
	TOTAL	OF WHICH: A) FINANCIAL ASSETS HELD FOR TRADING	OF WHICH: B) FINANCIAL ASSETS DESIGNATED AT FAIR	OF WHICH: C) FINANCIAL ASSETS MANDATORILY AT FAIR VALUE	FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME	HEDGING DERIVATIVES	PROPERTY, PLANT AND EQUIPMENT	INTANGIBLE ASSETS
1. Opening balances	**4,805**	**2,076**	**-**	**2,729**	**1,044**	**4**	**47**	**-**
2. Increases	**1,537**	**666**	**-**	**871**	**31**	**1**	**1**	**-**
2.1 Purchases	818	226	-	592	9	-	-	-
2.2 Profits recognised in	459	370	-	89	13	-	1	-
2.2.1 Income statement	459	370	-	89	-	-	1	-
- of which unrealised gains	*303*	*265*	-	*38*	-	-	*1*	-
2.2.2 Equity	X	X	X	X	13	-	-	-
2.3 Transfers from other levels	53	24	-	29	-	-	-	-
2.4 Other increases	207	46	-	161	9	1	-	-
3. Decreases	**2,214**	**1,452**	**-**	**762**	**83**	**5**	**-**	**-**
3.1 Sales	414	389	-	25	2	-	-	-
3.2 Redemptions	373	4	-	369	38	-	-	-
3.3 Losses recognised in	827	766	-	61	38	-	-	-
3.3.1 Income statement	827	766	-	61	-	-	-	-
- of which unrealised losses	*522*	*493*	-	*29*	-	-	-	-
3.3.2 Equity	X	X	X	X	38	-	-	-
3.4 Transfers to other levels	398	277	-	121	-	4	-	-
3.5 Other decreases	202	16	-	186	5	1	-	-
of which: business combinations	-	-	-	-	-	-	-	-
4. Closing balances	**4,128**	**1,290**	**-**	**2,838**	**992**	**-**	**48**	**-**

The items “2.2.1 Profits recognised in Income statement” and “3.3.1 Losses recognised in Income statement” in financial assets are included in the following items:

- Item 80: Net gains (losses) on trading;
- Item 90: Net gains (losses) on hedge accounting;
- Item 110: Net gains (losses) on other financial assets/liabilities at fair value through profit or loss.

The sub-item “2.2.2 Profits recognised in Equity” and the sub-item “3.3.2 Losses recognised in Equity” on fair value on financial assets at fair value through other comprehensive income are accounted in item “120. Valuation reserves” of shareholder’s equity until the financial assets is not sold, instant in which cumulative gains and losses are reported: i) if referred to debt securities in income statement under item “100. Gains (Losses) on disposal and repurchase of: b) financial assets at fair value through other comprehensive income” and ii) if referred to equity instruments in the shareholder’s equity under item “150. Reserves”; the exception regards the case of impairment and gains and losses on exchange rates on monetary assets (debt securities) which are reported respectively under item “130. Net losses/recoveries on credit impairment relating to: b) financial assets at fair value through other comprehensive income” and item “80. Net gains (losses) on trading”.

Transfers between levels of fair value occurring during the year mainly reflect the evolution of reference market and the enhancement of processes for fair value level attribution in some group entities and mostly refer to exposure held by UniCredit S.p.A. and its subsidiary UniCredit Bank AG.

Part A - Accounting policies

A.4.5.3 Annual changes in liabilities measured at fair value on a recurring basis (level 3)

(€ million)

	CHANGES IN FIRST HALF 2019		
	FINANCIAL LIABILITIES HELD FOR TRADING	FINANCIAL LIABILITIES DESIGNATED AT FAIR VALUE	HEDGING DERIVATIVES
1. Opening balances	**1,360**	**227**	**25**
2. Increases	**679**	**524**	**21**
2.1 Issuance	287	414	-
2.2 Losses recognised in	326	15	-
2.2.1 Income statement	326	2	-
- of which unrealised losses	*211*	*1*	-
2.2.2 Equity	X	13	-
2.3 Transfers from other levels	38	94	-
2.4 Other increases	28	1	21
3. Decreases	**1,185**	**177**	**46**
3.1 Redemptions	507	33	-
3.2 Purchases	-	-	-
3.3 Profits recognised in	201	17	11
3.3.1 Income statement	201	17	11
- of which unrealised gains	*128*	*17*	-
3.3.2 Equity	X	-	-
3.4 Transfers to other levels	456	123	17
3.5 Other decreases	21	4	18
of which: business combinations	-	-	-
4. Closing balances	**854**	**574**	**-**

The items "2.2.1 Losses recognised in Income statement" and "3.3.1 Profits recognised in Income statement" in financial liabilities are included in the following items:

- Item 80: Net gains (losses) on trading;
- Item 90: Net gains (losses) on hedge accounting;
- Item 110: Net gains (losses) on other financial assets/liabilities at fair value through profit or loss.

Transfers between levels of fair value occurring during the year mainly reflect the evolution of reference market and the enhancement of processes for fair value level attribution in some group entities and mostly refer to exposure held by UniCredit Bank AG.

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Assets

Section 2 - Financial assets at fair value through profit or loss - Item 20

2.1 Financial assets held for trading: breakdown by product

(€ million)

ITEMS/VALUES	AMOUNTS AS AT 06.30.2019			AMOUNTS AS AT 12.31.2018		
	LEVEL 1	LEVEL 2	LEVEL 3	LEVEL 1	LEVEL 2	LEVEL 3
A. Financial assets (non-derivatives)						
1. Debt securities	**11,350**	**2,844**	**697**	**12,375**	**2,553**	**651**
1.1 Structured securities	4	1,817	-	85	1,585	1
1.2 Other debt securities	11,346	1,027	697	12,290	968	650
2. Equity instruments	**7,420**	**15**	**-**	**7,490**	**27**	**1**
3. Units in investment funds	**1,433**	**849**	**40**	**1,340**	**486**	**47**
4. Loans	**1,447**	**5,563**	**-**	**1,759**	**6,311**	**39**
4.1 Reverse Repos	-	1,053	-	-	2,659	-
4.2 Other	1,447	4,510	-	1,759	3,652	39
Total (A)	**21,650**	**9,271**	**737**	**22,964**	**9,377**	**738**
B. Derivative instruments						
1. Financial derivatives	**1,800**	**33,156**	**538**	**2,237**	**28,376**	**1,328**
1.1 Trading	1,800	33,097	538	2,237	27,016	1,326
1.2 Linked to fair value option	-	22	-	-	35	-
1.3 Other	-	37	-	-	1,325	2
2. Credit derivatives	**30**	**147**	**15**	**14**	**187**	**10**
2.1 Trading	30	147	15	14	185	10
2.2 Linked to fair value option	-	-	-	-	-	-
2.3 Other	-	-	-	-	2	-
Total (B)	**1,830**	**33,303**	**553**	**2,251**	**28,563**	**1,338**
Total (A+B)	**23,480**	**42,574**	**1,290**	**25,215**	**37,940**	**2,076**
Total Level 1, Level 2 and Level 3			**67,344**			**65,231**

Valuations at fair value were classified according to a hierarchy of levels reflecting the observability of the valuations input. For further information see Part A - Accounting Policies - A.4 Information on fair value of the Explanatory notes of this document.

The financial assets and liabilities relating to OTC Derivatives and Reverse repos managed through Central Counterparty Clearing Houses (CCPs) are offset when (i) the clearing systems of CCPs guarantee the elimination or reduce to immaterial the credit and liquidity risks of these contracts and (ii) the entity intends to settle these contracts on a net basis, in accordance with IAS32 - Offsetting, in order to improve the presentation of the liquidity profile and counterparty risk connected with them.

The offset effect as at 30 June 2019, already included in the net presentation of these transactions, totaled €24,979 million increased in comparison to €13,533 million as at 31 December 2018 due to the evolution of reference market conditions.

2.3 Financial assets designated at fair value: breakdown by product

There are no amounts to be shown.

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2.5 Other financial assets mandatorily at fair value: breakdown by product

(€ million)

ITEMS/VALUES	AMOUNTS AS AT 06.30.2019			AMOUNTS AS AT 12.31.2018		
	LEVEL 1	LEVEL 2	LEVEL 3	LEVEL 1	LEVEL 2	LEVEL 3
1. Debt securities	**8,194**	**7,130**	**290**	**7,154**	**8,762**	**640**
1.1 Structured securities	-	-	30	-	5	29
1.2 Other debt securities	8,194	7,130	260	7,154	8,757	611
2. Equity instruments	**1,524**	**42**	**408**	**417**	**44**	**398**
3. Units in investment funds	**39**	**42**	**1,006**	**37**	**30**	**903**
4. Loans	**-**	**1,885**	**1,134**	**-**	**1,733**	**788**
4.1 Structured	-	-	-	-	-	-
4.2 Other	-	1,885	1,134	-	1,733	788
Total	**9,757**	**9,099**	**2,838**	**7,608**	**10,569**	**2,729**
Total Level 1, Level 2 and Level 3			**21,694**			**20,906**

A financial asset is classified as financial asset mandatorily at fair value if it does not meet the conditions, in terms of business model or cash flow characteristics, for being measured at amortised cost or at fair value through other comprehensive income.

The item “1. Debt securities” includes investments in FINO Project’s Mezzanine and Junior Notes with a value of €56 million as at 30 June 2019.

The item “2. Equity instruments” includes the investment in the “Schema Volontario” (presented among level 3 instruments) with a value of about €14 million, the residual shares of FinecoBank S.p.A. with a value of €1,091 million (for further information see Part A - A.1 General - Section 3. Consolidation scope and methods - Reductions of the Explanatory notes of this document) and the residual shares of Bank Pekao S.A. with a value of €432 million at 30 June 2019, reclassified into such category after the sale of the 32.8% stake to Powszechny Zakład Ubezpieczeń S.A. and Polish Development Fund S.A. (with subsequent loss of control) occurred in first half of 2017 and the IFRS9 adoption starting from 2018. This classification is consistent with the recognition of the “Secured mandatorily exchangeable equity-linked certificate” certificate into financial liabilities at fair value.

The item “3. Unit in investment funds” includes the investments in Atlante and Italian Recovery Fund, former Atlante II, (presented among Level 3 instruments), with a value of €353 million as at 30 June 2019.

Valuations at fair value were classified according to a hierarchy of levels reflecting the observability of the valuations input. For further information see Part A - Accounting Policies - A.4 Information on fair value of the Explanatory notes of this document.

Information about the units of Atlante Fund and Italian Recovery Fund

Atlante is a closed-end alternative investment fund (FIA) ruled by Italian law reserved to professional investors, and managed by Quaestio Capital Management SGR S.p.A. Unipersonale (the “Quaestio SGR”). The size of the fund was equal to €4,249 million, of which UniCredit S.p.A. invested for about 19.9%.
The investment policy of Atlante foresees that the fund may be invested (i) in banks with regulatory capital ratios lower than the minimum level set down in the SREP process and, thus, realise, upon request of the supervisory authority, actions of capital strengthening through capital increases and (ii) in Non-Performing Loans (NPLs) of a plurality of Italian banks.
With reference to Atlante fund, as at 30 June 2019 UniCredit S.p.A. holds shares classified as financial assets mandatory at fair value with a carrying value of €171 million. The year-to-date overall cash investments are equal to €844 million against which 2016 and 2017 impairments for €684 million were carried out. In addition UniCredit S.p.A. has a residual commitment to invest in the fund for an amount less than €2 million.
On August 2016, it was launched the Atlante II fund, redenominated Italian Recovery Fund since 27 October 2017, a closed-end investment alternative fund reserved to professional investors, also managed by Quaestio SGR, which, unlike the Atlante fund, may invest only in NPL and instruments linked to NPL transactions (such as warrants) in order to reduce the risk in line with the parameters used by the largest world institutional investors.
With reference to Italian Recovery Fund, as at 30 June 2019 UniCredit S.p.A. holds shares with a carrying value of €182 million, classified as financial assets mandatory at fair value. The net investments made in the fund amounted to €185 million. In addition UniCredit S.p.A. has a residual commitment to invest in Italian Recovery Fund for about €10 million.
The book value (fair value) of both funds (Atlante and Italian Recovery Fund) is substantially in line with the information provided by the management company Quaestio SGR with reference to the evaluation of the units, based on the value of the assets held by the funds. Such fair value evaluation has determined a higher value of €8 million in the first half of 2019 accounted for into the Bank profit and loss.
Under a regulatory perspective, the treatment of the quotes held by UniCredit S.p.A. in the Atlante Fund and Italian Recovery Fund foresees the application of article 128 of the CRR (Items associated with particular high risk). With reference to the residual commitments, the regulatory

Part B - Consolidated balance sheet - Assets

treatment foresees the application of a Credit Conversion Factor equal to 100% ("full risk" according to the Annex I of CRR), for the calculation of the related Risk Weighted Assets.

Information about the investments in the "Schema Volontario" (Voluntary Scheme)

In November 2015 UniCredit group has joined the "Schema Volontario" (SV), a private entity introduced by Fondo Interbancario di Tutela dei Depositi (FITD), with appropriate modification of its statute. Following FinecoBank S.p.A. exit from UniCredit group occurred in May 2019, the disclosure of participation in SV at 30 June 2019 only referred to UniCredit S.p.A.

SV is an instrument for the resolution of bank crises through supporting measures in favour of its member banks, if specific conditions laid down by the legislation occur. SV has an independent funding and the participating banks are committed to supply the relevant resources upon demand, when resources are needed to fund interventions.
In April 2016 SV provided the restructuring of the support activities that FITD had operated in July 2014 in favour of Bank Tercas. This operation generated no further charges for the participating banks. Subsequently, the participating size of the SV was increased up to €700 million (of which €110 million referred to UniCredit S.p.A.).
In this context, in June 2016 the SV approved an action supporting the Cassa di Risparmio di Cesena (CariCesena), in relation to a capital increase approved by the bank itself on 8 June 2016 for €280 million (the commitment relating to UniCredit S.p.A. amounted to €44 million). On 30 September 2016 this commitment was converted into a monetary payment which has led to the recognition of capital instruments classified, on the basis of the pre-existing accounting standard IAS39, as "available for sale" for €44 million for UniCredit S.p.A. (in line with the monetary payment). The update of the evaluation of the instruments as at 31 December 2016, according to an internal evaluation model based on multiples of a banking basket integrated with estimates on Cassa di Risparmio di Cesena's credit portfolio and the related equity/capital needs, brought to the full impairment of the position.
In September 2017, in order to face Credit Agricole CariParma intervention in favour of CariCesena, Cassa di Risparmio di Rimini (Carim) and Cassa di Risparmio di San Miniato (Carismi) (based on a capital increase of €464 million and on the subscription of bonds from NPL securitisation of these banks for €170 million), the Fund increased its capital endowment up to €795 million (of which €125 million referred to UniCredit S.p.A.). Subsequently, in the same month UniCredit S.p.A. paid €9 million to the Fund in respect of the part of the intervention relating to the capital increase of Carim and Carismi. In December 2017, UniCredit S.p.A. paid the remaining €72 million (of which €45 million referred to the capital increase of the banks and €27 million referred to the subscription of securitisations). Following these events, UniCredit group's residual commitment towards "Schema Volontario" was substantially nil.
All the payments referred to the capital increase of the banks brought to the recognition of capital instruments classified, on the basis of the pre-existing accounting standard IAS39, as "available for sale" and amounting to €54 million for UniCredit S.p.A., entirely cancelled in 2017 financial statements due to the sale of the banks to Credit Agricole CariParma at a symbolic price.
Regarding the portion of investment referred to the subscription of SV of Junior and Mezzanine quotes of the securitisation, the initial value (€27 million for UniCredit S.p.A.) was rectified in 2017 to reflect fair value valuation declared by the "Schema Volontario" (€4.4 million for UniCredit S.p.A.) resulting from the analysis conducted by the advisors in charge of the underlying credits evaluation, conducted according to a Discounted Cash Flow model based on recovery plans elaborated by SPV's special servicer.
Following the update of the assessment received from the SV (supported by the analysis of the appointed advisor), as at 31 December 2018 a further impairment of €1.2 million for UniCredit S.p.A.[10] was recognised. Valuation has been updated as at 30 June 2019, thus resulting in a further impairment of €0.3 million for UniCredit S.p.A.
On 30 November 2018, the Shareholders' Meeting of the SV decided to intervene in favour of Banca Carige S.p.A. by subscribing a Tier 2 subordinated loan (for a maximum amount of €320 million) issued by Banca Carige S.p.A. and addressed to the conversion into capital to the extent necessary to allow an expected capital increase of €400 million.
On the same date, within the framework of the agreement stipulated with SV, Banca Carige S.p.A. placed bonds for €320 million, of which €318.2 million subscribed directly through the SV itself. The bonds were issued at par (100% of the nominal value), with a fixed rate coupon of 13% and a maturity of 10 years (maturity 30 November 2028).
Considering the failure to provide by 22 December 2018 the delegation to the Board of Directors by the Extraordinary Shareholders' Meeting of Banca Carige S.p.A, also pursuant to Art.2443 of the Italian Civil Code, to increase by payment the share capital for a maximum total amount, including share premium, of €400 million, with retroactive effect, starting from the date of issue, interests on the principal amount of outstanding bonds from time to time mature at a nominal fixed rate of 16%.
With reference to the intervention in favour of Banca Carige S.p.A., UniCredit S.p.A. contribution to the SV at the recognition date amounts to approximately €53 million, and it has been identified as a financial instrument classified, on the basis of the existing accounting standard IFRS9, under item "20.c) Financial assets mandatorily at fair value through profit or loss".
Considering the various options relating to the solution of Banca Carige S.p.A. and since no market valuations or prices of comparable securities are available, as at 30 June 2019 the fair value of the instrument for UniCredit S.p.A. has been determined according to internal models (Market Multiples and Multi-Scenario Analysis), amounting to €11 million.

10 Please note that UniCredit group income statement as at 31 December 2018 comprises €0.2 million referred to FinecoBank S.p.A. This company is no longer consolidated in June 2019 as a result of a disposal transaction.

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Section 3 - Financial assets at fair value through other comprehensive income - Item 30

3.1 Financial assets at fair value through other comprehensive income: breakdown by product

(€ million)

ITEMS/VALUES	AMOUNTS AS AT 06.30.2019			AMOUNTS AS AT 12.31.2018		
	LEVEL 1	LEVEL 2	LEVEL 3	LEVEL 1	LEVEL 2	LEVEL 3
1. Debt securities	**64,084**	**11,692**	**231**	**76,843**	**9,337**	**269**
1.1 Structured securities	-	-	-	-	-	-
1.2 Other	64,084	11,692	231	76,843	9,337	269
2. Equity instruments	**1**	**1,010**	**761**	**1**	**1,055**	**775**
3. Loans	**-**	**-**	**-**	**-**	**-**	**-**
Total	**64,085**	**12,702**	**992**	**76,844**	**10,392**	**1,044**
Total Level 1, Level 2 and Level 3			**77,779**			**88,280**

Valuations at fair value were classified according to a hierarchy of levels reflecting the observability of the valuations input.
For further information see Part A - Accounting Policies - A.4 Information on fair value of the Explanatory notes of this document.

The Item "1. Debt Securities" includes investments FINO Project's in instrument Senior and in one part of instrument Mezzanine notes with a value of €193 million as at 30 June 2019.

The Item "2. Equity instruments" includes (i) Banca d'Italia stake (presented among Level 2 instruments), with a value of €961 million and (ii) ABH Holding SA investments (presented among Level 3 instruments) acquired in contemplation of the sale of PJSC Ukrsotbank to Alfa Group, with a value at 30 June 2019 of €314 million.

Information about the shareholding in Banca d'Italia

Starting from the third quarter of 2015, UniCredit S.p.A. started the disposal of its stake in the shareholding in Banca d'Italia, for an amount corresponding to its carrying value. Starting from 2015 UniCredit S.p.A. disposed about 9.3% of its share capital for an overall equivalent amounting to €698 million, of which €47 million in the first half of 2019, reducing its shareholding to 12.8% (carrying value amounting to about €961 million as at 30 June 2019).
The disposal process is the result of a capital increase carried out in 2013 when, in relation to which a possession limit of 3% was introduced, according to which after an interim period already expired, no economic rights would be applicable to shares exceeding the limit above.
During the last years shareholders with excess shares started the disposal process, finalising sales for about 30% of the total capital. The carrying value as at 30 June 2019, in line with the figure at the end of the last period and the outcome of the measurement conducted by the committee of high-level experts on behalf of Banca d'Italia at the time of the capital increase, is supported by the price consideration of the direct transactions that took place since 2015. The relevant measurement was therefore confirmed as Level 2 in the fair value classification.
With regard to the regulatory treatment as at 30 June 2019, the value of the investment measured at fair value in the balance sheet is given a weighting of 100% (in accordance with article 133 "Exposures in Equity Instruments" of the CRR).

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Section 4 - Financial assets at amortised cost - Item 40

Financial assets at amortised cost: breakdown by product of loans and advances to banks

(€ million)

TYPE OF TRANSACTIONS/VALUES	AMOUNTS AS AT 06.30.2019			AMOUNTS AS AT 12.31.2018		
	BOOK VALUE			BOOK VALUE		
	STAGE 1 AND STAGE 2	STAGE 3	OF WHICH: PURCHASED OR ORIGINATED CREDIT-IMPAIRED FINANCIAL ASSETS	STAGE 1 AND STAGE 2	STAGE 3	OF WHICH: PURCHASED OR ORIGINATED CREDIT-IMPAIRED FINANCIAL ASSETS
A. Loans and advances to Central Banks	**25,140**	**-**	**-**	**19,274**	**-**	**-**
1. Time deposits	325	-	-	120	-	-
2. Compulsory reserves	9,209	-	-	10,877	-	-
3. Reverse repos	15,149	-	-	7,741	-	-
4. Other	457	-	-	536	-	-
B. Loans and advances to banks	**56,212**	**-**	**-**	**54,369**	**-**	**-**
1. Loans	52,726	-	-	50,529	-	-
1.1 Current accounts and demand deposits	13,387	-	-	11,669	-	-
1.2 Time deposits	10,264	-	-	8,741	-	-
1.3 Other loans	29,075	-	-	30,119	-	-
- Reverse repos	22,389	-	-	22,869	-	-
- Lease Loans	1	-	-	1	-	-
- Other	6,685	-	-	7,249	-	-
2. Debt securities	3,486	-	-	3,840	-	-
2.1 Structured	2	-	-	2	-	-
2.2 Other	3,484	-	-	3,838	-	-
Total	**81,352**	**-**	**-**	**73,643**	**-**	**-**

Financial assets at amortised cost: breakdown by product of loans and advances to customers

(€ million)

TYPE OF TRANSACTIONS/VALUES	AMOUNTS AS AT 06.30.2019			AMOUNTS AS AT 12.31.2018		
	BOOK VALUE			BOOK VALUE		
	STAGE 1 AND STAGE 2	STAGE 3	OF WHICH: PURCHASED OR ORIGINATED CREDIT-IMPAIRED FINANCIAL ASSETS	STAGE 1 AND STAGE 2	STAGE 3	OF WHICH: PURCHASED OR ORIGINATED CREDIT-IMPAIRED FINANCIAL ASSETS
1. Loans	**452,971**	**13,403**	**30**	**454,500**	**14,865**	**17**
1.1 Current accounts	32,404	1,420	6	32,763	1,555	8
1.2 Reverse repos	37,141	-	-	38,263	-	-
1.3 Mortgages	163,732	5,491	7	162,155	5,890	7
1.4 Credit cards and personal loans, including wage assignment	17,136	288	-	17,653	281	-
1.5 Lease loans	18,391	1,997	-	18,453	2,275	-
1.6 Factoring	12,967	169	-	14,001	188	-
1.7 Other loans	171,200	4,038	17	171,212	4,676	2
2. Debt securities	**32,740**	**38**	**-**	**36,258**	**45**	**-**
2.1 Structured securities	20	-	-	21	-	-
2.2 Other debt securities	32,720	38	-	36,237	45	-
Total	**485,711**	**13,441**	**30**	**490,758**	**14,910**	**17**

The column "NPE - purchased" includes impaired loans purchased as part of transactions other than business combinations.

The sub-items "1.2. Reverse repos" and "1.7 Other loans" do not include the type of securities lending transactions collateralised by securities or not collateralised

The sub-item "1.7 Other loans" includes among the significant items €7,995 million of trade receivables as at 30 June 2019.

Part B - Consolidated balance sheet - Assets

Section 10 - Intangible assets - Item 100

An intangible asset is an identifiable non-monetary asset without physical substance, to be used for several years.

Goodwill is the excess of the cost of a business combination over the net fair value of the assets and liabilities of companies or businesses at the acquisition date.

As at 30 June 2019 intangible assets amounted to €2,802 million, decreased in comparison to €3,507 million as at 31 December 2018.

The decrease is mainly related to the deconsolidation of FinecoBank S.p.A.

10.1 Intangible assets: breakdown by asset type

(€ million)

ASSETS/VALUES	AMOUNTS AS AT 06.30.2019		AMOUNTS AS AT 12.31.2018	
	FINITE LIFE	INDEFINITE LIFE	FINITE LIFE	INDEFINITE LIFE
A.1 Goodwill	**X**	**886**	**X**	**1,484**
A.1.1 Attributable to the Group	X	886	X	1,484
A.1.2 Attributable to minorities	X	-	X	-
A.2 Other intangible assets	**1,916**	**-**	**1,930**	**93**
A.2.1 Assets carried at cost	1,916	-	1,930	93
a) Intangible assets generated internally	1,497	-	1,499	-
b) Other assets	419	-	431	93
A.2.2 Assets measured at fair value	-	-	-	-
a) Intangible assets generated internally	-	-	-	-
b) Other assets	-	-	-	-
Total	**1,916**	**886**	**1,930**	**1,577**
Total finite and indefinite life		**2,802**		**3,507**

The Group does not use the revaluation model (fair value) to measure intangible assets.

Other intangible assets - finite life mainly includes Software.

Other intangible assets - Other assets - Indefinite life as at 31 December 2018 included trademarks (brands) referred to FinecoBank S.p.A.

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10.2 Intangible assets: annual changes

(€ million)

	CHANGES IN FIRST HALF 2019					
		OTHER INTANGIBLE ASSETS				
		GENERATED INTERNALLY		OTHER		
	GOODWILL	FINITE LIFE	INDEFINITE LIFE	FINITE LIFE	INDEFINITE LIFE	TOTAL
A. Gross opening balance	**16,791**	**3,678**	**-**	**5,115**	**995**	**26,579**
A.1 Total net reduction in value	(15,307)	(2,179)	-	(4,684)	(902)	(23,072)
A.2 Net opening balance	**1,484**	**1,499**	**-**	**431**	**93**	**3,507**
B. Increases	**-**	**166**	**-**	**69**	**-**	**235**
B.1 Purchases	-	14	-	55	-	69
B.2 Increases in intangible assets generated internally	X	145	-	-	-	145
B.3 Write-backs	X	-	-	-	-	-
B.4 Increases in fair value	-	-	-	-	-	-
- In equity	X	-	-	-	-	-
- Through profit or loss	X	-	-	-	-	-
B.5 Positive exchange differences	-	5	-	11	-	16
B.6 Other changes	-	2	-	3	-	5
of which: business combinations	-	-	-	-	-	-
C. Reduction	**598**	**168**	**-**	**81**	**93**	**940**
C.1 Disposals	598	-	-	10	-	608
C.2 Write-downs	-	162	-	62	93	317
- Amortisation	X	156	-	62	-	218
- Write-downs	-	6	-	-	93	99
+ In equity	X	-	-	-	-	-
+ Through profit or loss	-	6	-	-	93	99
C.3 Reduction in fair value	-	-	-	-	-	-
- In equity	X	-	-	-	-	-
- Through profit or loss	X	-	-	-	-	-
C.4 Transfer to non-current assets held for sale	-	-	-	-	-	-
C.5 Negative exchange differences	-	1	-	4	-	5
C.6 Other changes	-	5	-	5	-	10
of which: business combinations	-	-	-	*8*	-	*8*
D. Net closing balance	**886**	**1,497**	**-**	**419**	**-**	**2,802**
D.1 Total net write-down	(14,934)	(2,339)	-	(4,633)	(902)	(22,808)
E. Gross closing balance	**15,820**	**3,836**	**-**	**5,052**	**902**	**25,610**
F. Carried at cost	**-**	**-**	**-**	**-**	**-**	**-**

The net book value of goodwill as at 30 June 2019 (€886 million) decreased by €598 million in comparison to 31 December 2018 due to the deconsolidation of FinecoBank S.p.A.
The goodwill refers to subsidiaries belonging to the Euro area. In addition to the deconsolidation of FinecoBank S.p.A., the annual changes in gross closing balance and total net write-down, compared to the values as at 31 December 2018, are due to goodwill of legal entities which reporting currency is different to Euro, completely impaired in the previous periods.
For further details of impairment test on goodwill and other intangible assets, recognised during business combinations, refer to the following pages.
The decrease in amount of €93 million in the item Other intangible assets - Other assets - Indefinite life is due to the impairment of the trademarks (brands) referring to FinecoBank S.p.A.

Part B - Consolidated balance sheet - Assets

10.3 Intangible assets: other information

Impairment testing of indefinite-life intangible assets recognised during business combinations
The carrying amount of indefinite-life intangible assets recognised during business combinations as at 30 June 2019 is €886 million, implying a reduction of €691[11] million compared to what was reported as of 31 December 2018 due to the deconsolidation of the Cash Generating Unit - CGU FinecoBank S.p.A.
According to IAS36.99, the results of the goodwill impairment test performed as at 31 December 2018 were also used for the test as at 30 June 2019 (for the Group and the CGUs to which residual goodwill is allocated). More in details, an analysis of qualitative indicators has been carried out on the main hypotheses underlying the calculations for the goodwill impairment test as at 31 December 2018.

Estimating cash flows to determine the value in use as at 31 December 2018
The impairment test as at 31 December 2018 was performed on the basis of the financial projections (Net Profit and RWA) included in the Budget 2019 approved by the Board of Directors on 13 December 2018.

For more details about the impairment test and of the sensitivity of the recoverable amount of the CGU and of KoC Finansal Hizmetler AS shareholding to the key parameters see the Consolidated Financial Statements as at 31 December 2018.

Analysis of indicators as at 30 June 2019
With the aim of assessing potential variations occurred in the first half of 2019 in the assumptions underlying latest impairment test calculation, a trigger analysis of the key indicators has been carried out.

Pursuant to IAS36.99, the result of the analysis of changes in the prevailing circumstances as at 30 June 2019 compared to 31 December 2018 and of events that have occurred during the same period confirms the validity of the outcome of the goodwill impairment test performed on 31 December 2018; following this analysis, the results have therefore been confirmed also with respect to the 30 June 2019 impairment test.
In particular, the following considerations have been made:
- there have been no substantial changes in the structure of assets and liabilities of the CGUs;
- Net Profit actual results[12] are above budget target, at both Group and for most of the CGUs' level;
- at Group level and for most of the CGUs, RWAs[12] are below budget target;
- cost of Equity updated as at June 2019 is slightly below the level recorded as at December 2018;
- there have been no changes in Common Equity Tier 1 ratio target.

In addition, the following elements of the prevailing Macro and Banking scenario have been observed:
- latest release of the internal macro-scenario is broadly in line with the scenario underlying the latest Strategic Plan "Transform 2019", albeit in a context of a higher uncertainty;
- in many countries, economic growth should be higher than that envisaged in Transform 2019;
- latest forecasts, coherently with the Strategic Plan, confirm a negative short term interest rate in Eurozone for 2019.

Results of the impairment test
Based on analysis of events that have occurred and circumstances that have changed since December 2018, pursuant to IAS36.99, the results of 31 December 2018 impairment test, that confirmed the sustainability of the goodwill with no need for an impairment on the consolidated accounts of the UniCredit group, are also confirmed for June 2019.

It must be noted that the parameters and information used to verify the recoverability of goodwill (in particular the expected cash flows for the CGUs and the discount rates used) are significantly influenced by the macroeconomic and market situation, which may be subject, to currently unpredictable changes.
The effect that these changes may have on the estimated cash flows of the different CGUs, as well as on the main assumptions made, could therefore lead to different results in the coming financial years.

11 Of which goodwill equal to €598 million and other intangible assets equal to €93 million (gross of deferred taxes).
12 At Budget Foreign Exchange Rates.

Part B - Consolidated balance sheet - Assets

Section 12 - Non-current assets and disposal groups classified as held for sale - Item 120 (Assets) and Item 70 (Liabilities)

Non-current assets or directly connected groups of assets and liabilities, which constitute a set of cash flow generating assets, the sale of which is highly likely, are recognised under these items. They are measured at the lower value between the book value and the fair value less costs to sell according to IFRS5.

In the balance sheet as at 30 June 2019, compared with 31 December 2018, the companies Oesterreichische Hotel-und TourismusBank Gesellschaft M.B.H. and Swancap Partners GmbH have been sold and the following has been attributed to the non-current assets and asset disposal groups pursuant to IFRS5: the subsidiary Cards & Systems EDV-Dienstleistungs GmbH, the companies of the Ocean Breeze group, the associated company Nautilus Tankers Limited and the non-performing loans related to sale initiatives of portfolios.

As at 30 June 2019 in the same item are also included the tangible assets and real-estate properties held by some Group's companies, mainly in Germany.
As regards the data for asset related to discontinued operations, and associated liabilities, the figure at 30 June 2019 refers to the companies of the Immobilien Holding group.

It should be noted that items "120. Non- current assets and disposal groups classified as held for sale" and "70. Liabilities associated with assets classified as held for sale" include the assets and liabilities relating to the companies Ocean Breeze energy GmbH & C. KG (OBKG), Perikles 20092 Vermögensverwaltung GmbH, Ocean Breeze Asset Gmbh & Co. KG, Ocean Breeze GmbH.
These companies own and manage a wind farm called BARD Offshore 1 (BO1) and the associated instrumental assets. This wind plant has been developed by BARD group on behalf of OBKG. BARD group was financed only by UniCredit Bank AG and, consequently, consolidated starting from 31 December 2013, which led, among other, to the recognition of the wind farm and instrumental assets in item "90. Property, plant and equipment". As at 30 June 2019, the assets and liabilities of the aforementioned companies have been recorded respectively in item "120. Non- current assets and disposal groups classified as held for sale" and in item "70. Liabilities associated with assets classified as held for sale", since, at the date, the conditions required by IFRS5 for this classification were satisfied, also in light of the subscription of an agreement in August 2019 for the sale of the aforementioned companies that will determine the actual disposal in the fourth quarter.
As a result of this classification, the assets and liabilities of these companies have been measured at the lower of carrying amount and fair value net of costs of disposal, the latter determined on the basis of the aforementioned sale agreement. This led to the recognition of a write-down on tangible assets for €259 million.

Part B - Consolidated balance sheet - Assets

12.1 Non-current assets and disposal groups classified as held for sale: breakdown by asset type

(€ million)

	AMOUNTS AS AT	
	06.30.2019	12.31.2018
A. Assets held for sale		
A.1 Financial assets	863	711
A.2 Equity investments	12	25
A.3 Property, plant and equipment	2,051	940
of which: obtained by the enforcement of collateral	*3*	*1*
A.4 Intangible assets	8	7
A.5 Other non-current assets	142	78
Total (A)	**3,076**	**1,761**
of which: carried at cost	*1,967*	*1,612*
of which: designated at fair value - level 1	*7*	*8*
of which: designated at fair value - level 2	*12*	*57*
of which: designated at fair value - level 3	*1,090*	*84*
B. Discontinued operations		
B.1 Financial assets at fair value through profit or loss	-	-
- Financial assets held for trading	-	-
- Financial assets designated at fair value	-	-
- Other financial assets mandatorily at fair value	-	-
B.2 Financial assets at fair value through other comprehensive income	-	-
B.3 Financial assets at amortised cost	-	-
B.4 Equity investments	23	23
B.5 Property, plant and equipment	-	-
of which: obtained by the enforcement of collateral	-	-
B.6 Intangible assets	-	-
B.7 Other assets	16	16
Total (B)	**39**	**39**
of which: carried at cost	-	-
of which: designated at fair value - level 1	-	-
of which: designated at fair value - level 2	-	-
of which: designated at fair value - level 3	*39*	*39*
C. Liabilities associated with assets classified as held for sale		
C.1 Deposits	184	158
C.2 Securities	-	-
C.3 Other liabilities	418	347
Total (C)	**602**	**505**
of which: carried at cost	*519*	*505*
of which: designated at fair value - level 1	-	-
of which: designated at fair value - level 2	-	-
of which: designated at fair value - level 3	*83*	-
D. Liabilities associated with discontinued operations		
D.1 Financial liabilities at amortised cost	-	-
D.2 Financial liabilities held for trading	-	-
D.3 Financial liabilities designated at fair value	-	-
D.4 Provisions	-	-
D.5 Other liabilities	30	35
Total (D)	**30**	**35**
of which: carried at cost	-	-
of which: designated at fair value - level 1	-	-
of which: designated at fair value - level 2	-	-
of which: designated at fair value - level 3	*30*	*35*

Fair value measurements, made for disclosure purposes only, are classified into a fair value hierarchy that reflects the significance of inputs used in the valuations. For further information see Part A - Accounting policies - A.4 Information on fair value.
With reference to the fair value levels we must specify that the figures referred to companies of the Immobilien Holding group are presented at 30 June 2019 among level 3 assets and liabilities (the same as at 31 December 2018) reflecting their measurement using a valuation model.

12.2 Other information

There is no significant information to be reported.

Part B - Consolidated balance sheet - Liabilities

Liabilities

Section 1 - Financial liabilities at amortised cost - Item 10

Financial liabilities at amortised cost: breakdown by product of deposits from banks

(€ million)

TYPE OF TRANSACTIONS/VALUES	AMOUNTS AS AT 06.30.2019	AMOUNTS AS AT 12.31.2018
1. Deposits from central banks	**59,272**	**56,678**
2. Deposits from banks	**73,423**	**69,217**
2.1 Current accounts and demand deposits	12,260	11,597
2.2 Time deposits	17,027	14,757
2.3 Loans	42,516	41,864
2.3.1 Repos	26,520	25,774
2.3.2 Other	15,996	16,090
2.4 Liabilities relating to commitments to repurchase treasury shares	-	-
2.5 Lease deposits	-	-
2.6 Other deposits	1,620	999
Total	**132,695**	**125,895**

The sub-item “2.3 Loans” includes repos executed using proprietary securities issued by Group companies, which were eliminated from assets on consolidation.
The same sub-item do not include the type of bond lending transactions collateralised by securities or not collateralised.

Financial liabilities at amortised cost: breakdown by product of deposits from customers

(€ million)

TYPE OF TRANSACTION/VALUES	AMOUNTS AS AT 06.30.2019	AMOUNTS AS AT 12.31.2018
1. Current accounts and demand deposits	334,696	350,492
2. Time deposits	64,866	63,267
3. Loans	48,708	60,169
3.1 Repos	42,953	56,964
3.2 Other	5,755	3,205
4. Liabilities relating to commitments to repurchase treasury shares	-	-
5. Lease deposits	2,344	-
6. Other deposits	4,749	5,060
Total	**455,363**	**478,988**

The item “3. Loans” also include liabilities relating to repos executed using proprietary securities issued by Group companies, which were eliminated from assets on consolidation; the same sub-item do not include the type of bond lending transactions collateralised by securities or not collateralised.

Financial liabilities at amortised cost: breakdown by product of debt securities in issue

(€ million)

TYPE OF SECURITIES/VALUES	AMOUNTS AS AT 06.30.2019	AMOUNTS AS AT 12.31.2018
A. Debt securities		
1. Bonds	85,648	73,353
1.1 Structured	2,856	1,673
1.2 Other	82,792	71,680
2. Other securities	6,786	7,800
2.1 Structured	98	110
2.2 Other	6,688	7,690
Total	**92,434**	**81,153**

The sum of the sub-items “1.1 Bonds - Structured” and “2.1 Other securities -structured” was equal to €2,954 million and accounted for 3.2% of total debt securities. They mainly refer to interest-rate linked instruments with closely related embedded derivatives identified according to the classification rules of Mifid.

Part B - Consolidated balance sheet - Liabilities

The fair value of derivatives embedded in structured securities, presented in Line 20 of Assets and Line 20 of Liabilities and included in Trading derivatives - Others, amounted to a net balance of €36 million negative.

The increase of €12,295 million in the item "1. Bonds" is mainly due to new debt securities issued in the first half of 2019. For further details see paragraph "Other Information" in the Consolidated interim report on operations.

Section 2 - Financial liabilities held for trading - Item 20

2.1 Financial liabilities held for trading: breakdown by product

(€ million)

	AMOUNTS AS AT 06.30.2019					AMOUNTS AS AT 12.31.2018				
	NOMINAL	FAIR VALUE			FAIR	NOMINAL	FAIR VALUE			FAIR
TYPE OF TRANSACTIONS/VALUES	VALUE	LEVEL 1	LEVEL 2	LEVEL 3	VALUE*	VALUE	LEVEL 1	LEVEL 2	LEVEL 3	VALUE*
A. Cash liabilities										
1. Deposits from banks	20	563	6	-	568	-	1,624	2	-	1,625
2. Deposits from customers	501	6,604	619	70	7,292	1,400	9,637	1,547	-	11,184
3. Debt securities	3,068	-	2,682	233	2,913	3,375	-	2,525	310	2,840
3.1 Bonds	1,521	-	1,329	131	1,459	1,770	-	1,194	178	1,378
3.1.1 Structured	1,521	-	1,329	131	X	1,770	-	1,194	178	X
3.1.2 Other	-	-	-	-	X	-	-	-	-	X
3.2 Other securities	1,547	-	1,353	102	1,454	1,605	-	1,331	132	1,462
3.2.1 Structured	1,547	-	1,353	102	X	1,605	-	1,331	132	X
3.2.2 Other	-	-	-	-	X	-	-	-	-	X
Total (A)	**3,589**	**7,167**	**3,307**	**303**	**10,773**	**4,775**	**11,261**	**4,074**	**310**	**15,649**
B. Derivatives instruments										
1. Financial derivatives	X	2,144	26,736	431	X	X	2,243	23,965	929	X
1.1 Trading derivatives	X	2,144	26,403	390	X	X	2,243	23,775	894	X
1.2 Linked to fair value option	X	-	61	-	X	X	-	49	-	X
1.3 Other	X	-	272	41	X	X	-	141	35	X
2. Credit derivatives	X	28	174	120	X	X	11	197	121	X
2.1 Trading derivatives	X	28	164	120	X	X	11	189	121	X
2.2 Linked to fair value option	X	-	-	-	X	X	-	-	-	X
2.3 Other	X	-	10	-	X	X	-	8	-	X
Total (B)	**X**	**2,172**	**26,910**	**551**	**X**	**X**	**2,254**	**24,162**	**1,050**	**X**
Total (A+B)	**X**	**9,339**	**30,217**	**854**	**X**	**X**	**13,515**	**28,236**	**1,360**	**X**
Total Level 1, Level 2 and Level 3				**40,410**					**43,111**	

Note:
Fair value* = Fair value calculated excluding the value changes due to the change of credit worthiness of the issuer compared to the issue date.

Valuations at fair value were classified according to a hierarchy of levels reflecting the observability of the valuations input. For further information see Part A - Accounting Policies - A.4 Information on fair value of the Explanatory notes of this document.

The financial assets and liabilities relating to OTC Derivatives and Repos managed through Central Counterparty Clearing Houses (CCPs) are offset when (i) the clearing systems of CCPs guarantee the elimination or reduce to immaterial the credit and liquidity risks of these contracts and (ii) the entity intends to settle these contracts on a net basis, in accordance with IAS32 - Offsetting, in order to better present the liquidity profile and counterparty risk connected with them.

The offset effect as at 30 June 2019, already included in the net presentation of these transactions, totaled €30,016 million increased in comparison to €17,198 million as at 31 December 2018 due to the evolution of reference market conditions.

The sub-item "Deposits from banks" and "Deposits from customers" include short selling totaling €7,322 million as at 30 June 2019 (€11,416 million as at 31 December 2018), in respect of which no nominal amount was attributed.

Part B - Consolidated balance sheet - Liabilities

Section 3 - Financial liabilities designated at fair value - Item 30

3.1 Financial liabilities designated at fair value: breakdown by product

(€ million)

TYPE OF TRANSACTIONS/VALUES	AMOUNTS AS AT 06.30.2019					AMOUNTS AS AT 12.31.2018				
	NOMINAL VALUE	FAIR VALUE			FAIR VALUE*	NOMINAL VALUE	FAIR VALUE			FAIR VALUE*
		LEVEL 1	LEVEL 2	LEVEL 3			LEVEL 1	LEVEL 2	LEVEL 3	
1. Deposits from banks	**5**	**-**	**4**	**1**	**5**	**5**	**-**	**4**	**1**	**5**
1.1 Structured	-	-	-	-	X	-	-	-	-	X
1.2 Other	5	-	4	1	X	5	-	4	1	X
of which:										
- loan commitments given	-	*X*	*X*	*X*	*X*	-	*X*	*X*	*X*	*X*
- financial guarantees given	-	*X*	*X*	*X*	*X*	-	*X*	*X*	*X*	*X*
2. Deposits from customers	**555**	**-**	**552**	**46**	**604**	**566**	**-**	**534**	**45**	**583**
2.1 Structured	-	-	-	-	X	-	-	-	-	X
2.2 Other	555	-	552	46	X	566	-	534	45	X
of which:										
- loan commitments given	-	*X*	*X*	*X*	*X*	-	*X*	*X*	*X*	*X*
- financial guarantees given	-	*X*	*X*	*X*	*X*	-	*X*	*X*	*X*	*X*
3. Debt securities	**10,660**	**408**	**9,808**	**527**	**10,682**	**9,099**	**427**	**8,126**	**181**	**8,781**
3.1 Structured	9,771	-	9,466	478	X	8,356	-	7,797	160	X
3.2 Other	889	408	342	49	X	743	427	329	21	X
Total	**11,220**	**408**	**10,364**	**574**	**11,291**	**9,670**	**427**	**8,664**	**227**	**9,369**
Total Level 1, Level 2 and Level 3				**11,346**					**9,318**	

Note:
Fair value* = Fair value calculated excluding the value changes due to the change of credit worthiness of the issuer compared to the issue date.

Liabilities are recognised in this item to reduce the accounting mismatch arising from financial instruments measured with changes in fair value in the income statement in order to manage the risk profile.

Valuations at fair value were classified according to a hierarchy of levels reflecting the observability of the valuations input. For further information see Part A - Accounting policies - A.4 Information on fair value of the Explanatory notes of this document.

The sub-item “3.1 Debt securities - Structured” includes “Certificates”, structured debt securities, issued by UniCredit S.p.A. and by other Group’s legal entities; further the item contains €419 million of “Secured mandatorily exchangeable equity-linked certificate” referred to the residual shares in Bank Pekao S.A., after the sale of the 32.8% stake to Powszechny Zakład Ubezpieczeń S.A. and Polish Development Fund S.A. occurred in June 2017. These securities are classified as measured at fair value not being separable their embedded derivative component.

Section 7 - Liabilities associated with assets classified as held for sale - Item 70

See Section 12 of Assets.

Section 10 - Provisions for risks and charges - Item 100

10.1 Provisions for risks and charges: breakdown

(€ million)

ITEMS/COMPONENTS	AMOUNTS AS AT 06.30.2019	AMOUNTS AS AT 12.31.2018
1. Provisions for credit risk on commitments and financial guarantees given	1,046	1,083
2. Provisions for other commitments and other guarantees given	92	57
3. Pensions and other post-retirement benefit obligations	5,314	4,767
4. Other provisions for risks and charges	3,115	5,054
4.1 Legal and tax disputes	817	2,476
4.2 Staff expenses	831	946
4.3 Other	1,467	1,632
Total	**9,567**	**10,961**

Part B - Consolidated balance sheet - Liabilities

As at 30 June 2019 Provision for risks and charges amounted to €9,567 million, of which about €1,138 million related to total impairment losses on off-balance sheet exposures, €5,314 million related to pensions and other post-retirement benefit obligations and €3,115 million related to other provisions for risks and charges.

The item "4. Other provisions for risks and charges" consists of:
- legal and tax disputes: cases in which the Group is a defendant, and post-insolvency clawback petitions (more information on litigation is set out in Part E - Information on risks and hedging policies - 2.5 Operational risks - Qualitative information - B. Legal risks);
- staff expenses including also the expenses related to the implementation of the Strategic Plan 2016-2019;
- other: provisions for risks and charges not attributable to the above items, whose details are illustrated in the table 10.6 below.

10.5 Pensions and other post-retirement defined-benefit obligations

There are several defined-benefit plans within the Group, i.e., plans whose benefit is linked to salary and employee length of service both in Italy and abroad. The Austrian, German and Italian plans account for over 90% of the Group's pension obligations.
The 50% of the total obligations for defined benefit plans are financed with segregated assets. These plans are established in (i) Germany, the "Direct Pension Plan" (i.e. an external fund managed by independent trustees), the "HVB Trust Pensionfonds AG" and the "Pensionkasse der Hypovereinsbank WaG" all created by UniCredit Bank AG (UCB AG), and (ii) in the United Kingdom, Italy and Luxembourg created by UCB AG and UniCredit S.p.A.

The Group's defined-benefit plans are mainly closed to new recruits (for example in Germany, Austria and Italy, where most new recruits join defined-contribution plans instead and the related contributions are charged to the income statement).
According to IAS19, obligations arising from defined-benefit plans are determined using the "projected unit credit" method, while segregated assets are measured at fair value. The balance sheet obligation is the result of the deficit/surplus (i.e., the difference between obligations and assets) net of any impacts of the asset ceiling; actuarial gains and losses are recognised in shareholders' equity and shown in a specific item of revaluation reserves in the financial year in which they are recorded.

The actuarial assumptions used to determine obligations vary from country to country and from plan to plan; the discount rate is determined, depending on the currency of denomination of the commitments and the maturity of the liability, by reference to market yields at the balance sheet date on a basket of high quality corporate bonds.
In the light of evolving common interpretation about "high quality corporate bonds" identification and persisting interest rates decreasing trend, the Group refined its Discount Rate setting methodology by referencing AA rated corporate bonds basket. In addition, a Nelson Siegel methodology has been applied in modelling of the yield-curve originated by the basket of securities and adjusted by relying on the slope of a Treasury curve build with AA government securities above the last liquid point (defined as the average maturity of the last 5 available bonds).

The measurement of commitments as at 30 June 2019 (including those relating to employee severance pay for so-called *Trattamento di fine rapporto del personale*) leads to an increase in the negative balance, at Group level, of the valuation reserve relating to actuarial gains/losses on defined benefit plans of -€495 million, net of taxes (for a negative balance which move from -€2,710 million as at 31 December 2018 to -€3,205 million as at 30 June 2019), mainly driven by widespread drop in Euro yield curve (for about -55/60bps for pension funds and -70bps for *Trattamento di fine rapporto del personale* (specifically referred to Italy), vis-a-vis December 2018).

For additional information see Consolidated report and accounts 2018 of UniCredit group.

10.6 Provisions for risks and charges - other provisions

(€ million)

	AMOUNTS AS AT	
	06.30.2019	12.31.2018
4.3 Other provisions for risks and charges - other		
Real estate risks/charges	110	158
Restructuring costs	45	74
Allowances payable to agents	97	162
Disputes regarding financial instruments and derivatives	87	85
Costs for liabilities arising from equity investment disposals	199	184
Other	929	969
Total	**1,467**	**1,632**

Part B - Consolidated balance sheet - Liabilities

The sub items:
- "Real estate risks/charges" is decreased following the reclassification of subsidiary Ocean Breeze Energy GMBH & CO. KG in item "Non-current assets and disposal groups classified as held for sale";
- "Restructuring costs" reduces mainly due to the utilisations made by the subsidiary UniCredit Bank AG;
- "Allowances payable to agents" reduces following the disposal of FinecoBank S.p.A;
- "Others" includes provisions:
  - posted in order to cope with the probable risks of loss related to the purchases of diamonds, that could be carried out under the "customer care" initiative promoted by UniCredit S.p.A. To complete the information more details are included in the paragraph of Part E - Information on risks and hedging policies - 2.5 Operational risks - Qualitative information - E. Other claims by customers - Diamond offer;
  - referring to cover the risks related to certain standard contractual terms contained in the documentary frameworks (i.e. reps & warranties), including securitisation transactions signed with the SPVs, of which UniCredit S.p.A. is Originator, pending the analysis and assessments to be completed within the deadlines established.

Section 13 - Group shareholders' equity - Items 120, 130, 140, 150, 160, 170 and 180

At 30 June 2019 the Group shareholders' equity, including the profit for the period of €3,241 million, amounted to €59,136 million, against €55,841 million at the end of 2018.
The table below shows a breakdown of Group equity and the changes over the previous year.

Group shareholders' equity: breakdown

(€ million)

	AMOUNTS AS AT		CHANGES	
	06.30.2019	12.31.2018	AMOUNT	%
1. Share capital	20,995	20,940	55	0.3%
2. Share premium reserve	13,225	13,393	-168	-1.3%
3. Reserves	23,719	20,503	3,216	15.7%
4. Treasury shares	(3)	(9)	6	-66.7%
a. Parent Company	(2)	(2)	-	-
b. Subsidiaries	(1)	(7)	6	-85.7%
5. Revaluation reserve	(7,643)	(7,488)	-155	2.1%
6. Equity instruments	5,602	4,610	992	21.5%
7. Net profit (loss)	3,241	3,892	-651	-16.7%
Total	**59,136**	**55,841**	**3,295**	**5.9%**

Part B - Consolidated balance sheet - Liabilities

The €3,295 million increase in Group equity resulted from:

(€ million)

Change in capital:	
withdrawal from the specifically constituted reserve for the issue of the shares connected to the medium term incentive plan for Group personnel following the resolution of the Board of Directors of 6 February 2019	**55**
Use of share premium reserve:	
for the coverage of the negative reserves for the component related to the payment of AT1 coupons in 2017	**(168)**
Change in reserves, including those one in treasury shares arising from:	**3,222**
· attribution to the reserve of the result of the previous year, net of dividends and other allocations	3,288
· coverage of the negative reserves, using share premium reserve and statutory reserve	293
· change in reserves connected to Share Based Payments	31
· recognition in reserves from allocation of profit of the cumulated gains (losses) arising from the disposal of equities measured at fair value through Other Comprehensive Income and from the repurchase of financial liabilities designated at fair value occurred during the period. This amount includes also the recycling to reserves from allocation of profit of the eventual amount previously reported in revaluation reserve	(22)
· withdrawal from reserves, for the capital increase connected to the medium term incentive plan for Group personnel following the resolution of the Board of Directors of 6 February 2019	(55)
· the charge to reserves for the disbursements made in connection with the usufruct contract signed with Mediobanca S.p.A. on UniCredit shares supporting the issuance of convertible securities denominated “Cashes”	(63)
· reserve for the unsustainable amount of Deferred Tax Assets relating to tax losses carried forward linked to shareholders' equity items	(64)
· use of the statutory reserve to cover the negative reserve arising from the payment of usufruct contract signed with Mediobanca S.p.A. on UniCredit shares supporting the issuance of convertible securities denominated “Cashes”	(125)
· allocation to the reserve of the coupon paid to subscribers of the Additional Tier 1 instruments, net of the related taxes and fees paid to legal entities belonging to UniCredit group	(135)
· other changes	74
Change in valuation reserves due to:	**(155)**
· variation in exchange rate differences	283
· variation of valuation reserves related to financial assets and liabilities valued at fair value	224
· variation in the value of hedging for financial risks	(41)
· variation in the value of the valuation reserve of companies carried at equity	(126)
· variation in the value of the reserve on actuarial gains (losses) on defined-benefit plans	(495)
Issue of Additional Tier1 recognised net of the related transaction costs and placement fees	**992**
Change of the profit for the period compared with that of 31 December 2018	**(651)**

13.4 Reserves from allocation of profit: other information

(€ million)

	AMOUNTS AS AT	
	06.30.2019	**12.31.2018**
Legal reserve	1,518	1,518
Statutory reserve	7,648	6,161
Other reserves	7,205	5,543
Total	**16,371**	**13,222**

The Legal Reserve in overall includes also the amount of €2,683 million classified in the item Other reserves (not from profits) deriving from usage of resources, as resolved by the Shareholders’ Meeting of 11 May 2013, 13 May 2014 and 14 April 2016 through a withdrawal from the Share premium reserve.

Part B - Consolidated balance sheet - Liabilities

13.6 Other Information

Revaluation reserve: breakdown

(€ million)

ITEM/TYPES	AMOUNTS AS AT 06.30.2019	12.31.2018
1. Equity instruments designated at fair value through other comprehensive income	(286)	(265)
2. Financial Assets (other than equity instruments) at fair value through other comprehensive income	508	184
3. Hedging of equity instruments at fair value through other comprehensive income	-	-
4. Financial liabilities at fair value through profit or loss (changes in own credit risk)	(38)	41
5. Hedging instruments (non-designated elements)	-	-
6. Property, plant and equipment	-	-
7. Intangible assets	-	-
8. Hedges of foreign investments	-	-
9. Cash-flow hedges	32	73
10. Exchange differences	(2,043)	(2,326)
11. Non-current assets classified as held for sale	-	-
12. Actuarial gains (losses) on defined-benefit plans	(3,205)	(2,710)
13. Revaluation reserves of investments valued at net equity	(2,888)	(2,762)
14. Special revaluation laws	277	277
Total	**(7,643)**	**(7,488)**

The main exchange differences as at 30 June 2019 that impacted the reserves mainly refer to the following currencies:
- Turkish Lira: -€2,896 million, included in the share of the item revaluation reserves of investments valued at net equity in accordance with IFRS11;
- Ruble: -€1,843 million, included in the item exchange differences and -€25 million included in the item revaluation reserves of investments valued at net equity.

The main variations in comparison to 31 December 2018 refer to:
- variation -€495 million of item actuarial gains (losses) on defined-benefit plans mainly due to discount rate negative impact partially offset by plan assets performance;
- variation of item financial assets (other than equity instruments) at fair value through other comprehensive income for +€324 million mainly due to Government securities;
- change of Turkish Lira for -€87 million included in the item revaluation reserves of investments valued at net equity;
- change of Ruble for +€275 million included in the item exchange differences.

Part C - Consolidated income statement

Section 1 - Interest - Items 10 and 20

1.1 Interest income and similar revenues: breakdown

(€ million)

ITEMS/TYPES	AS AT 06.30.2019 DEBT SECURITIES	LOANS	OTHER TRANSACTIONS	TOTAL	AS AT 06.30.2018 TOTAL
1. Financial assets at fair value through profit or loss	**105**	**47**	**328**	**480**	**456**
1.1 Financial assets held for trading	54	2	328	384	320
1.2 Financial assets designated at fair value	-	-	-	-	-
1.3 Other financial assets mandatorily at fair value	51	45	-	96	136
2. Financial assets at fair value through other comprehensive income	**554**	**-**	**X**	**554**	**557**
3. Financial assets at amortised cost	**256**	**5,739**	**X**	**5,995**	**5,748**
3.1 Loans and advances to banks	19	350	X	369	277
3.2 Loans and advances to customers	237	5,389	X	5,626	5,471
4. Hedging derivatives	**X**	**X**	**25**	**25**	**251**
5. Other assets	**X**	**X**	**66**	**66**	**83**
6. Financial liabilities	**X**	**X**	**X**	**287**	**334**
Total	**915**	**5,786**	**419**	**7,407**	**7,429**
of which: interest income on impaired financial	-	*281*	-	*281*	*346*
of which: interest income on financial lease	-	*304*	-	*304*	-

1.3 Interest expenses and similar charges: breakdown

(€ million)

ITEMS/TYPES	AS AT 06.30.2019 DEBTS	SECURITIES	OTHER TRANSACTIONS	TOTAL	AS AT 06.30.2018 TOTAL
1. Financial liabilities at amortised cost	**(863)**	**(1,120)**	**X**	**(1,983)**	**(1,793)**
1.1 Deposits from central banks	(58)	X	X	(58)	(35)
1.2 Deposits from banks	(233)	X	X	(233)	(176)
1.3 Deposits from customers	(572)	X	X	(572)	(467)
1.4 Debt securities in issue	X	(1,120)	X	(1,120)	(1,115)
2. Financial liabilities held for trading	**(1)**	**(16)**	**(387)**	**(404)**	**(393)**
3. Financial liabilities designated at fair value	**(5)**	**(50)**	**-**	**(55)**	**(57)**
4. Other liabilities and funds	**X**	**X**	**(25)**	**(25)**	**(32)**
5. Hedging derivatives	**X**	**X**	**408**	**408**	**275**
6. Financial assets	**X**	**X**	**X**	**(165)**	**(165)**
Total	**(869)**	**(1,186)**	**(4)**	**(2,224)**	**(2,165)**
of which: interest income on lease deposits	*(22)*	*X*	*X*	*(22)*	-

Part C - Consolidated income statement

Section 2 - Fees and commissions - Items 40 and 50

2.1 Fees and commissions income: breakdown

(€ million)

TYPE OF SERVICES/VALUES	AS AT 06.30.2019	AS AT 06.30.2018
a) Guarantees given	244	241
b) Credit derivatives	-	1
c) Management, brokerage and consultancy services	1,603	1,716
1. Securities trading	89	90
2. Currency trading	51	48
3. Portfolio management	186	179
3.1 Individual	75	80
3.2 Collective	111	99
4. Custody and administration of securities	106	123
5. Custodian bank	16	16
6. Placement of securities	257	333
7. Reception and transmission of orders	40	57
8. Advisory services	57	69
8.1 Relating to investments	42	48
8.2 Relating to financial structure	15	21
9. Distribution of third party services	801	801
9.1 Portfolio management	300	286
9.1.1 Individual	1	2
9.1.2 Collective	299	284
9.2 Insurance products	490	504
9.3 Other products	11	11
d) Collection and payment services	672	671
e) Securitisation servicing	2	-
f) Factoring	42	37
g) Tax collection services	-	-
h) Management of multilateral trading facilities	-	-
i) Management of current accounts	638	658
j) Other services	492	521
k) Security lending	18	18
Total	**3,711**	**3,863**

Starting from 2019 some revenues from recovery of financial transaction tax collected from customers are not any longer included in sub item "d) Collection and payment services" (22 million as at 30 June 2018) being addressed to Item "230. Other Operating expenses/income".
Item "j) other services" mainly comprise:
- fees on loans granted: €152 million in 2019, €204 million in the first half of 2018;
- fees for foreign transactions and services of €38 million in 2019, €37 million in the first half of 2018;
- fees for various services provided to customers (e.g. treasury, merchant banking, etc.) of €26 million in 2019, €28 million in the first half of 2018;
- fees for ATM and credit card services not included in collection and payment services, amounting to €149 million in 2019, €143 million in the first half of 2018.

Part C - Consolidated income statement

2.2 Fees and commissions expenses: breakdown

(€ million)

SERVICES/VALUES	AS AT 06.30.2019	AS AT 06.30.2018
a) Guarantees received	(65)	(69)
b) Credit derivatives	-	-
c) Management, brokerage and consultancy services	(151)	(142)
1. Trading financial instruments	(25)	(26)
2. Currency trading	(6)	(6)
3. Portfolio management	(19)	(13)
3.1 Own portfolio	(9)	(7)
3.2 Third party portfolio	(10)	(6)
4. Custody and administration of securities	(76)	(71)
5. Placement of financial instruments	(3)	(9)
6. Off-site distribution of financial instruments, products and services	(22)	(17)
d) Collection and payment services	(315)	(212)
e) Other services	(55)	(55)
f) Security lending	(13)	(15)
Total	**(599)**	**(493)**

Starting from 2019 some expenses for payment services and cards previously addressed to Item “190. b) Other administrative expenses” (81 million as at 30 June 2018) are included in item “d) Collection and payment services”.

Section 3 - Dividend income and similar revenues - Item 70

Dividends are recognised in the income statement when distribution is approved.
In the first half 2019 dividend income and similar revenues totalled €177 million, as against overall €316 million for the previous period.

3.1 Dividend income and similar revenues: breakdown

(€ million)

ITEMS/REVENUES	AS AT 06.30.2019		AS AT 06.30.2018	
	DIVIDENDS	SIMILAR REVENUES	DIVIDENDS	SIMILAR REVENUES
A. Financial assets held for trading	151	-	278	-
B. Other financial assets mandatorily at fair value	9	2	10	3
C. Financial assets at fair value through other comprehensive income	13	-	20	-
D. Equity investments	2	-	5	-
Total	**175**	**2**	**313**	**3**
Total dividends and similar revenues		**177**		**316**

The item “A. Financial assets held for trading” includes mainly the dividends received relating to the following equity securities: Intesa Sanpaolo (€18 million), Siemens Ag. NA O.N. (€11 million), Daimler Ag. NA O.N. (€10 million). In 2018 the item “Financial assets held for trading” mainly includes the dividends received relating to the following equity securities: Daimler Ag. NA O.N. (€35 million), Allianz SE NA O.N. (€19 million), Siemens Ag. NA (€17 million), BASF SE NA O.N. (€16 million).

The item “C. Financial assets at fair value through other comprehensive income” includes €10 million in dividends received relating to the shareholding in Banca d’Italia (€10 million in 2018).

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Section 4 - Net gains (losses) on trading - Item 80

4.1 Net gains (losses) on trading: breakdown

(€ million)

TRANSACTIONS/P&L ITEMS	AS AT 06.30.2019				
	CAPITAL GAINS (A)	REALISED PROFITS(B)	CAPITAL LOSSES (C)	REALISED LOSSES (D)	NET PROFIT [(A+B)-(C+D)]
1. Financial assets held for trading	**1,975**	**1,703**	**(953)**	**(959)**	**1,766**
1.1 Debt securities	366	455	(79)	(425)	317
1.2 Equity instruments	550	878	(97)	(478)	853
1.3 Units in investment funds	120	83	(12)	(44)	147
1.4 Loans	171	5	(96)	-	80
1.5 Other	768	282	(669)	(12)	369
2. Financial liabilities held for trading	**118**	**201**	**(498)**	**(237)**	**(416)**
2.1 Debt securities	86	125	(294)	(76)	(159)
2.2 Deposits	-	-	-	(2)	(2)
2.3 Other	32	76	(204)	(159)	(255)
3. Financial assets and liabilities: exchange differences	**X**	**X**	**X**	**X**	**(31)**
4. Derivatives	**95,880**	**58,484**	**(96,092)**	**(59,303)**	**(854)**
4.1 Financial derivatives	95,598	58,234	(95,797)	(59,034)	(822)
- On debt securities and interest rates	90,023	53,529	(90,289)	(53,490)	(227)
- On equity securities and share indices	3,217	3,556	(4,035)	(3,257)	(519)
- On currency and gold	X	X	X	X	177
- Other	2,358	1,149	(1,473)	(2,287)	(253)
4.2 Credit derivatives	282	250	(295)	(269)	(32)
of which: economic hedges linked to the fair value option	*X*	*X*	*X*	*X*	-
Total	**97,973**	**60,388**	**(97,543)**	**(60,499)**	**465**

Section 5 - Net gains (losses) on hedge accounting - Item 90

5.1 Net gains (losses) on hedge accounting: breakdown

(€ million)

P&L COMPONENT/VALUES	AS AT 06.30.2019	AS AT 06.30.2018
A. Gains on		
A.1 Fair value hedging instruments	6,295	2,569
A.2 Hedged financial assets (in fair value hedge relationship)	1,825	464
A.3 Hedged financial liabilities (in fair value hedge relationship)	36	188
A.4 Cash-flow hedging derivatives	7	12
A.5 Assets and liabilities denominated in currency	-	-
Total gains on hedging activities (A)	**8,163**	**3,233**
B. Losses on		
B.1 Fair value hedging instruments	(5,421)	(2,741)
B.2 Hedged financial assets (in fair value hedge relationship)	(330)	(369)
B.3 Hedged financial liabilities (in fair value hedge relationship)	(2,386)	(93)
B.4 Cash-flow hedging derivatives	(4)	(14)
B.5 Assets and liabilities denominated in currency	-	-
Total losses on hedging activities (B)	**(8,141)**	**(3,217)**
C. Net hedging result (A-B)	**22**	**16**
of which: net gains (losses) of hedge accounting on net positions	-	-

Section 6 - Gains (Losses) on disposal/repurchase - Item 100

As at 30 June 2019 the disposal/repurchase of financial assets/liabilities generates net gains in the amount of +€145 million (+€122 million in 2018), of which +€151 million on financial assets and -€6 million on financial liabilities.
In 2019 net result recognised under sub-item "1. Financial assets at amortised cost" equal to +€48 million, is mainly due to disposal of bond carried out by UniCredit S.p.A. (+€45 million primary due to Italian Government securities sales considered to be not significant due to the volume of the overall portfolio).

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The sub-item "2. Financial assets at fair value through other comprehensive income - 2.1 Debt securities" is equal to +€103 million and includes gains on disposal of UniCredit S.p.A. (+€31 million, mainly due to Spanish and French Government securities), UniCredit Bulbank Ad (+€13 million, mainly due to Bulgarian Government securities), UniCredit Bank Ireland Plc (+€10 million, mainly due to Spanish and Italian Government securities), UniCredit Bank Austria AG (+€10 million, mainly due to Spanish Government securities), UniCredit Bank Czech Republic and Slovakia A.s. (+€8 million, mainly due to Czech and Slovakian Government securities), AO UniCredit Bank (+€7 million, mainly due to Russian Government securities).

6.1 Gains (Losses) on disposal/repurchase: breakdown

(€ million)

	AS AT 06.30.2019			AS AT 06.30.2018		
ITEMS/P&L ITEMS	GAINS	LOSSES	NET PROFIT	GAINS	LOSSES	NET PROFIT
A. Financial assets						
1. Financial assets at amortised cost	102	(54)	48	85	(83)	2
1.1 Loans and advances to banks	-	(10)	(10)	3	(6)	(3)
1.2 Loans and advances to customers	102	(44)	58	82	(77)	5
2. Financial assets at fair value through other comprehensive income	182	(79)	103	244	(113)	131
2.1 Debt securities	182	(79)	103	244	(113)	131
2.2 Loans	-	-	-	-	-	-
Total assets (A)	**284**	**(133)**	**151**	**329**	**(196)**	**133**
B. Financial liabilities at amortised cost						
1. Deposits from banks	-	-	-	-	-	-
2. Deposits from customers	-	-	-	-	-	-
3. Debt securities in issue	5	(11)	(6)	6	(17)	(11)
Total liabilities (B)	**5**	**(11)**	**(6)**	**6**	**(17)**	**(11)**
Total financial assets/liabilities			**145**			**122**

Section 7 - Net gains (losses) on other financial assets/liabilities at fair value through profit or loss - Item 110

7.1 Net gains (losses) on other financial assets/liabilities at fair value through profit or loss: breakdown of financial assets and liabilities designated at fair value

(€ million)

	AS AT 06.30.2019				
TRANSACTIONS/P&L ITEMS	CAPITAL GAINS (A)	REALISED PROFITS (B)	CAPITAL LOSSES (C)	REALISED LOSSES (D)	NET PROFIT [(A+B)-(C+D)]
1. Financial assets	**-**	**-**	**-**	**-**	**-**
1.1 Debt securities	-	-	-	-	-
1.2 Loans	-	-	-	-	-
2. Financial liabilities	**260**	**89**	**(580)**	**(163)**	**(394)**
2.1 Debt securities	242	89	(513)	(162)	(344)
2.2 Deposits from banks	8	-	(33)	-	(25)
2.3 Deposits from customers	10	-	(34)	(1)	(25)
3. Financial assets and liabilities in foreign currency: exchange differences	**X**	**X**	**X**	**X**	**-**
Total	**260**	**89**	**(580)**	**(163)**	**(394)**

Debt securities into financial liabilities include the bond "Secured mandatorily exchangeable equity-linked certificate" issued in the contest of the sale of Bank Pekao S.A. which has contributed for -€24 million to the result for the period.

Some financial derivatives entered into for economic hedge purposes are linked to financial liabilities represented by debt securities and their economic results are included into table 4.1 Trading result in Part C - Section 4 of the Explanatory notes of this document.

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7.2 Net change in other financial assets/liabilities at fair value through profit or loss: breakdown of other financial assets mandatorily at fair value

(€ million)

TRANSACTIONS/P&L ITEMS	AS AT 06.30.2019 CAPITAL GAINS (A)	REALISED PROFITS (B)	CAPITAL LOSSES (C)	REALISED LOSSES (D)	NET PROFIT [(A+B)-(C+D)]
1. Financial assets	**406**	**31**	**(114)**	**(65)**	**258**
1.1 Debt securities	209	30	(40)	(48)	151
1.2 Equity securities	60	-	(44)	-	16
1.3 Units in investment funds	32	-	(14)	-	18
1.4 Loans	105	1	(16)	(17)	73
2. Financial assets: exchange differences	**X**	**X**	**X**	**X**	**-**
Total	**406**	**31**	**(114)**	**(65)**	**258**

Equity securities into financial assets include effects of the evaluation of residual interests in Bank Pekao S.A. (+€16 million), of the share in FinecoBank S.p.A. (-€14.5 million) and of the investment in the “Schema Volontario” (-€27 million).

OICR quotes include economic effects from Atlante fund and Italian Recovery Fund, for which refer to specific comment in table 2.5 Financial assets mandatory at fair value in Part B - Section 2 of the Explanatory notes of this document.

Section 8 - Net losses/recoveries on credit impairment - Item 130

8.1 Net impairment losses for credit risk relating to financial assets at amortised cost: breakdown

(€ million)

TRANSACTIONS/P&L ITEMS	AS AT 06.30.2019						AS AT 06.30.2018
	WRITE-DOWNS			WRITE-BACKS			
	LEVEL 1 AND LEVEL 2	LEVEL 3 WRITE-OFF	LEVEL 3 OTHER	LEVEL 1 AND LEVEL 2	LEVEL 3	TOTAL	TOTAL
A. Loans and advances to banks	**(15)**	**-**	**-**	**9**	**-**	**(6)**	**11**
- Loans	(14)	-	-	9	-	(5)	9
- Debt securities	(1)	-	-	-	-	(1)	2
of which: acquired or originated impaired loans	-	-	-	-	-	-	-
B. Loans and advances to customers	**(951)**	**(149)**	**(2,764)**	**915**	**1,776**	**(1,173)**	**(1,070)**
- Loans	(938)	(149)	(2,764)	906	1,775	(1,170)	(1,093)
- Debt securities	(13)	-	-	9	1	(3)	23
of which: acquired or originated impaired loans	*(2)*	-	*(3)*	*1*	*7*	*3*	*(8)*
Total	**(966)**	**(149)**	**(2,764)**	**924**	**1,776**	**(1,179)**	**(1,059)**

8.2 Net change for credit risk relating to financial assets at fair value through other comprehensive income: breakdown

(€ million)

TRANSACTIONS/P&L ITEMS	AS AT 06.30.2019						AS AT 06.30.2018
	WRITE-DOWNS			WRITE-BACKS			
	LEVEL 1 AND LEVEL 2	LEVEL 3 WRITE-OFF	LEVEL 3 OTHER	LEVEL 1 AND LEVEL 2	LEVEL 3	TOTAL	TOTAL
A. Debt securities	**(13)**	**-**	**-**	**5**	**-**	**(8)**	**(7)**
B. Loans	**-**	**-**	**-**	**-**	**-**	**-**	**-**
- Loans and advances to customers	-	-	-	-	-	-	-
- Loans and advances to banks	-	-	-	-	-	-	-
of which: acquired or originated impaired financial assets	-	-	-	-	-	-	-
Total	**(13)**	**-**	**-**	**5**	**-**	**(8)**	**(7)**

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Section 12 - Administrative expenses - Item 190

12.1 Staff expenses: breakdown

(€ million)

TYPE OF EXPENSES/VALUES	AS AT 06.30.2019	AS AT 06.30.2018
1) Employees	**(3,059)**	**(3,205)**
a) Wages and salaries	(2,193)	(2,269)
b) Social charges	(511)	(541)
c) Severance pay	(17)	(15)
d) Social security costs	-	-
e) Allocation to employee severance pay provision	(6)	(9)
f) Provision for retirements and similar provisions	(62)	(86)
- Defined contribution	(1)	(1)
- Defined benefit	(61)	(85)
g) Payments to external pension funds	(111)	(118)
- Defined contribution	(110)	(117)
- Defined benefit	(1)	(1)
h) Costs arising from share-based payments	(31)	(34)
i) Other employee benefits	(128)	(133)
2) Other staff	**(7)**	**(26)**
3) Directors and Statutory Auditors	**(4)**	**(4)**
4) Early retirement costs	**-**	**-**
5) Recoveries of payments for second employees to other companies	**10**	**16**
4) Early retirement costs	**(18)**	**-**
Total	**(3,078)**	**(3,219)**

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12.5 Other administrative expenses: breakdown

(€ million)

TYPE OF EXPENSES/SECTORS	AS AT 06.30.2019	AS AT 06.30.2018
1) Indirect taxes and duties	**(347)**	**(348)**
1a. Settled	(345)	(348)
1b. Unsettled	(2)	-
2) Contributions to Resolution Funds and Deposit Guarantee Schemes (DGS)	**(485)**	**(488)**
3) Guarantee fee for DTA conversion	**(57)**	**(58)**
4) Miscellaneous costs and expenses	**(1,352)**	**(1,729)**
a) Advertising marketing and communication	(76)	(110)
b) Expenses relating to credit risk	(122)	(132)
c) Indirect expenses relating to personnel	(59)	(68)
d) Information & Communication Technology expenses	(517)	(595)
Lease of ICT equipment and software	(36)	(34)
Software expenses: lease and maintenance	(117)	(110)
ICT communication systems	(36)	(34)
Services ICT in outsourcing	(267)	(357)
Financial information providers	(61)	(60)
e) Consulting and professionals services	(94)	(114)
Consulting	(76)	(91)
Legal expenses	(18)	(23)
f) Real estate expenses	(203)	(390)
Premises rentals	(34)	(210)
Utilities	(75)	(74)
Other real estate expenses	(94)	(106)
g) Operating costs	(281)	(320)
Surveillance and security services	(24)	(24)
Money counting services and transport	(26)	(27)
Printing and stationery	(17)	(18)
Postage and transport of documents	(38)	(40)
Administrative and logistic services	(74)	(120)
Insurance	(44)	(45)
Association dues and fees and contributions to the administrative expenses deposit guarantee funds	(39)	(36)
Other administrative expenses - other	(19)	(10)
Total (1+2+3+4)	**(2,241)**	**(2,623)**

Starting from 2019:
- some expenses for local tax on corporate revenues (i.e. Municipality and Innovation Tax in Hungary) are not any longer included in item "1. Indirect Taxes and duties - Settled" (5 million as at 30 June 2018) being addressed to Item "300. Tax (expenses) income of the year from continuing operations";
- some expenses for payment services and cards are not any longer included in item "4.d) Information & Communication Technology expenses" (81 million as at 30 June 2018) being addressed to Item "50. Fees and commissions expenses";
- the decrease in the "f) Real estate expenses - Premises rentals" is mainly due to the first application of the IFRS16 principle.

Contributions to Resolution and Guarantee Funds

The item Other administrative expenses holds the Group contributions to resolution funds ("SRF") and guarantee funds ("DGS"), harmonised and non-harmonised, respectively equal to €401 million (of which €185 from UniCredit S.p.A.) and €84 million (nil the cost for UniCredit S.p.A. at 30 June 2019 since the obligation towards Fondo Interbancario di Tutela dei Depositi for yearly ordinary contribution arises in the third quarter of each year). With reference to the harmonised funds, the ordinary annual contributions due pursuant to the Directives No.49 and No.59 of 2014 are accounted for in full when the legal condition of the obligation to make payment occurs and the application of IFRIC21 does not allow the pro-rata attribution to the interim periods.

In relation to the contribution obligations described below, such schemes have led to expenses during the period and they will lead to expenses in future periods both for ordinary contribution scheme and potential extraordinary contributions.
- With the introduction of the European Directive 2014/59/EU, the Regulation on the Single Resolution Mechanism ("BRRD Directive" Regulation (EU) No.806/2014 of the European Parliament and of the Council dated 15 July 2014) established a framework for the recovery and resolution of crises in credit institutions, by setting up a single resolution committee and a single resolution fund for banks (Single Resolution Fund, "SRF"). The

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Directive provides for the launch of a compulsory contribution mechanism that entails the collection of the target level of resources by 31 December 2023, equal to 1% of the covered deposits of all the authorised institutions acting in the European territory. The accumulation period may be extended for further four years if the funding mechanisms have made cumulative disbursements for a percentage higher than 0.5% of the covered deposits. If the available financial resources fall below the target level after the accumulation period, the collection of contributions shall resume until that level has been recovered. Additionally, after having reached the target level for the first time and, in the event that the available financial resources fall to less than two thirds of the target level, these contributions are set at that level which allows to reach the target level within a period of six years. The contribution mechanism provides for ordinary annual contributions, with the aim of distributing the costs evenly over time for the contributing banks, and extraordinary additional contributions, of up to three times the expected annual contributions, when the available financial resources are not sufficient to cover losses and costs of interventions. A transitional phase of contributions to the national compartments of the SRF and a progressive mutualisation of these are expected.

- The Directive 2014/49/EU of 16 April 2014, in relation to the DGS - Deposit Guarantee Schemes, aims to enhance the protection of depositors through the harmonisation of the related national legislation. The Directive provides for the launch of a mandatory national contribution mechanism that will allow a target level of 0.8% of the amount of its members' covered deposits to be collected by 2024. The contribution resumes when the financing capacity is below the target level, at least until the target level is reached. If the available financial resources have been reduced to below two thirds of the target level after it has been reached for the first time, the regular contribution shall be set at that level which allows to reach the target level within six years. The national contribution mechanism provides for ordinary annual contribution instalments, with the aim of distributing the costs evenly over time for the contributing banks, and also extraordinary contributions, if the available financial resources of a DGS are insufficient to repay depositors; the extraordinary contributions cannot exceed 0.5% of covered deposits per calendar year, but in exceptional cases and with the consent of the competent authority, the DGS may demand even higher contributions.

The Directives No.49 and No.59 specify the possibility of introducing irrevocable payment commitments as an alternative to collection of fund contributions lost through cash, up to a maximum of 30% of the total resources target.

With reference to Directive No.59 (SRF contributions), contributions sum up to €420 million, of which: i) ordinary contribution for to €370 million (of which €135 million payed by UniCredit S.p.A. in 2019), ii) extraordinary contributions for €50 million (entirely from UniCredit S.p.A.).

- Specifically referring to UniCredit S.p.A.:
  - ordinary contribution for years 2015, 2016, 2017 and 2018 have been respectively €73 million, €107 million, €109 million and €140 million.
  - referring to extraordinary contribution for 2015, it's worthwhile it say that, in its capacity as National Resolution Authority ("NRA"), Banca d'Italia, with its Provisions dated 21 November 2015, approved by the Italian Minister of Economy and Finance on 22 November 2015, ordered the launch of a resolution programme (for Banca delle Marche, Banca Popolare dell'Etruria e del Lazio, Cassa di Risparmio di Ferrara, Cassa di Risparmio della Provincia di Chieti). In particular it refers to a restructuring process which resulted in the separation of the non-performing assets of the four banks concerned, which flowed into a "bad bank", from the rest of the assets and liabilities, that flowed into four new "bridge banks", then sold to UBI Banca S.p.A. (Banca delle Marche, Banca Popolare dell'Etruria e del Lazio, Cassa di Risparmio della Provincia di Chieti) and BPER Banca S.p.A. (Cassa di Risparmio di Ferrara). As a result of this intervention, the aforementioned ministerial measures led to a request for extraordinary contributions for 2015, established at the maximum rate of three times the ordinary yearly contribution due for 2015 (€219 million for UniCredit S.p.A., being €73 million its ordinary contribution), whose amount has been paid by UniCredit S.p.A. and recognised into Profit & Loss in the same year.
  - referring to extraordinary contribution for 2016, Italian Legislative Decree 183/2015 (converted into Law 208/2015) also introduced an additional payment commitment, due to the National Resolution Fund ("NRF"), for the payment of contributions of up to twice the ordinary contribution quotas to the SRF (equal to €214 million for UniCredit S.p.A., being €107 million its ordinary contribution), which could be activated if the funds available to the NRF net of recoveries arising from the disposal transactions carried out by the Fund from the assets of the four banks mentioned above were not sufficient to cover the bonds, losses and costs payable by the Fund in relation to the measures provided for by the Provisions launching the resolution. In application of this faculty, in December 2016 NRF requested the payment of a contribution for the maximum of the additional commitment, that brought UniCredit S.p.A. to recognize into Profit & Loss further €214 million, then paid in 2017. The liquidity needed to fund this intervention was provided through a loan in which UniCredit participated.

  In particular, the intervention of UniCredit entailed:
    - the provision of a loan in favour of the NRF for about €783 million (portion of a total loan of €2,350 million disbursed together with other banks), fully repaid on 21 December 2015 through the liquidity inflow from the ordinary and extraordinary contributions of 2015;
    - the provision of a further tranche of the loan in favour of the NRF for a nominal equal to €516 million (portion of a total loan of €1,550 million disbursed together with other banks) and the payment commitment to the NRF for an amount of €33 million (portion of a total commitment of €100 million for a further tranche of the loan together with other banks), both closed in June 2017;
    - the provision of a loan in favour of the National Resolution Fund for about €210 million (portion of a total loan of €1,240 million disbursed together with other banks) maturing in 2021. For facing the reimbursement commitments of capital and interests' payment, in 2018 and 2019 respectively €52 million and €50 million were required to UniCredit S.p.A. as extraordinary contributions.
- The instrument of the irrevocable payment commitments has been used by UniCredit S.p.A and its subsidiary UniCredit Bank AG for an amount equal to 15% of full contributions paid in May 2016, resulting in the payment of guarantees in the form of cash amounting respectively to €16

Part C - Consolidated income statement

million and €12 million. Referring to ordinary contribution for 2017, 2018 and 2019, only UniCredit Bank AG has adopted this faculty for an amount of respectively €14 million, €16 million and €18 million. The cash collateral has been recognised in the balance sheet as an asset and its contractual characteristics have been taken into account in its measurement. With reference to ordinary contribution for year 2017, 2018 and 2019, UniCredit S.p.A. has not adopted this faculty. In first half of 2019 UniCredit S.p.A. has voluntary converted into effective contribution the irrevocable payment commitment originated in 2016, equal to €16 million.

With reference to Directive No.49 (DGS contribution), the entire amount refers to ordinary contribution.

Referring to ordinary contribution for 2019, UniCredit Bank AG has adopted irrevocable payment commitments for €17 million for which the collateral has been recognised in the balance sheet as an asset and its contractual characteristics have been taken into account in its measurement.

Guarantee fees for DTA conversion

Guarantee fee for DTA conversion, introduced by Art.11 of Law Decree n.59/2016, converted into Law No.119/2016 (as modified by Law Decree No.237/2016, converted in to Law No.15/2017), allows, under certain conditions, the possibility to convert into tax credits certain deferred tax assets ("Convertible DTAs") provided that an irrevocable election for such regime is exercised via the payment of an annual fee ("DTA fee"). The DTA fee has to be corresponded annually for the period 2016-2030.

In respect of financial year 2019 the fee was paid on 28 June 2019 for an amount of €114 million for the whole Italian Tax Group, of which mainly €110 million for UniCredit S.p.A. and €4 million for UniCredit Leasing S.p.A.
As at 30 June 2019 the 50% of these amounts were accounted in the income statement.

Section 13 - Net provisions for risks and charges - Item 200

13.1 Net provisions for credit risk from loans commitments and financial guarantees given: breakdown

(€ million)

	AS AT 06.30.2019		
	PROVISIONS	REALLOCATION SURPLUS	TOTAL
Loan committments	(130)	176	**46**
Financial guarantees given	(196)	180	**(16)**

13.2 Net provisions for other commitments and guarantees given: breakdown

(€ million)

	AS AT 06.30.2019		
	PROVISIONS	REALLOCATION SURPLUS	TOTAL
Other committments	(6)	3	**(3)**
Other guarantees given	(48)	19	**(29)**

13.3 Net provisions for risks and charges: breakdown

(€ million)

	AS AT 06.30.2019			AS AT 06.30.2018
ASSETS/P&L ITEMS	PROVISIONS	REALLOCATION SURPLUS	TOTAL	TOTAL
1. Other provisions				
1.1 Legal disputes	(145)	559	414	(474)
1.2 Staff costs	-	1	1	-
1.3 Other	(306)	57	(249)	(82)
Total	**(451)**	**617**	**166**	**(556)**

Net provisions for risks and charges are referred to revocatory action, claims for compensation, legal and other disputes, and are updated on the basis of the evolution of cases in progress and to the assessment of their foreseen outcomes.
The item "1.1 Legal disputes" is mainly contributed by holding UniCredit S.p.A. and its subsidiaries UniCredit Bank AG and Unicredit Bank Austria (see Part E - Information on risks and hedging policies - 2.5 Operational risks - Qualitative information - B. Legal risks for further information).
The item "1.3 Other" is mainly contributed by provisions made by holding UniCredit S.p.A.for various type of risks for which refer to Part E - Information on risks and hedging policies - 2.5 Operational risks - Qualitative information - E. Other claims by customers.

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Section 16 - Other operating expenses/income - Item 230

Other net operating income: breakdown

(€ million)

P&L ITEMS/VALUE	AS AT 06.30.2019	AS AT 06.30.2018
Total of other operating expenses	(457)	(336)
Total of other operating income	865	814
Other net operating income	**408**	**478**

16.1 Other operating expenses: breakdown

(€ million)

TYPE OF EXPENSE/VALUE	AS AT 06.30.2019	AS AT 06.30.2018
Costs for operating leases	(1)	(2)
Non-deductible tax and other fiscal charges	(1)	(1)
Write-downs on leasehold improvements	(27)	(28)
Costs relating to the specific service of financial leasing	(47)	(42)
Other	(381)	(263)
Total of other operating expenses	**(457)**	**(336)**

The sub-item “Other” includes:
- various settlements and indemnities of €67 million, €70 million in the first half of 2018;
- additional costs for the leasing business of €15 million, €13 million in the first half of 2018;
- non-banking business costs €72 million, €62 million in the first half of 2018;
- charges relating to Group property of €1 million, €1 million in the first half of 2018;
- additional costs deriving from the “Collateral” contract accounts of €55 million, related to the sale of FinecoBank S.p.A.

16.2 Other operating income: breakdown

(€ million)

TYPE OF REVENUE/VALUES	AS AT 06.30.2019	AS AT 06.30.2018
A) Recovery of costs	**284**	**275**
B) Other revenues	**581**	**539**
Revenues from administrative services	21	25
Revenues on rentals Real Estate investments (net of operating direct costs)	49	61
Revenues from operating leases	87	87
Recovery of miscellaneous costs paid in previous years	12	6
Revenues on financial leases activities	52	48
Other	360	312
Total operating income (A+B)	**865**	**814**

The item “A. Recovery of costs” includes revenues from recovery of financial transaction tax collected from customers already included, until December 2018, in Item “40. Fees and commissions income” (22 million as at 30 June 2018).
The sub-item “Others” includes:
- additional income received from leasing business of €22 million, €20 million in the first half of 2018;
- income from non-banking business of €177 million, €184 million in the first half of 2018;
- various income from Group property of €3 million, €4 million in the first half of 2018;
- payments of indemnities and compensation of €20 million, €13 million in the first half of 2018;
- income from the trademark concession contract connected to the sale of FinecoBank S.p.A. for €23 million.

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Section 25 - Earnings per share

25.1 and 25.2 Average number of diluted shares and other information

	AS AT 06.30.2019	AS AT 06.30.2018
Net profit (Loss) attributable to the Group (€ million)(1)	3,178	2,106
Average number of outstanding shares	2,222,052,152	2,218,297,344
Average number of potential dilutive shares	11,675,719	10,042,871
Average number of diluted shares	2,233,727,871	2,228,340,215
Earnings per share (€)	**1.430**	**0.949**
Diluted earnings per share (€)	**1.423**	**0.945**

Note:
(1) €63 million has been deducted from the 2019 first half net profit attributable to the Group of €3,241 million due to disbursements, charged to equity, made in connection with the usufruct contract signed with Mediobanca S.p.A. on UniCredit shares supporting the issuance of convertible securities denominated "Cashes" (€30 million was deducted from 2018 first half net profit attributable to the Group).

Net of the average number of treasury shares and of further No.9,675,640 shares held under a contract of usufruct.

Part E - Information on risks and hedging policies

Introduction

UniCredit group monitors and manages its risks through tight methodologies and procedures proving to be effective through all phases of the economic cycle.
The steering, coordination and control role of the Group's risks is performed by the Parent Company's Group Risk Management function.
The Group Lending Office, established on 2 February 2018, is responsible for the credit activities, following Group Risk Management strategies, policies and guidelines.
In particular, the Group Risk Management function is responsible for the following tasks:

- optimising the quality of the Group's assets, reducing the risk cost in accordance with the risk/profitability goals set for the business areas;
- ensuring the strategic steering and definition of the Group's risk management policies;
- define and supply the Heads of the Business Functions and Group Entities with the criteria for assessing, managing, measuring, monitoring and communicating risks, ensuring that the procedures and systems designed to control risks at Group and individual Entity level are consistent;
- helping to build a risk culture across the Group by training and developing highly qualified staff, in conjunction with the competent COOs functions;
- contributing to find solutions to rectify asset imbalances, where needed in conjunction with Group Planning, Finance, Shareholding and Investor Relations;
- supporting the Business Functions to achieve their goals, also by contributing to the development of products and businesses (e.g. innovation of credit products, competitive opportunities linked to Basel accord, etc.);
- supporting the CEO in the definition of the Group Risk Appetite proposal, to be shared in the Group Risk & Internal Control Committee and submitted for approval to the Board of Directors, as preliminary and preparatory step for the yearly and multi-yearly budget plan pertaining to the Group CFO. The Group Risk Appetite will include a series of parameters defined by the CRO, with the contribution of Group CFO and other relevant functions; each parameter can be complemented by limits and triggers proposed by the CRO[13] and targets proposed by the Group CFO and/or by the relevant Group functions, each respecting their mission and internal regulations. The Group CRO is responsible for ensuring the overall consistency of the proposed parameters and values. In addition, Group CRO is responsible for ensuring to the CEO and the Board of Directors the consistency of the Group Risk Appetite with the Group strategic guidelines, as well as the consistency of the budget goals with the Group Risk Appetite setting and the regular monitoring of the RAF. Group CFO continues to be responsible for monitoring the performances of the Group and of the business functions, in order to identify possible underperforming areas and the related corrective measures.

Such mission is accomplished by coordinating the Group's risk management as a whole, specifically, through the following macro-functions[14]:

- governing and checking credit, cross-border, market, balance sheet, liquidity, operational and reputational risks for the Group as well as any other risks relating to Basel II Pillar II (e.g. strategic, real estate, financial investment, business risks), by defining risk strategies and limits, developing risk measurement methodologies15, performing stress tests and portfolio analysis;
- supervising the activity relating to the Basel accords on Group level and for UniCredit S.p.A;
- coordinating the internal capital measurement process within the "Internal Capital Adequacy Assessment Process" ("ICAAP") and coordinating activities for drawing up the "ICAAP Regulatory Report";
- assigning ratings for Banks and for the Group's major exposures, carrying out the relevant mapping, at Group level, and managing the "rating override" process with regard to Group-wide rating systems as well as those for measuring the credit risk of UniCredit S.p.A's counterparts;
- defining the minimum standards and guidelines for validating IT infrastructures and data quality, credit risks, operating risks and Pillar II risks, for feeding Group and Parent company reports on credit risk and for feeding credit risk measurement models;
- performing internal validation activities, at Group level16, on systems for measuring credit, operating and market risks and Pillar II risks17, of the related processes and data quality and IT components, as well as on models for pricing financial instruments, in order to check that they comply both with regulatory requirements and in-house standards, and consequently overseeing the non-compliance risk regarding to such regulatory requirements;
- ensuring that the competent Bodies/Functions get adequate reports;
- developing the strategy and overseeing the management, process, targets and disposals of Non-Performing Exposures/NPE, repossessed assets and any other distressed assets for the whole Group18. The Group CRO define jointly with CLO the criteria/rules for identifying the exposures and assets for sale and portfolio targets;
- drafting and managing risk policies, both at Group level (Group Rules) and at Parent company level, on the performance of risk-related activities falling under the competence area of UniCredit S.p.A as well as ensuring the related monitoring activities;

13 Possible triggers and limits on profitability parameters must be agreed between CRO and Group CFO.
14 Where applicable, the responsibilities listed below are inclusive of the Foreign Branches of UniCredit S.p.A., as detailed in the Organisational Book application.
15 Directly or by issuing guidelines to Group Entities to be developed depending on the type of methodology (direct supervision of Group-wide methodologies and risk measurement methodologies for the counterparties of UniCredit S.p.A, through guidelines on methodologies developed locally).
16 Directly validating with the direct supervision on group-wide methodologies/ for which UniCredit S.p.A is competent, indirect on local methodologies.
17Liquidity, Business, Real Estate, Financial Investments, Reputational, Strategic
18 "Non-Performing Exposure: exposures (loans, debt securities, off-balance-sheet items) additional to those than held for trading that satisfy either or both of the following criteria: (a) material exposures which are more than 90 days past-due; (b) the debtor is assessed as unlikely to pay its credit obligations in full without the realisation of collateral, regardless of the existence of any past-due amount or the number of days past due. Non-performing exposures include the defaulted and impaired exposures. The total NPE is given by the sum of non-performing loans, non-performing debt securities and nonperforming off-balance-sheet items" (Source: ECB NPL GUIDANCE).

Part E - Information on risks and hedging policies

- performing second-level checks on the risks of the treasury and credit treasury portfolios within the Group and the Parent company;
- coordinating and managing restructuring and workout files of UniCredit S.p.A. related to the non performing "Non Core" portfolio
- analysing and controlling, at Italian perimeter level, credit, operating and reputational risks generated by the activities of Italy Network and of the CIB Italy;
- carrying out the functional coordination of Legal Entities in its area of competence.

In order to strengthen the capacity of independent steering, coordination and control of Group risks, to improve the efficiency and the flexibility on the risk decision process and to address the interaction among the relevant risk stakeholders, specific Committees are in place:

- Risks and Controls Committees:
  - Group Risk & Internal Control Committee ("GR&ICC"), responsible for the Group strategic risk decisions: establishing policies, guidelines, operational limits and the methodologies for the measurement, management and control of risks. It also supports the Group CEO in the management and oversight of the Internal Control System ("ICS");
  - Group Credit Committee ("GCC"), responsible for credit proposals, according to the delegated powers, and status classification.
- Group Portfolio Risks Committees:
  - Group Market Risk Committee ("GMRC"), responsible for monitoring market risks at Group level;
  - Group Operational & Reputational Risks Committee ("GORRIC"), responsible for monitoring operational and reputational risks at Group level, ensuring consistency among the Parent company and the different Group legal entities;
  - Italian Operational & Reputational Risks Committee ("IORRIC"), responsible for monitoring and evaluating operational and reputational risks within UniCredit S.p.A. perimeter and Italian Legal Entities;
  - Group Assets & Liabilities Committee ("GALCO"), is involved in the process of defining strategies, policies, methodologies and limits (where applicable) for liquidity risk, FX and banking book interest rate risks, transfer pricing, Funding Plan and Contingency Funding Plan and in monitoring activities;
  - Group Credit Risk Governance Committee ("GCRGC"), responsible for ensuring steering, coordination and control of credit risk topics (focusing on Credit risk Pillar I, Pillar II, limited to Credit Portfolio Model, CPM and managerial models), as well as ensuring consistency among the Parent company and the different Group legal entities;
  - Group NPE Governance Committee ("GNGC"), responsible for ensuring, at Group level, a steering, coordination and control of Non-performing exposures/NPE strategy and targets as well as an effective alignment on common goals between the Parent company and different legal entities.
- Transactional Committees in charge of evaluating and approving the single counterparties/transactions that impact the overall portfolio risk profile:
  - Group Transactional Credit Committee ("GTCC");
  - Italian Transactional Credit Committee ("ITCC");
  - Italian Special & Transactional Credit Committee ("IS&TCC");
  - Debt Capital Markets Commitment Committee ("DCMCC");
  - Group Rating Committee ("GRaC").

The Board of Directors, pursuant to the provisions of the Self-Regulatory Code, and under Banca d'Italia supervisory provisions, is supported by the Internal Controls & Risks Committee, established among Board members, in order to foster an efficient information and advisory system that enables it to better assess risk related topics for which it is responsible. Further information on Corporate Governance, including the Internal Controls & Risks Committee and the number of meetings held, is included in the document "Corporate Governance Report", published on the Group internet site in the section: Governance » Governance system & policies » Corporate Governance report (https://www.unicreditgroup.eu/en/governance/governance-system-and-policies.html).

Internal Capital Adequacy Assessment Process ("ICAAP") and Risk Appetite

UniCredit group assesses its capital adequacy on a going concern approach, ensuring that an adequate level of capital is maintained to continue business activities as usual even in case of severe loss events, like those caused by an economic downturn.

The Group's approach to ICAAP consists of the following phases:

1. Risk identification and mapping;
2. Risk measurement and stress testing;
3. Risk appetite setting and capital allocation;
4. Monitoring and reporting.

1. Risk identification and mapping

The first step is the identification and mapping of all the risks embedded in the Group and relevant legal entities, with particular focus on the risks not explicitly covered by the Pillar I framework. The output of this activity is the Group Risk Map which includes all the risk types quantifiable by Internal Capital.

2. Risk measurement and Stress testing

The second phase is the identification of the internal methodologies for measurement and quantification of the different risk profiles, resulting into the calculation of Group Internal Capital. The Internal Capital measure are supported by aggregated - stress tests, which are a fundamental part of a

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sound risk management process. The aim of stress testing is to assess the bank's viability with respect to exceptional but plausible events. The impact of adverse economic scenarios is assessed on the capital position (solvency stress test) and/or the liquidity position (liquidity stress test) of the Group.

3. Risk Appetite setting and capital allocation
Risk Appetite is a key managerial instrument used with the purpose of setting the adequate levels of risk the Bank is willing to have and consistently steering its business evolution (see the RAF section below for details). The Group capital plays a crucial role in the main corporate governance processes that drive strategic decisions, as target and risk tolerance thresholds, in terms of regulatory and internal capital. It is also a key element of the Risk Appetite Framework of the Group.

4. Monitoring and Reporting
Capital adequacy evaluation is a dynamic process that requires a regular monitoring to support the decision making processes.
The Bank monitors its main risk profile with a frequency consistent with the nature of each single risk; on top of this, a quarterly reporting of integrated risks and Risk Appetite evolution is performed and reported to the relevant Risk Committees and Governing Bodies, in order to set and implement and efficient and effective ICAAP framework.

Capital adequacy is assessed considering the balance between the assumed risks and the available capital both in a regulatory and in an economic perspective. With respect to economic perspective, capital adequacy is assessed by comparing the amount of financial resources available to absorb losses and keep the Group solvent, the so-called Available Financial Resources ("AFR"), with the amount of capital the Group needs to support its business activities, i.e. Internal Capital ("IC"). The decision to include components in the AFR is based on three main criteria:
- loss absorbency;
- permanence;
- flexibility of payments.

Since these criteria are the same identified by the Regulators to calculate regulatory Own Funds, the amount of regulatory Own Funds is the natural basis for the quantification of the AFR. Under a going concern approach, the AFR are computed under the assumption that the Bank remains compliant with all the accounting and regulatory standards.
The ratio between AFR and IC is the Risk Taking Capacity ("RTC"). This ratio must be above 100% (AFR>IC) in order to avoid that risk exposures are not higher than the Available Financial Resources. RTC is one of the key indicators included in the Group RAF dashboard on which the Bank leverages to guide the selection of the desired risk-return profile in alignment with its business strategies.

A milestone of the ICAAP is the Risk Appetite, which in UniCredit group is defined as the level of risk that the Group is willing to take and the risk-return profile it fixes to achieve in persuing its strategic objectives and business plan, taking into account the interest of its stakeholders (e.g. customers, policymakers, regulators, shareholders) as well as capital and other regulatory and law requirements. The Group Risk Appetite is approved on an annual basis by the Board of Directors and is regularly monitored and reported, at least quarterly, to the relevant committees, with the aim of ensuring the consistency with the risk return profile set by the Board of Directors. At local level, the risk appetite is set for the main Legal Entities and Subgroups and approved by the local competent functions.

The main goals of UniCredit group's Risk Appetite are:
- assessing explicitly the risks and their interconnections UniCredit group is willing to accept or should avoid in one year horizon; Risk Appetite targets should be consistent with the ones defined in the strategic multi-year plan;
- specifying the types of risk UniCredit group intends to assume by setting the targets, triggers and limits, under both normal and stressed operating conditions;
- ensuring an "ex ante" risk-return profile consistent with long term sustainability, in coherence with multi-year strategic plan/ budget;
- ensuring that the business develops within the risk tolerance set by the Parent company Board of Directors, also in respect of national and international regulations;
- supporting the evaluation of future strategic options with reference to risk profile;
- addressing internal and external stakeholders' view on risk profile consistent with the strategic positioning;
- providing qualitative statements concerning not quantifiable risks (e.g. strategic, reputational) in order to strategically guide the relevant processes and the internal control system.

The *Group Risk Appetite* is defined consistently with UniCredit group business model. For this purpose, *Group Risk Appetite* is integrated in the budget process, in order to guide the selection of the desired risk-return profile in alignment with the Strategic Plan guidelines and at inception of the budget process.
UniCredit Compensation Policy is consistent with the *Group Risk Appetite* to allow the effective implementation of risk reward remuneration for bonus definition and payments.

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The structure of the Risk Appetite in UniCredit includes the Group Risk Appetite Statement and the Group Risk Appetite KPIs Dashboard.
The Risk Appetite Statement defines the positioning of the bank in terms of strategic targets and related risk profiles to address internal and external *stakeholders'* expectations and includes:
- a guidance on the overall key boundaries for the Group in terms of focus of activity;
- a definition of the desired risk-return profile, in line with the Group's overall strategy;
- an indication on strategies to manage key risks within the perimeter of the Group;
- qualitative statements for not quantifiable risks (e.g. reputational) in order to ensure prevention/early intervention on emerging risks.

The quantitative elements of the Risk Appetite Framework are instead represented by a Dashboard, composed by a set of KPIs, based on the analysis of the expectations of UniCredit group internal and external stakeholders, which addresses the following dimensions, including material risks to which the Group is exposed:
- Pillar 1 KPIs: to guarantee at any time the fulfilment of the KPIs requested by Regulators (e.g. Common Equity Tier 1 Ratio, Risk Taking Capacity, Liquidity Coverage Ratio), including KPIs which are of primary importance for steering the Group B&S;
- Managerial KPIs: to include KPIs which are key from strategic and Risk Appetite standpoint; consistently with lean Parent Company steering (e.g. Credit Risk, Liquidity Risk and Profitability);
- Specific Risks KPI: complementary with the above categories, to ensure steering of all the key risks (e.g. Market Risk, Operational Risk, Interest Rate Risk, Shadow Banking and Risk Culture).

For each of the above dimensions, one or more KPIs are identified, in order to quantitatively measure the position of the Group in different ways: absolute values, ratios, sensitivities to defined parameters.

Various levels of thresholds are defined to act as early warning indicators anticipating potential risk situations that will be promptly escalated at relevant organisational level. In the event that specific Risk Appetite thresholds are met, the necessary management measures have to be adopted for effectively adjusting the risk profile. The following thresholds are identified (on certain KPIs, not all the thresholds may be meaningful):
- Targets represent the amount of risk the Group is willing to take on in normal conditions in line with the Group Ambition. They are the reference thresholds for the development and steering of the business;
- Triggers represent, from a managerial standpoint, the maximum acceptable level of deviation from the defined target thresholds, or more generally a Warning Level, and are set consistently to assure that the Group can operate, even under stress conditions;
- Limits are hard points that represent, from a statutory standpoint, the maximum acceptable level of risk for the Group.

Thresholds setting is evaluated by the relevant competent functions, also through managerial decision by the Board of Directors, respecting regulatory and supervisory requirements and also taking into account stakeholders' expectations and positioning versus peers. In addition, the Group has a series of transversal operational limits and metrics that cover the main risk profiles in order to supplement the Risk Appetite Framework.

According to the EBA guidelines, each year ICAAP information is collected for SREP purposes and sent to the Regulator. The Board of Directors, which authorises the sending of this information to the Authorities, also acknowledges that the risk governance of the Group is deemed adequate, guaranteeing that the risk management system in place is in line with the risk profile and strategy of the Group. in addition, the Chairman of the Board of Directors, the CEO, the Co-Chief Operating Officers and the Chief Risk Officer declared in the Capital Adequacy Statement submitted to the last Board of Directors held on 10 April 2019 that the current Capital of the Group is adequate to cover its risk profile and the operation of its business model, which is also grounded on the actions planned within the MYP "Transform 2019". In addition the usage of the RAF as a key tool and cornerstone for risk strategy appraisal will continue to represent a fundamental pillar of the ICAAP and allow to activate prompt actions in case of both regulatory and internal capital trigger/limit breaches.

Risk Culture in UniCredit group
UniCredit defines risk culture as the collective and individual ability to identify, understand, openly discuss and make decisions on current and future risks
Since the financial markets crisis, both the financial industry and regulators have been addressing the issue of risk culture, giving a definition of it, identifying its key elements, establishing principles of conduct, providing recommendations and issuing guidelines. The main documents are mentioned here below.
- **Institute of International Finance (IIF)**, 17 July 2008, "Final Report of the IIF Committee on Market Best Practices: Principles of Conduct and Best Practices Recommendations – Financial Services Industry Response to the Market Turmoil of 2007-2008". In this document the financial industry establishes the principle that effective cultivation of a consistent risk culture throughout firms is the main enabling tool in risk management. In addition, the following recommendations are provided:
  - companies should establish clear policies that define risk management as the responsibility of each institution's senior management, in particular the CEO;
  - Boards of Directors have an essential oversight role in risk management;

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- risk management should be a priority for the whole company and not be focused only on particular business areas or a purely quantitative oversight process or an audit or a control function;
- risk management should be a key responsibility of the entire business-line management;
- all the employees should have a clear understanding of their responsibilities with regard to the management of risks assumed by the company and should be held accountable for their performance with reference to these responsibilities.

- **Institute of International Finance (IIF)**, 9 December 2009, "Risk Culture" – Appendix III to the Report of the IIF Steering Committee on Implementation "Reform in the Financial Services Industry: Strengthening Practices for a More Stable System". In this document the IIF identifies the key elements of an effective risk culture and the most common categories of risk culture failings within organisations.
- **European Banking Authority (EBA)**, 27 September 2011, "EBA Guidelines on Internal Governance". In this document the EBA requires that a financial institution shall develop an integrated and institution-wide risk culture, based on a full understanding of the risks it faces and how they are managed, taking into account its risk tolerance and appetite.

In addition, on 7 April 2014 the **Financial Stability Board (FSB)** issued the document "Guidance on Supervisory Interaction with Financial Institutions on Risk Culture – A Framework for Assessing Risk Culture", which identifies the foundational elements that contribute to the promotion of a sound risk culture within financial institutions. It aims at assisting supervisors in assessing the soundness and effectiveness of a financial institution's culture in managing risks. There are several indicators of a sound risk culture which need to be considered collectively and as mutually reinforcing. These indicators include:

- *Tone from the top*: the Board of Directors and senior management are the starting point for setting the financial institution's core values and risk culture, and their behaviors must reflect the values being espoused.
- *Accountability*: a successful risk management requires employees at all levels to understand the core values of the institution's risk culture and its approach to risk, be capable of performing their prescribed roles, and be aware that they are held accountable for their actions in relation to the institution's risk-taking behavior.
- *Effective communication and challenge*: a sound risk culture promotes an environment of open communication and effective challenge in which decision-making processes encourage a range of views, allow for testing of current practices, and stimulate a positive, critical attitude among employees and an environment of open and constructive engagement.
- *Incentives*: performance and talent management should encourage and reinforce maintenance of the financial institution's desired risk management behavior. Financial and non-financial incentives should reward servicing the long-term interests of the financial institution and its clients, including sustained profitability, as opposed to short-term revenue generation.

The success of risk-taking institutions in this new economic environment highly depends on their risk management capabilities. The key pillars of successful risk management include understanding risks and its effects on the income statement and the balance sheet, creating a consistent base level of technical risk knowledge, reinforcing communications at all levels, and creating a mindset that anticipates changes in the macro environment.

In order to be properly prepared to deal with these challenges, UniCredit Board of Directors is strongly committed to, and focused on, cultivating a consistent risk culture throughout the Group – the initiative having been identified as the main enabling tool in risk management. In this context of rapidly evolving markets and regulatory requirements, the Group Risk management, in line with its mission as defined by the Board of Directors of UniCredit, has launched a structured and comprehensive approach to strengthen UniCredit risk culture. The transformational program aims at changing mindset and behaviors of all the Bank's employees, across all organisational levels, from top management to front-line, by addressing the following areas:

1. Governance;
2. Learning and development;
3. Performance management;
4. Communication.

1. Governance

Risk Governance – One of the key elements in risk management is the Risk Appetite Framework, please refer to pages 3 and 4 of the "Introduction".

Dedicated Group Risk Committees have been established in order to strengthen the capacity of independent steering, coordination and control of Group risks, to improve the efficiency and the flexibility of the risks decision process and to address the interaction between the relevant risk stakeholders.

2. Learning & Development

Training – Training is fundamental to risk culture. The new learning framework is characterised by digital, modular and freestanding solutions and is based on adaptive learning methods. Three main streams ensure that all the participants are fully aware of the different risks. These streams are differentiated according to the target population and the required risk knowledge. At the same time, those in specific positions and risk professionals will receive further training specifically tailored to the requirements and challenges of their jobs.

Part E - Information on risks and hedging policies

Cross-functional job rotation – Learning on the job and cross-functional rotation, in which colleagues from the business lines work in risk functions, and vice versa, have been extremely valuable and helpful. These initiatives facilitate the virtuous cycle for bringing business knowledge to risk functions and introducing risk awareness to the decision-making process of the business lines. In addition, they enable the exchange of expertise and points of view that improves the colleagues' capabilities to analyse, approach and mutually understand the different situations they both face on a daily basis.

3. Performance Management

Compensation – To reinforce the Bank's risk culture, also the link between compensation and risk represents an important element. This link is ensured by the involvement of the Risk function in compensation design and the definition of an explicit framework to base remuneration within an overarching Group Risk Appetite framework. In particular, the Board of Directors with the support of the competent Supervisory Committees (Remuneration Committee and Internal Control and Risk Committee) and upon the input of involved functions ensures the link between profitability, risk and reward within Group incentive systems. For further information regarding the alignment of risk-and compensation policies, please refer to the dedicated chapter published annually in the year-end version of this document.

Risk-based KPIs – At Group level, the strong commitment to a consistent risk culture as well as the individual accountability on risk, compliance and controls is constantly promoted and enhanced. Group Human Capital (HR) contributes to this, spreading Group-wide risk, compliance & control culture by leveraging on the existing framework and building selected initiatives.
Over the past few years, HR built up a framework to enhance internal control system awareness and accountability by setting processes that embed sensitivity to Risk and Compliance attitudes, such as Executive Development Plan (EDP - the annual performance management and review process of UniCredit, involving all the Executives of the Group, Group Incentive System, Learning & Development).
Since 2012, as part of the EDP and incentive system processes, the Group put specific emphasis on risk, compliance and control features. In particular:

- the KPI Bluebook (a set of guidelines for defining individual goals consistent with business direction, risk perspective, regulatory framework and sustainability) contains specific KPIs focused on risk and control culture;
- the Compliance Assessment, pursuant to which Managers are required to prove the employee's reliability with regards to risks and compliance, with specific focus on legal anti-money laundering obligations.

4. Communication

Within the UniCredit risk culture transformation program, great emphasis is put on aligning and re-iterating key messages on UniCredit mission, values, strategy and risk appetite, as well as on the importance of and commitment to a strong risk culture. In addition, top management care is devoted to transforming words into tangible actions and to show how the Group is embedding risk culture into its operating practices.
In order to achieve these targets, a comprehensive communication approach has been adopted. An editorial plan has been developed, in order to communicate common statements on how risk culture is at the core of UniCredit strategy and why a sound risk culture is essential for healthy growth and sustainable profitability. During the first half of 2019 articles and news relating to risk culture and risk management were published on UniCredit group intranet site, reaching about 70,000 page views.

Part E - Information on risks and hedging policies

The following table contains the reconciliation between the balance sheet according IFRS and Regulatory scope of consolidation.

(€ Million)

	AMOUNTS AS AT 30.06.2019		
ASSETS	IFRS	REGULATORY	DELTA(*)
10. Cash and cash balances	32,578	32,943	365
20. Financial assets at fair value through profit or loss:	89,038	89,189	151
a) financial assets held for trading	67,344	67,591	247
b) financial assets designated at fair value	-	-	-
c) other financial assets mandatorily at fair value	21,694	21,598	(96)
30. Financial assets at fair value through other comprehensive income	77,779	79,408	1,629
40. Financial assets at amortised cost:	580,504	602,207	21,703
a) loans and advances to banks	81,352	85,411	4,059
b) loans and advances to customers	499,152	516,796	17,644
50. Hedging derivatives	6,211	6,335	124
60. Changes in fair value of portfolio hedged items (+/-)	3,590	3,591	1
70. Equity investments	5,670	5,008	(662)
80. Insurance reserves charged to reinsurers	-	-	-
90. Property. plant and equipment	9,176	7,663	(1,513)
100. Intangible assets	2,802	2,857	55
of which: goodwill	*886*	*886*	-
110. Tax assets:	12,896	12,958	62
a) current	972	948	(24)
b) deferred	11,924	12,010	86
120. Non-current assets and disposal groups classified as held for sale	3,115	3,048	(67)
130. Other assets	8,824	10,754	1,930
Total assets	**832,183**	**855,961**	**23,778**

continued:

	AMOUNTS AS AT 30.06.2019		
LIABILITIES AND SHAREHOLDERS' EQUITY	IFRS	REGULATORY	DELTA(*)
10. Financial liabilities at amortised cost:	680,492	700,012	19,520
a) deposit from banks	132,695	135,433	2,738
b) deposit from customers	455,363	469,740	14,377
c) debt securities in issue	92,434	94,839	2,405
20. Financial liabilities held for trading	40,410	40,786	376
30. Financial liabilities designated at fair value	11,346	12,084	738
40. Hedging derivatives	7,810	7,896	86
50. Value adjustment of hedged financial liabilities (+/-)	6,038	6,038	-
60. Tax liabilities:	962	942	(20)
a) current	608	610	2
b) deferred	354	332	(22)
70. Liabilities associated with non-current assets held for sale	632	596	(36)
80. Other liabilities	14,703	16,682	1,979
90. Provision for employee severance pay	676	675	(1)
100. Provision for risks and charges:	9,567	10,658	1,091
a) committments and guarantees given	1,138	1,192	54
b) post retirement benefit obligations	5,314	5,341	27
c) other provisions for risks and charges	3,115	4,125	1,010
110.Technical reserves	-	-	-
120. Valuation reserves	(7,643)	(7,643)	-
130. Redeemable shares	-	-	-
140. Equity instruments	5,602	5,602	-
150. Reserves	23,719	23,719	-
160. Share premium	13,225	13,225	-
170. Share capital	20,995	20,995	-
180. Treasury shares (-)	(3)	(3)	-
190. Minority shareholders' equity (+/-)	411	456	45
200. Net profit (Loss) for the year (+/-)	3,241	3,241	-
Total liabilities and shareholders' equity	**832,183**	**855,961**	**23,778**

Note:
(*) Effects of the deconsolidation and consolidation of counterparties other than those in the banking group the effects are attributable to:
- deconsolidation of companies that are not part of the Regulatory banking group;
- proportional consolidation of the jointly controlled companies in Regulatory scope of consolidation and consolidated at equity in the IFRS.

Part E - Information on risks and hedging policies

Section 1 - Risks of the accounting consolidated perimeter

Quantitative information

In the following tables, the volume of impaired assets according to the IFRS definition is equivalent to the one for non-performing exposures referred to in the EBA standards.

A. Credit quality

For the purposes of the disclosure of quantitative information about credit quality, the term “credit exposures” does not include equity instruments and units in investment funds.

A.1 Impaired and non performing credit exposures: stocks, value adjustments, dynamics and economic

A.1.1 Breakdown of financial assets by portfolio and credit quality (carrying value)

(€ million)

PORTFOLIOS/QUALITY	BAD EXPOSURES	UNLIKELY TO PAY	NON-PERFORMING PAST-DUE EXPOSURES	PERFORMING PAST-DUE EXPOSURES	PERFORMING EXPOSURES	TOTAL
1. Financial assets at amortised cost	5,322	7,468	651	18,546	548,517	580,504
2. Financial assets at fair value through other comprehensive income	-	-	-	-	76,007	76,007
3. Financial assets designated at fair value	-	-	-	-	-	-
4. Other financial assets mandatorily at fair value	16	71	-	-	18,546	18,633
5. Financial instruments classified as held for sale	125	77	-	50	611	863
Total 06.30.2019	**5,463**	**7,616**	**651**	**18,596**	**643,681**	**676,007**
Total 12.31.2018	**5,821**	**8,658**	**577**	**13,249**	**657,243**	**685,548**

A.1.2 Breakdown of financial assets by portfolio and credit quality (gross and net values)

(€ million)

PORTFOLIOS/QUALITY	NON-PERFORMING ASSETS				PERFORMING ASSETS			TOTAL (NET EXPOSURE)
	OVERALL WRITE-DOWNS	TOTAL WRITEDOWNS	NET EXPOSURE	OVERALL PARTIAL WRITE-OFFS(*)	OVERALL WRITE-DOWNS	TOTAL WRITEDOWNS	NET EXPOSURE	
1. Financial assets at amortised cost	34,354	20,913	13,441	2,444	569,774	2,711	567,063	580,504
2. Financial assets at fair value through other comprehensive income	-	-	-	-	76,053	46	76,007	76,007
3. Financial assets designated at fair value	-	-	-	-	X	X	-	-
4. Other financial assets mandatorily at fair value	237	150	87	-	X	X	18,546	18,633
5. Financial instruments classified as held for sale	1,762	1,560	202	207	665	4	661	863
Total 06.30.2019	**36,353**	**22,623**	**13,730**	**2,651**	**646,492**	**2,761**	**662,277**	**676,007**
Total 12.31.2018	**38,456**	**23,400**	**15,056**	**2,766**	**654,149**	**2,648**	**670,492**	**685,548**

Note:
(*) Value shown for information purposes.

(€ '000)

PORTFOLIOS/QUALITY	LOW CREDIT QUALITY ASSETS		OTHER ASSETS
	CUMULATED LOSSES	NET EXPOSURE	NET EXPOSURE
1. Financial assets held for trading	161	82	57,505
2. Hedging derivatives	-	-	6,211
Total 06.30.2019	**161**	**82**	**63,716**
Total 12.31.2018	**148**	**94**	**60,428**

Part E - Information on risks and hedging policies

Section 2 - Risks of the prudential consolidated perimeter

2.1 Credit risk

Qualitative information

1. General aspects
In UniCredit the current governance model of credit risk, intended as risk of impairment of a credit exposure deriving from an unexpected deterioration of the counterparty's creditworthiness, provides for two levels of control:
- on the one hand, the supervision of the Parent Company Risk Governance functions which steer and control the credit risk and perform a managerial coordination with respect to the relevant Group legal entities' Risk Management functions;
- on the other hand, the supervision of the relevant Group legal entities' Risk Management functions which perform the control and the management of the risks portfolio at Country level.

This model also leverages the current governance structure which provides the organisational separation between the functions responsible for the credit operational management (i.e. Group Lending Office) and the control functions (within Group Risk Management).

With reference to credit risk management topics, the mechanisms of interaction between the Parent Company and the Group legal entities are defined by specific credit governance rules that, on the one hand, regulate the respective responsibilities and, on the other hand, ensure the compliance of the overall credit risk framework with the regulatory framework which the Parent Company is subject to.
Within its role of guidance, support and control, the Parent Company acts in the following areas: credit rules (principles, policies and processes), credit strategies and credit risk limits, models development, rating systems validation, large exposures management, issuance of credit products, monitoring and reporting portfolio credit risk.
In line with such credit governance rules, the legal entities request the Group Lending Office's opinion before granting new or reviewing existing credit lines to individual borrowers or economic groups whenever these credit lines exceed defined thresholds, also with reference to the compliance with the credit risk concentration limits being measured with respect to the regulatory capital.

The monitoring of major industrial and financial economic groups (so-called "Top Group"), identified as those groups having an exposure exceeding 2% of the consolidated eligible capital (as stated in Banca d'Italia Circular No.285 "Supervisory provisions for banks"), is carried out by a dedicated central unit within the Group Risk Management. The groups mapping, whose purpose is to identify and assess both juridical and economic connections among the bank's clients, is performed according to principles and rules applied to the whole Group, in line both with the latest regulatory guidelines (EBA Guidelines on Connected Clients - EBA/GL/2017/15) and the bank's best practices.

According to the role assigned by the Group governance to the Parent Company, specifically to the Group Risk Management function, general provisions are established ("General principles for credit activities") defining Group-wide rules and principles for guiding, governing and standardising the credit risk assessment and management, in line with the regulatory requirements and the Group best practice. These general provisions are further supplemented by policies which, regulating specific topics (e.g. business areas, segment activities, type of counterpart/transaction), are divided into two categories:
- policies on Group-wide topics, drafted and issued by the Parent Company and sent to all the legal entities. Some examples are the policies on FIBS counterparties (Financial Institutions, Banks and Sovereigns), on Country Risk Limits, on Project Finance and Acquisition & Leveraged Finance transactions, on underwriting risk limits for Syndicated Loan portfolio, on Commercial Real Estate Financing (CREF) and on Structured Trade and Export Finance (STEF);
- policies locally developed by single legal entities, fully in line with the guidelines defined at Parent Company level, that regulate credit practices relating to rules and peculiarities of the local market and that are, therefore, applicable only within the respective perimeter.

At both legal entity and Parent Company level, the policies (if necessary) are further detailed through operating instructions that describe specific rules supporting the execution of day-by-day activities.
Credit policies, which usually have a static approach and are revised when necessary (e.g. in case of evolution of the external regulatory framework), are supplemented by credit risk strategies (approved by UniCredit Board of Directors in the context of the Risk Appetite Framework) which, instead, are updated at least once a year and define with which customers/products, industry segments and geographical areas the Group and the Group legal entities intend to develop their credit business.

More in general, the Group credit strategies are an effective tool for managing credit risk, contributing to the definition of the budget objectives in line with the Group's Risk Appetite, of which they are an integral part. They also constitute a management tool as they translate the metrics defined within the Risk Appetite into concrete form.
On the basis of the macroeconomic and credit scenario, the outlook at the economic sector level, as well as the business initiatives/strategies, the Credit Strategies provide a set of guidelines and operational targets aimed at the countries and business segments in which the Group work and are performed on the operating structures of each Group company and included in their respective commercial policies. The ultimate goal is to ensure sustainable commercial growth, consistent with the risk profile of each company, remaining within the limits defined by the Group Risk Appetite Framework.

Part E - Information on risks and hedging policies

Within the framework of the strategies underlying credit activity, concentration risk is considered particularly important. This is the risk associated with losses generated by a single exposure or group of related exposures that (in relation to the capital of a bank, total assets or the overall risk level) can generate potentially serious effects on the solidity and "core" operation of the Group.
In compliance with the relevant regulatory framework, UniCredit group manages the concentration credit risk through specific limits that represent the maximum risk that the Group intends to accept with regard to:
- individual counterparties or groups of connected counterparties (Single Name Bulk Risk);
- counterparties belonging to the same economic sector (Industry Concentration Risk).

The results of stress test simulations relating to expected loss are an integrated part of the definition of credit strategies.

2. Credit risk management policies

2.1 Organisational Aspects

Factors that generate credit risk
During the ongoing credit and business activities, the Group is exposed to the risk that an unexpected change in a counterparty's creditworthiness may generate a corresponding unexpected change in the value of the associated credit exposure and may thus result in a partial or full write-off.
This risk is always associated to the traditional lending practice, regardless of the form of the credit facility (whether cash or credit commitments, secured or unsecured, etc.).
The main reasons of a default lie in the borrower's failure to fulfil its credit obligation (due to the lack of liquidity, for insolvency reasons, etc.), as well as the occurrence of macro-economic and political events that are affecting the debtor's operating and financial condition. Other banking operations, in addition to traditional lending and deposit activities, can constitute other credit risk factors. In this view, "non-traditional" credit risk may arise from:
- subscription of derivative contracts;
- purchase and selling of securities, futures, currencies or commodities;
- holding third-party securities.

The counterparties in these transactions or issuers of securities held by Group legal entities could default as a result of insolvency, political and economic events, lack of liquidity, operational deficiencies or other reasons. Defaults of a large number of transactions, or one or more large transactions, could have a material adverse impact on the Group's activities, financial condition and operating profits.
The Group therefore monitors and manages the specific risk of each counterparty as well as the overall risk of loan portfolios through procedures, functions and rules that steer, govern and standardise the assessment and management of credit risk, in line with the Group principles and best practice.

Organisational structure
As highlighted in the previously paragraph "General aspects", the credit risk management in the UniCredit group breaks down into two structures:
- Group Risk Management, responsible for steering, governance and control of credit risk;
- Group Lending Office, responsible for the operational credit management;

which internally have different organisational levels:
- functions with responsibilities at Group level;
- functions with responsibilities at Country level.

Regarding Group Risk Management, Holding Functions with responsibilities at Group level include:
- the "Group Credit & Integrated Risks" structure responsible, at Group level, for credit risk strategies definition, monitoring and controlling the credit risk of Group portfolio as well as ensuring an integrated view across Pillar I and II risks to the Senior Management; additionally, it ensures that risk control activities, relating to risk assumed in UniCredit S.p.A. Foreign Branches and Special Entities (e.g. Special Purpose Vehicles/SPVs, Obbligazioni bancarie Garantite/OBG) are monitored and reported to the Group Credit risk Officer and to the Senior Management. The structure is also responsible for supporting Group Chief Risk Officer/GCRO in preparing and participating to transactional credit committees (e.g. GTCC, ITCC, INPCC) analysing the credit proposals to be discussed in such committees from a risk management perspective/perimeter of competence (e.g. consistency with defined credit risk strategies, respect of risk appetite framework, analysis of coverage ratio based on average portfolio benchmark);
- the "Group Risk Models & Credit Risk Governance" structure responsible for guaranteeing at Group level the coordination and steering of the overall landscape of Pillar I Credit and Financial risk models as well as the related methodologies. Furthermore, it is responsible for defining credit risk processes standards and cooperating with other Group competent functions on Risk Weighted Assets/RWA contents;
- the "Group Internal Validation" structure responsible for validating, at Group level, the risk measurement methodologies, the related processes, the IT components and the data quality, for Pillar I and Pillar II risks, the main managerial models and the Group Risk reporting, as defined in the Internal Validation Global Policy, providing adequate reporting for Company Bodies and Supervisory Authority. In addition, it is responsible for

Part E - Information on risks and hedging policies

coordinating the issuing of Global rules in the competence perimeter, checking their approval and implementation in the Group legal entities; managing the Group monitoring process for the recommendation issued following validation activities; checking, in its competence area, the consistency and implementation of the adopted corrective measures based on Supervisory Authority requests on IRB models; coordinating the preparation and update of the Group validation plan, and monitoring its execution; coordinating and preparing the reporting on validation activities outcomes; certifying that the model inventory, defined at Group level, is an unique, complete, correct and up-to-date source for the model risk assessment, as well as assessing, monitoring and reporting the model risk to the competent committees and the Board of Directors;
- the “CRO CEE” structure, responsible for the management and control of credit operations activities and for credit risk steering of the “CB Central Eastern Europe Division” and for the comprehensive view and the coordination in the management of different types of risks (e.g. credit, financial, operational, reputational risks) in the CB Central Eastern Europe Division and the CEE legal entities, together with the risk management responsible functions. It is responsible for credit operation activities for the “CB Central Eastern Europe Division” files booked in UniCredit S.p.A.as well as for the Non-Binding Credit Opinion (NBCO) issue for transactions above the competence level of the “CB Central Eastern Europe” Legal Entities; it is also responsible for credit risk steering and control activities over the “for Non-Binding Credit Opinion (NBCO) issue for transactions above the competence level of the “CB Central Eastern Europe” Division with regard to credit risk retail and corporate topics;
- the “Group NPE” structure, responsible for developing the strategy and overseeing the management, process, targets and disposals of Non-Performing Exposures/NPE, repossessed assets and any other distressed assets for the whole Group.
- the “Non Core Asset Management” structure, responsible for coordinating and managing restructuring and workout files of UniCredit S.p.A., related to the non performing Non Core portfolio and also the distressed asset management activities, according to the Non Core portfolio rundown strategy defined by the Group.

Regarding Group Lending Office, Functions with responsibilities at Group level include:
- the “Group Credit Transactions” structure, responsible for the Group-wide assessment, monitoring and oversight of large credit transactions and financial institutions, banks and sovereigns (FIBS) global credit model management, as well as the assessment, approval and daily management of Country risks and cross-border credit risk-taking;
- the Asia & Pacific Risks officer structure, responsible for ensuring risk control activities in the Asia and Pacific Area by coordinating, evaluating and approving the credit proposals submitted by UniCredit S.p.A.'s Foreign Branches based in the Asia & Pacific area, ensuring the implementation of the Group risk management strategies, ensuring the production of reports on the risks of the area and the coherence of risk transactions and reporting activity for all the risk typologies, and collaborating with the competent counterparts in the development of a regional strategy that is consistent with the risk appetite of the area.

At Country level, steering and credit risk control activities, as well as the conducting of operational activities (e.g. credit underwriting and renewal, monitoring, restructuring, workout, etc.) falls under the responsibility of the CRO function of the controlled subsidiaries.

With respect to credit risk, the following specific Committees are active:
- the “Group Risk & Internal Control Committee” supports the CEO in the role of steering, coordinating and monitoring the risks at Group level in the management and oversight of the Group’s and UniCredit S.p.A.’s internal control system, with specific reference to: establishing policies, guidelines, operational limits and methodologies for the measurement, management and control of the risks as well as for the definition of the methodologies for the measurement and control of internal capital and for the evaluation of risks reporting and estimates of provisions on risks. In this regard, the Committee has consulting and suggestion functions for the definition and periodic review of the Group’s Risk Appetite Framework (RAF), with particular reference to the overall risk control framework, in order to ensure their consistency with the strategic guidelines and risk appetite established and their capacity to track the evolution of risks and their interaction;
- the “Group Credit Committee”, in charge of evaluating and approving competent credit proposals referring to all files, including restructuring/workout ones, status classification of files, relevant strategies and corrective actions to be taken for watch list files, specific limits for transactions relating to Debt Capital Markets on trading book, single issuer exposures limits on trading book, Debt to Equity transactions and transactions relating to Equity participations deriving from Debt to Equity transactions;
- the “Group Model Risk Management & Governance Committee” responsible for ensuring, at Group level, a steering, coordination and control of Model Risk Governance (focusing on Pillar I, Pillar II and managerial models in scope of the Model Risk Management/MRM framework) as well as ensuring a consistency among the Holding Company and the different Legal Entities, including the management of possible issues raised by the legal entities to Group Chief Risk Officer/GCRO;
- the “Group NPE Governance Committee”, responsible for supporting the Group Chief Risk Officer in ensuring, at Group level, a steering, coordination and control of Non-Performing Exposures/NPE strategy and targets as well as an effective alignment on common goals between the Group and different Group legal entities;
- the "Group Transactional Credit Committee" responsible (with approval function within the delegated powers: decision-making and/or issuing of non-binding opinions to the Group legal entities, and/or consulting function) for files to be approved by upper Bodies, for credit proposals referring to all the files, including restructuring, INC or workout ones, status classification of files relevant strategies and corrective actions to be taken for watching list files, single issuer exposure limits on trading book, Debt-to-Equity transactions and/or actions/rights-execution relating to equity participations resulting from Debt-to-Equity transactions, Debt-to-Assets transactions and/or actions/rights execution related to asset resulting from Debt-to-Asset transactions, proposal of distressed asset disposal, in accordance with the regulated specifications and limitations; in addition, the GTCC approves or submits for approval to Group Credit Committee of temporary/annual breaches to Single Names Concentration Risk Limits within the thresholds defined by dedicated Group regulation;

- the "Group Rating Committee" responsible, within its perimeter of competence and its delegated powers, for approving rating overrides.

2.2 Credit Risk Management, Measurement and Control

The credit risk, associated to the potential loss arising either from a default of the borrower/issuer or from a decrease in the market value of a financial obligation due to a deterioration in its credit quality[19], is measured at both single borrower/transaction and at whole portfolio level.

Credit lending to single customers, during both the approval and monitoring phases, is supported by a credit rating process, differentiated by customer segment and product. The assessment of a counterpart's creditworthiness, within the credit proposal evaluation, begins with an analysis of the financial statements and the qualitative data (competitive positioning, corporate and organisational structure, etc.), regional and industry factors and counterpart behaviour within the Entity or the banking system (e.g. Centrale dei rischi), and results in a rating, i.e. the counterpart's probability of default ("PD") on a one-year time horizon.

Each borrower's credit rating is reviewed at least annually on the basis of the new information acquired. Each borrower is also assessed in the context of the belonging economic group by taking into account, when needed, the risk for the entire group.

The internal rating assigned to each borrower and its economic group exposure both contribute to the lending decision calculation, defined in such a way that, at a constant credit amount, the approval powers granted to each decision-making corporate body are gradually reduced in proportion to the increased borrower/related risk level.

The organisational model in use also includes a dedicated function, which is separated from loan approval and business functions and is responsible for the management of the so-called rating "overrides", i.e. any changes to the automatic rating calculated by the rating system.

Regular monitoring of the rating focuses on the borrower's performance management, using all the internal and external available information in order to get a score representing a synthetic assessment of the risk associated. This score is obtained using a statistical function that summarises the available information using a set of significant variables that are predictors of an event of default within a 12-months horizon.

In addition to the usual estimation of risk parameters over one-year time horizon, multi-period risk parameters are estimated to provide a more robust assessment of the risk-adjusted performance in compliance with the accounting standards requirements.

Besides the methodologies summarised in the rating systems, the Group risk management function leverages on portfolio models enabled to measure credit risk on an aggregated basis and to identify the contribution of single sub-portfolio or obligor to the overall risk.

There are three fundamental portfolio credit risk measures which are calculated and evaluated on one year time horizon:
- Expected Loss ("EL");
- Credit Value at Risk (Credit "VaR");
- Expected Shortfall ("ES").

The estimate of Credit VaR at overall portfolio level is derived from the distribution of losses obtained by Monte Carlo simulation on the horizon of one year, considering the correlations among counterparties. The total loss in each default scenario is the sum of the individual losses, being defined as the product of LGD (Loss Given Default) and EAD (Exposure At Default) for transactions relating to defaulted counterparts.

The Expected Loss (EL) at portfolio level represents the average loss of the portfolio due to potential defaults of the obligors. The EL of the portfolio corresponds to the sum of single obligors, which can be evaluated as the product of PD, LGD and EAD, and is independent from the default correlations in the portfolio. EL is typically charged as a cost component.

The Value at Risk (VaR) represents the monetary threshold which is overcome only with a given probability level (a 99.9% confidence level VaR implies that the loss threshold is exceeded in 1 case out of 1,000). Economic Capital is derived from Value at Risk subtracting the Expected Loss and is an input for determining Internal Capital set up to cover potential losses from all the sources of risk.

The Expected Shortfall (ES) represents the expected value of losses that exceed the VaR. Portfolio Credit VaR and ES depend significantly on the correlations among the defaults and can be reduced by portfolio diversification at sector and country level, and limiting the concentration of each counterpart.

The measures of Economic Capital based on Credit VaR are also a fundamental input for the design and application of credit strategies, the analysis of credit limits and risk concentration. The Economic Capital calculation engine is also one of the instruments used for the analysis of stress testing of the credit portfolio.

19 On this topic UniCredit group is exploring new approaches to cover also the market value component of Banking Book credit risk.

Part E - Information on risks and hedging policies

All the above mentioned risk parameters are subject to an initial validation and a regular monitoring process for each rating system in all its components: models, processes, IT architecture and data quality. The aim is to give evidence of the systems compliance, highlighting improvement areas as well as possible misalignments in the methodologies, which could limit the full comparability among the resulting risk measures.
The internal Credit VaR model is also subject to assessment in the context of Basel Pillar II validation.

The calculation of the credit economic capital is available on a single technological platform (Group Credit Portfolio Model, GCPM), with a shared methodology for the structures of UniCredit S.p.A. and the main entities of the Group.

In order to assess the credit risk transfer created by securitisation transactions originated by the Group, an engine (Structured Credit Analyser) has also been developed, which simulates the loss distribution of the securitised portfolio and of the tranches, both for synthetic securitisations (in which the risk is transferred through guarantees/credit derivatives), and for traditional ones (where the assets are sold to a special purpose vehicle).

In order to determine capital requirements for credit and operational risks, UniCredit group uses the IRB Advanced approach, as stated by Banca d'Italia act No.365138 dated 28 March 2008.
With reference to credit risk, the Group has been authorised to use internal estimations of PD, LGD and EAD parameters for Group wide credit portfolios (Sovereign, Banks, Multinationals and Global Project Finance) and for local credit portfolios of relevant subsidiaries (corporate and retail).
With reference to Italian mid-corporate and small business portfolios, regulatory EAD parameters are currently used.
These methodologies have been adopted by UniCredit S.p.A. (UCI), UniCredit Bank AG (UCB[20]) and UniCredit Bank Austria AG (UCBA AG).
According to the Roll-out plan, providing a progressive extension of the IRB rating system, approved by the Group and shared with the Supervisory Authorities, these methods have been extended starting from 2008 to other Group entities currently named, UniCredit Leasing GMBH and Subsidiaries, UniCredit Banka Slovenija dd, UniCredit Bulbank AD, UniCredit Bank Czech Republic and Slovakia, a.s., UniCredit Bank Ireland plc., UniCredit Bank Hungary, UniCredit Bank Romania a.s. and Ao UniCredit Bank in Russia.

[20] in July 2018 UniCredit Luxembourg S.A has been merged with UniCredit Bank AG

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The following table summarises the rating systems used by the Group with an indication of the related relevant asset class and the entities where they are used.

Prevailing asset class	Rating system		Group legal entity
Central governments and central banks	Groupwide	Sovereign (PD, LGD,EAD)	UCI, UCB AG, UCBA AG, UCB CZ, UCB SK, UCB RO(*)
Institutions subject to supervision		Financial Institutions & Banks (PD, LGD,EAD)	UCI, UCB AG, UCBA AG, UCB Slo(*), UCB IE(*), UCB BG(*), UCB CZ, UCB HU(*) (**), UCB SK, UCB RO(*), UCL GMBH
Corporates		Multinational (PD, LGD,EAD)	UCI(***), UCB AG, UCBA AG, UCB Slo(*), UCB BG, UCB CZ, UCB HU(*), UCB SK, UCB RO(*), UCL GMBH, AO UCB(*)
		Global Project Finance (PD, LGD, EAD)	UCI, UCB AG, UCBA AG, UCB CZ, UCB SK
	Local	Integrated Corporate Rating RIC (PD, LGD)	UCI
		Mid Corporate (PD, LGD, EAD)	UCB AG, UCBA AG, UCB CZ,UCL GMBH, UCB BG
		Foreign Small and Medium Sized Enterprises (PD, LGD, EAD)	UCB AG
		Income Producing Real Estate (IPRE) (PD, LGD, EAD)	UCB AG, UCBA AG, UCB CZ
		Acquisition and Leverage Finance (PD, LGD, EAD)	UCB AG
		Global Shipping (PD, LGD, EAD)	UCB AG
		Wind Project Finance (PD, LGD, EAD)	UCB AG
		Commercial Real Estate Finance (PD, LGD, EAD)	UCB AG
		Non Profit (PD, LGD, EAD)	UCBA AG
		Real Estate Customers (PD, LGD, EAD)	UCBA AG
		Mid-Corporate (PD)	UCB HU(*), UCB Slo(*), UCB SK(*), UCB RO(*)
		Aircraft Finance (PD)	UCB AG
		Income Producing Real Estate (IPRE) (Slotting criteria)	UCB BG, UCB SK
		Object Finance and Project Finance (Slotting criteria)	UCL GMBH
		Project Finance (Slotting Criteria)	UCB BG
Institutions subject to supervision/Corporates		Other minor rating systems (Public Sector Entities, Municipalities, Religious Companies, Leasing) (PD, LDG, EAD)	UCB CZ
Retail exposures		Integrated Small Business Rating RISB (PD, LGD)	UCI
		Integrated Private Rating (RIP) Mortgages (PD, LGD, EAD)	UCI
		Overdraft and credit cards (PD, LGD, EAD)(****)	UCI
		Personal Loan (PD, LGD, EAD)(****)	UCI
		Small Business (PD, LGD, EAD)	UCB AG, UCBA AG, UCB CZ, UCL GMBH,UCB BG
		Private Individuals (PD, LGD, EAD)	UCB AG, UCBA AG, UCB CZ, UCB BG
Securitisation		Asset Backed Commercial Paper (PD, LGD, EAD)	UCB AG

Notes:
(*) These entities are currently authorised only to use the IRB Foundation, therefore they use only PD internal estimations for the determination of capital requirements.
(**) This entity has been authorised to adopt the Group Wide model Financial Institution & Banks (GW BANKS) only for the Commercial Bank segment with the exclusion of the Securities Industry segment.
(***) Starting from 2012, the Group Wide Multinational Corporate (GW MNC) rating system (for the estimation of parameters PD, LGD and EAD) is also adopted for the Italian Large Corporate (ILC) portfolio, which includes Italian companies with an operating revenues/value between €250 and €500 million.
(****) Systems authorised since 2010 whose IRB regulatory use is prudentially planned after the completion of models' revision.

Keywords:
UCI: UniCredit S.p.A.
UCB AG: UniCredit Bank AG (including UniCredit Luxembourg S.A. that has been merged with UCB AG since July 2018)
UCBA AG: UniCredit Bank Austria AG
UCB IE: UniCredit Bank Ireland p.l.c.
UCL GMBH: UniCredit Leasing GMBH and Subsidiaries (Unicredit Leasing Finance GMBH, UniCredit Leasing Aviation GMBH)
UCB Slo: UniCredit Banka Slovenija d.d.
UCB BG: UniCredit Bulbank AD
UCB CZ: Czech portfolio of UniCredit Bank Czech Republic and Slovakia, a.s.
UCB HU: UniCredit Hungary
UCB SK: Slovak portfolio of UniCredit Bank Czech Republic and Slovakia a.s
UCB RO: UniCredit Bank Romania a.s.
AO UCB: Ao UniCredit Bank (Russia)

With reference to the strategies of credit risk management, the use of Credit Risk Stress Test is considered of particular importance because its aim is to analyse the portfolio vulnerability in case of an economic downturn or a structural change of the macroeconomic framework. In performing the

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stress test exercise, different scenarios are considered, based on increasing levels of severity. In addition, scenarios may also be defined based on specific economic hypotheses.
The credit stress test models (or satellite models) are set of models aimed at translating the macro-economic conditions into credit risk parameters (PD/LGD). Within the wider stress testing framework the models serve as basis for calculating the stressed PD/LGD projections under the Adverse Scenarios. They are used in the same way for the estimation of Forward Looking component within the IFRS9 framework.
As regards the modelling methodology the current framework envisages two different approaches for High and Low default portfolios. Notably for high default portfolios (Retail, SME and Mid corporate) the internal historical data have been used to estimate, at cluster level (Country/Asset Class) the direct relationship between default and recovery rate and macro-economic factors. However with regard to the low default portfolios (e.g. Multinational, Banks, Sovereigns) for which no sufficient internal data are available, the historical financial statements are used to model a relationship between key financial items (which are inputs of the rating systems) and macro-economic factors. The projected key rating drivers, based on the macro-economic factors, are then used as input of the Internal Rating System in order to obtain the final stressed PD/LGD at counterpart level. Stress testing exercises is performed twice a year based on three scenarios both for regulatory (Pillar I) and economic (Pillar II) perspective.
Pillar I stressed metrics (LLP and RWA) are calculated according to the EBA methodology. Pillar II stress metrics (EC and AFR) are calculated according to the following methodology:
- Credit Economic Capital: Stressed PDs and LGDs are used as a basis to recalculate VaR and Economic Capital with CPM tool in each of the stressed scenarios. The Stressed Value at Risk refers to a VaR simulation where the underlying risk factors are stressed from normal to adverse case. In particular, the Stressed Value at Risk is intended to replicate a Value at Risk calculation that would be generated on the bank's current portfolio if the relevant risk factors were experiencing a period of stress.
- AFR: the amount stemming from the difference between the Stressed Expected Loss (calculated based on PD-TTC and LGD-TTC) and the actual Expected losses is deducted from AFR.

2.3 Measurement methods for expected losses

Risk management practices
The Credit Risk Management, Measurement and Control processes described in the previous paragraph, also regard the calculation of impairment of Loans and debt securities classified as financial assets at amortised cost, financial assets at fair value through other comprehensive income and relevant off-balance sheet exposures as required by IFRS9.
For this purpose the calculation of impairment in accordance with expected credit losses is based on two main aspects:
- the stage allocation of credit exposures;
- the associated calculation of expected credit loss

In UniCredit group the Stage Allocation is based on the combination of relative and absolute elements; the main are:
- comparison for each transaction between PD as measured at the time of origination and PD as at the reporting date, both calculated according to internal models, through thresholds set in such a way as to consider all the key variables of each transaction that can affect the bank's expectation of PD changes over time (e.g. age, maturity, PD level at the time of origination);
- absolute elements such as the backstops required by law (e.g. 30 days past-due). In this case UniCredit group has chosen not to reject the significant deterioration presumption after 30days past-due by allocating always in stage 2 transactions with more than 30 days past due;
- additional internal evidence, including renegotiations of financial instruments due to financial difficulties met by the counterpart (e.g. Forborne classification).

With regard to debt securities, UniCredit group is opting for the application of the "low credit risk exemption" on investment grade securities, in full compliance with the accounting standard.

The outcome of the Stage Allocation is the classification of credit exposure in stage 1, stage 2 or stage 3 according to their absolute or relative credit quality with respect to the initial disbursement. Specifically:
- stage 1 includes:
  - newly issued or acquired credit exposures
  - exposures for which credit risk has not significantly deteriorated since the initial recognition; and
  - exposures having low credit risk (low credit risk exemption);
- stage 2 includes credit exposures that, although performing, have seen their credit risk significantly deteriorating since the initial recognition;
- stage 3 includes impaired credit exposures. With reference to stage 3, it should be noted that it includes impaired exposures corresponding(in accordance with Banca d'Italia rules, defined in Circular No.272 of 30 July 2008 and subsequent updates), to the aggregate Non-Performing Exposures as ITS EBA (EBA/ITS /2013/03/rev1 24 July 2014).

In particular, EBA[21] has defined as "Non-Performing" exposures that meet one or both of the following criteria:
- material exposures more than 90 days past due;
- exposures for which the bank assesses that is unlikely that the debtor would pay in full his credit obligations without recurring to enforcement and

21 The regulatory framework for the new definition of default will be integrated with the entry into force of the "Guidelines on the application of the definition of default under Article 178 of EU Regulation No.575/2013 "(EBA/GL/2016/07) as of 1 January 2021.

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realisation of collaterals, regardless of past due exposures and the number of days the exposure is past due.

With reference to the quantitative component of the stage allocation model, the Group has adopted a statistic approach based on a quantile regression whose goal is to define a threshold in in terms of maximum variation acceptable between the PD measure at the disbursement and the one at the reference date.
Fundamental part of the model is the definition of the quantile which identifies the stage 2 quota expected on average in the long time horizon. The medium long term quantile is determined based on the average expectation of portfolio deterioration calculated considering the default rate as well as one of the other deterioration stages of deterioration (e.g.: past-due 30 days).
The exposures amount classified in stage 2 for each reporting date will fluctuate around the long term quantile on the basis of the current economic conditions as well as expectations about the future economic cycle.

The Stage Allocation model is tested at each reporting date, in order to timely capture both significant deterioration and its reverse in a symmetric way and to correctly allocate each transaction within the proper stage and related expected loss calculation model.

The result of stage allocation affects the amount of expected credit losses recognised in financial statements. Indeed for exposures in stage 1, impairment is equal to the expected loss calculated over a time horizon of up to one year.
For exposures in stages 2 or 3, impairment is equal to the expected loss calculated over a time horizon corresponding to the entire life of the exposure.

To calculate expected loss, the Group has developed specific models based on PD, LGD and EAD parameters and the effective interest rate. In particular:
- PD (Probability of Default),which expresses the exposure probability of default in a given time horizon (e.g.: 1 year);
- LGD (Loss Given Default), which expresses the estimated loss percentage and therefore the expected recovery rate when a default event occurs;
- EAD (Exposure at Default), expresses the level of the exposure at the time of default event;
- the effective interest rate is the base rate which expresses the time value of money.

Such parameters are calculated starting from the same parameters applied for regulatory purposes specifically adjusted in order to guarantee full consistency, a part from the different requirements, between accounting and regulatory treatment.
The main adjustments aim at:
- removing the conservativism required purely for regulatory purposes;
- introducing “point in time” adjustments substituting the “through-the-cycle” view required by the regulation;
- including “forward looking” information;
- extending credit risks parameters to a multi years horizon.

With reference to “lifetime” PD, PD curves calculated through-the-cycle are calibrated to reflect the point-in-time and forward-looking expectation with reference to the portfolio default rate.
The recovery rate embedded in the LGD calculated along the economic cycle ("through-the-cycle") is adjusted in order to remove the margin of conservatism and reflect the current trends in recovery rates as well as expectations about future trends discounted to the effective interest rate or its best approximation.
The EAD calculated along the instrument lifetime is determined by extending the prudential or managerial one-year model, removing the margin of conservatism and including expectations relating to future average withdrawal levels of existing credit lines.

The forecast in terms of default rate and recovery rate provided by the Stress Test function are embedded in the PD and LGD parameters during the calibration phase. The credit parameters, in fact, are normally calibrated on a horizon that considers the entire economic cycle (“Through-the-cycle - TTC"), so it is necessary to calibrate them "Point-in-time" - PIT" and "Forward-looking - FL" allowing to reflect in these credit parameters the current situation as well as expectations about the future evolution of the economic cycle.

The expected credit loss deriving from the parameters previously described considers macroeconomic forecasts through the application of multiple scenarios to the forward looking components in order to compensate the partial non-linearity that is naturally embedded in the correlation between the macroeconomic changes and the expected credit loss. Specifically, the non-linearity effect is incorporated by estimating a correction factor applied directly to the expected credit loss ("ECL") of the portfolio.

The process defined to include multiple macroeconomic scenarios is fully consistent with forecast processes used by UniCredit group for additional risk management purposes (for example processes adopted to calculate expected credit losses from macroeconomic forecasts based on EBA stress test and ICAAP Framework) and also takes advantage of independent UniCredit Research function.

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Specifically, the Group has selected three macroeconomic scenarios to determine the forward looking component, the baseline scenario, one positive scenario and one adverse scenario.
The baseline scenario is the reference central scenario and therefore is considered to be the most probable realisation. Positive and adverse scenarios represent possible alternative realisations, respectively a better and a worst one compared to the baseline in terms of evolution of the economies of the countries in which the Group operates:

- the Baseline scenario reflects the macroeconomic evolution expected for the Group. It envisages a positive and stable economic growth in the time horizon under analysis, although in a slowing trend compared to 2018, both for the Eurozone and for most of the CEE countries, in a context where the short term interest rates in the Euro area are expected to be stable at historical low levels. In detail, the annual real GDP growth for the Eurozone is foreseen at +1.0% for 2019, +1.0% for 2020 and +1.3% for 2021 (with Italy at -0.1%, +0.4% and +0.7% and Germany at +0.6%, +1.2% and +1.7%, respectively); among CEE countries, with the exception of Turkey (whose GDP is expected in significant contraction in 2019) and Russia (slowing to 1.2%), economic growth is expected to be between +2.1% and +3.4% in 2019. The scenario implies that the 3 months Euribor stays slightly negative in 2019 and 2020 and goes back to positive in 2021;
- the Positive scenario is based on the hypothesis that the positive economic growth of 2018 both at global level and at European level only goes through a mild slowdown in 2019, sustained by the trend in the global commerce and by still accommodating economic policies. In this scenario, Eurozone's growth would slightly decrease in 2019 (with Germany's GDP slowing to +0.9%), before recovering in the next two years, that would translate in a faster annual real GDP growth (compared to the baseline scenario) between +0.2% and +0.6% in the 2019-2021 three-years horizon. More in detail, the annual growth of real GDP for the Eurozone would slow down to +1.3% in 2019, increasing to +1.6% in 2020 and to +1.5% in 2021 (with Italy slowing to +0.1% in 2019 and increasing to +0.8% and +0.9% in 2020 and 2021 respectively) in a context of short term rates (3 months Euribor) still negative in 2019 and in continuous but slow increase in the 2020-2021 period, driven by a monetary policy tightening more aggressive than the one envisaged in the baseline scenario. The occurrence of such scenario, at the moment of its definition, is expected to be plausible and appropriate to quantify a trend of the economy better than the one assumed in the Baseline scenario;
- the Adverse scenario reflects one of the scenarios used in the assessment process of capital adequacy (ICAAP). In coherence with ICAAP framework, the scenario has been chosen to represent one of the macroeconomic and financial risks that the Group foresees as most relevant in the context of the countries where the Group operates and for the Group's business activities. The scenario of Widespread Contagion is based on the hypothesis of intensification of political risks within the European Union, caused by tensions between Italian government and European institution, a standstill in structural reforms in France and a less pro-European political agenda in Germany, alongside with the extension of tensions between Spanish Government and Catalonia region. This context would lead to an increase of the risk premiums for various asset classes and to a slowdown of the economic growth both in the Eurozone (lower of about one and a half percentage point per year with respect to the baseline scenario, in terms of real GDP in the three-years horizon) and in CEE countries. More in detail, the real GDP in the Eurozone would decrease in 2019 and 2020 (-0.4% in 2019, -0.6% in 2020) before returning to growth in 2021 to +0.5% (with Italy at -1.5%, -1.7% and -0.5% respectively) in a context of short term rates (3 months Euribor) that would stay negative for the whole three-years horizon, based on the hypothesis that the ECB would prolong in such a market environment the liquidity support to markets. The occurrence of such scenario, at the time of its definition, is considered plausible and appropriate to quantify a potential adverse trend of the economy. In coherence with the scenario's narrative and with the magnitude of deviations from the Baseline scenario, it is assumed that the Adverse scenario is less likely than the Positive scenario.

With reference to the impaired exposures (stage 3) the expected recoverable amount, and therefore the expected credit loss, is the present value of future cash flows expected to be recovered, discounted at the orginal interest rate.
Therefore the main determinants of this value are:

- the expected cash flows;
- the expected timing of payments of these cash flows;
- the effective interest rate used for discounting.

Expected cash flows on defaulted exposures shall be calculated on an individual basis for "individually significant exposures".
Expected cash flows on already defaulted exposures that are not individually significant may be calculated either on an individual or a collective basis. Where a legal entity has a number of individually significant exposures towards one single counterparty, each loan is individually assessed while also considering the overall position of the counterparty.
Future cash flows must be estimated considering the historical trend of recovery for exposures having similar credit risk features. The historical trend in any case is adjusted in order to embed the current economic environment and the expected economic outlooks.
Expectations for the recovery of positions classified as "default" or non performing are based on:

- analytical business plans, for companies with Group exposure > €1 million;
- statistical grids differentiated by product type and vintage classification, for other positions.

In the assessment of impaired exposures (stage 3), possible sales scenarios are also considered where the Group's NPL strategy envisages experiencing recovery through their sale to the market.
For this purpose, the presumed recovery value of credit exposures is determined as weighted average between two scenarios:

- internal recovery scenario, whose expected recovery value is estimated assuming an internal work-out process according to what has previously been described;
- sale scenario, whose expected recovery value is estimated assuming the sale of the exposures on the market. The expected sale price is

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determined considering market or internal information based on the following hierarchy:
- prices deriving from past sales of impaired loans with homogeneous characteristics with those evaluated;
- prices observable on the market for impaired loans with homogeneous characteristics with those evaluated;
- internal evaluation models.

2.4 Credit Risk Mitigation Techniques
For this section refer to the last "2018 Annual Report and Accounts - Consolidated report and accounts 2018 of UniCredit Group"

3. Non-performing credit exposures

3.1 Management strategies and policies
In order to ensure a homogeneous approach in the classification of credit exposures for regulatory and reporting purposes, UniCredit has defined guidelines at Group level for the classification of non-performing exposures that refer to the principles reported in the Implementing Technical Standards issued by the Authority European Banking in 2014. With regard to this definition (which includes the concept of "default" ruled by Art.178 EU Regulation No.575/2013 and the "impaired" definition reported in accounting standard IFRS9) at operational level UniCredit group has pursued a substantial alignment between the three definitions. Furthermore, in accordance with the provisions of Banca d'Italia in Circular 272/2008, credit exposures of each group entity must be classified in one of the following risk classes:
- past-due and/or overdue exposures: problematic exposures that are more than 90 days past due on any material obligation (the latter assessed in line with article 178 (2d) of EU Regulation No.575/2013 and the Technical Standards of the 'EBA);
- unlikely to pay: the classification in this category is the result of the judgment of the bank about the unlikeliness, without recourse to actions such as realising collaterals, that the obligor will pay in full (principal and/or interest) its credit obligations. This assessment should be carried out independently of the presence of any (or rate) past due and unpaid amount;
- bad loans: exposures to borrowers in a state of insolvency (even when not recognised in a court of law) or in an essentially similar situation, regardless of any loss forecasts made by the bank.

According to the group rules, all debtors in the bank's portfolio must be mapped in the classes defined by Banca d'Italia, regardless of local reporting which has to be performed according to local accounting standards and/or local supervisory regulations or instructions.

These classification rules are further integrated by accounting principles defined in IFRS9, according to which credit exposures must be allocated in three "stages" (for details see section "Expected loss measurement method" - Section 2). With regard to non-performing exposures, the allocation to "stage 3" occurs when the customer's status changes into "non-performing". This is a classification at counterparty level and not at transaction level based on specific regulations on the classification of non-performing exposures.

In accordance with Art.156 EBA ITS, an exposure must remain classified as non-performing[22] as long as the following criteria (exit criteria) are not met simultaneously:
- the situation of the debtor has improved to the extent that full repayment of the original due amount is likely to be made;
- the debtor does not have any amount past-due by more than 90 days.

Specific exit criteria must be applied in case the forbearance measures are extended to non-performing exposures, listed below:
- the starting date of the observation period of one year is the latest between the adoption of Forbearance measures and the classification as non-performing;
- any past due amount is verified if no past due occurs at debtor level;
- concerns regarding the "full repayment" refer to a judgmental evaluation by the empowered Bodies.

In the non-performing credit exposures management, UniCredit group adopts certain strategies that operationally define the activities necessary to achieve the targets defined yearly.
The aforementioned strategies concerning impaired loans include:
- an effective internal restructuring activity, supported by qualified resources with specific skills dedicated to the management of loans classified as unlikely to pay; within these activities, ad-hoc approaches are then envisaged for positions considered strategic or referring to the Corporate and Real Estate segment;
- proactive portfolio management through judicial and extra-judicial procedures managed by internal Workout professionals or assigned to external agencies specialised in credit recovery;
- the recourse of alternative recovery strategies (which UniCredit was one of the first banks to use) based on formalised partnerships aimed at

22The regulatory framework for the transition from impaired to non-deteriorated exposures ("criteria for a return to a non-defaulted status ") will be integrated with the entry into force of the "Guidelines on the application of the definition of default under Art. 178 of EU Regulation No.575/2013 "(EBA/GL/2016/07) as of 1 January 2021.

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managing positions in the industrial or Real Estate sector;
- proactive management of the Leasing portfolio aimed at speeding up the negotiation times of agreements with counterparties in order to obtain a more effective remarketing process;
- disposal of impaired loans as further strategy for internal recovery both for individual positions and for portfolios of impaired loans, already classified as bad loans and unlikely to pay.

The decrease amount of the stock of impaired loans to Group customers was therefore in line with the reduction targets set in Transform 2019, achieving an improvement in asset quality. This result was possible thanks also to an acceleration of the reduction times of the "Non Core" portfolio, for which, UniCredit group can confirm the complete closure of its Non Core legacy by 2021, thanks also to the activation of a coordinated set of levers aimed at reducing the stock.
A successful NPE Strategy execution requires effective interaction between the Group Risk Management structure and the functions dedicated to the management of impaired exposures directly reporting the local CLOs of the Legal Entities. More specifically, within Group Risk Management, the Group NPE structure was set-up in order to ensure on the one hand an adequate control over the execution and monitoring of the NPE Strategy (which includes the sale of non-performing loans through "Group Distressed Asset Solutions" and the proactive management of the collateral for the properties acquired through "Group Repossessed Assets") and, on the other hand, an effective cooperation thanks to the joint work carried out with the other Group Risk Management functions.

In the all legal entities dedicated functions to the management of non-performing exposures are in place; they cover all the phases of the NPEs life cycle, take into account local regulations and the specific characteristics of portfolios, monitor and manage the amount of NPEs coherently with both European Central Bank Guidelines and Group organisational model.
The structures dedicated to the operational management of non-performing exposures are therefore tailored to each state of the life cycle of non-performing loans, starting from a careful monitoring of the performing portfolio, up to the recovery activity that includes the disposal of credit or the “repossession” of the collateral.
In particular, the monitoring activity is aimed at preventing flows to default and reducing the amount of past due exposures by detecting signals of risk of deterioration and early warning, as well as identifying the needed corrective measures to manage the potential deterioration of exposures starting from the early signs of worsening of the counterparties’ credit quality.
Soft collection, door-to-door and re-management activities which pertains both performing (though already overdue) counterparties and already defaulted clients are carried out through the use of multiple channels, also using outsourcing solutions to third-party companies (in particular for door-to-door recovery activities). These activities also aim at preventing flows to default and facilitating the back-to-performing classification (main focus), thus contributing to a reduction of the overall amount of impaired exposures.
In some Legal Entity, the aforementioned activities can be managed within either the Monitoring, or Restructuring or Workout units; with reference to UniCredit S.p.A. these responsibilities are allocated to the Special Credit unit within which an ad hoc department was created (i.e. Customer Recovery), exclusively dedicated to soft collection and re-management for retail portfolio.

As part of the overall management of deteriorated exposures, the Restructuring activity is aimed at mitigating the risk of insolvency and the quality of exposures with restructuring agreements and company reorganisation plans as well as reducing the amount of unlikely to pay with recoveries and performing re-classification, by means of forbearance measures. Specifically, among the strategies for managing unlikely to pay loans to corporate counterparties, there are also restructuring platforms (up to now limited to the Italian market), the disposal of individual exposures and extraordinary finance transactions.
The coordination and implementation of recovery strategy on positions classified as bad loans fall instead within the responsibility of the "Workout" unit, whose reporting structures identify the optimal strategies for maximising recoveries, including the timely enforcement of collaterals. In some legal entity of the Group, the activity is also implemented by leveraging on service agreements with external agencies.

As pertains the disposal activities, these refer to the organisation, management and execution of sales processes (both credit portfolios and individual positions), through the application of a transparent and competitive methodology based on market criteria. At Group level, these activities are performed by a dedicated department within UniCredit S.p.A. (Group Distressed Asset Solutions), which evaluates various disposal options alternatives, in cooperation with the legal entity’s peer function where deemed necessary to handle specific local cases.
The proactive management of real estate guarantees is coordinated at Parent company level by a dedicated department (Group Repossessed Assets), which oversees the strategy of repossession of the collateral and the specific activities carried out within the Group, particularly in those entities specialised in the acquisition of collateral (for example the UCTAM company). The aforementioned function also oversees the possible creation of a "Real Estate Owned Company" (ReoCo) in Italy.

Beyond the operational responsibilities in the non-performing exposures management, from a governance and strategic coordination standpoint, the Group NPE Governance Committee (“GNGC”) has been set up in order to ensure the effective steering, coordination and control of the non-performing loans reduction plan, ensuring an effective alignment of the common objectives between the Parent company and the various legal entity, also through the involvement of both "Group Risk Management" and "Group Lending Officer" functions according to the instructions of the Banca d’Italia (Circular No.272/2008 and subsequent updates).

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3.2 Write-off

Group guidelines for write-offs on financial assets provides that whenever a loan is deemed to be uncollectable/unrecoverable it needs to be identified at the earliest possible opportunity and properly dealt with in accordance with financial regulations. Write-offs can relate to a financial asset in its entirety, or to a portion of it.

In assessing the recoverability of non-performing exposures (NPE) and in determining internal NPE write-off approaches, the following cases, in particular, are taken into account:

- exposures with prolonged arrears: the recoverability of an exposure that presents arrears for a prolonged period of time is assessed. If, following this assessment, an exposure or part of an exposure is deemed as non-recoverable, it should be timely written-off, adopting different thresholds predefined on the basis of the different portfolios;
- exposures under insolvency procedure: where the collateralisation of the exposure is low, legal expenses often absorb a significant portion of the proceeds from the bankruptcy procedure and therefore estimated recoveries are expected to be very low;
- a partial write off may be warranted where there are reasonable elements to demonstrate the debtor's inability to repay the full amount of the debt, i.e. a significant level of debt, even following the implementation of a forbearance treatment and/or the execution of collateral.

Below a non-exhaustive list of hard evidences implying, with high likelihood, the not recoverability of the exposure, to be assessed, for the potential (total or partial) write-off:

- the Bank cannot call the guarantor(s), or his assets are not sufficient for the recovery of the debtor's exposures;
- negative outcome of the judicial and/or out-of-court initiatives with absence of other assets that can be called in the event of un-recoverability of the debtor's exposures;
- impossibility to initiate actions to recover credit;
- current insolvency procedure, from which the procedure itself states that the unsecured exposures will not have redress;
- loans not backed by mortgage security older than 3 years that have not registered repayments/collections during the first 3 years after the NPE classification;
- mortgage loans to private individuals with collaterals already executed or not recoverable (because of legal or administrative defects and if execution is considered not economically viable), if they have been classified as non-performing for more than 7 years, or between 2 and 7 years if the residual debt is less than €110,000.

The amount of partial write-offs on financial assets still subject to the enforcement procedure amounts to €2,785 million at 30 June 2019; the write-offs related to current financial period up to June 2019 amounted to €879.8 million. The write-offs component recorded during the year does not correspond to the write-offs recorded in the dynamics of non-performing exposures, as the latter also include cancellations with "debt forgiveness".

3.3 Acquired or originated impaired financial assets

Purchased or Originated Credit Impaired ("POCI") are credit exposures that are already impaired on initial recognition.

These credit exposures might be recognised either as a result of a purchase of non-performing exposures from third parties or as a result of the restructuring of impaired exposures which has led to the provision of significant new finance, either in absolute terms or in relative terms, compared with the amount of the original exposure.

These exposures are subject to management, measurement and control according to the principles described in the paragraph of the Notes to the consolidated accounts - Part E - Information on risks and hedging policies - Section 2 - Risks of the prudential consolidated - 2.1 Credit risk - Qualitative information - 2. Credit risk policies management - 2.2 Credit risk management, measurement and control which is herewith quoted entirely.

In particular, the expected credit losses recorded at initial recognition within the carrying amount of the instrument are periodically reviewed on the basis of the processes described in the previous paragraphs.

The expected credit loss calculated for these credit exposures is always determined considering their residual life, and such exposure are conventionally allocated into stage 3, or in stage 2 if, as a result of an improvement in the creditworthiness of the counterparty following the initial recognition, the assets are performing.

These assets are never classified under stage 1 because the expected credit loss must always be calculated considering a time horizon equal to the residual duration.

4. Commercial renegotiation financial assets and forborne exposures

Changes in existing financial instruments which determine a modification of contractual conditions might be the result of either:

- commercial initiatives, which may be specific for each customer or applied to a portfolio of customers also as a result of dedicated initiatives sponsored by public authorities or banking associations; or
- concessions granted in light of debtor's financial difficulties (Forbearance).

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These changes are accounted on the basis of whether the modification is considered significant or not. In this regard, reference is made to Part A - A.2 - Main items of the accounts.

The concessions granted due to debtor's financial difficulties, so called Forbearance initiatives, are usually considered not significant from an accounting perspective.

4.1 Loan categorisation in the risk categories and forborne exposures
In July 2014, the European Banking Authorities issued the "Implementing Technical Standards" ("ITS") on non-performing and Forborne exposures, with the aim to allow, with a comparable basis across EU institutions, a closer supervisory monitoring of banking forbearance practice. In line with the mentioned ITS, a transaction has to be considered as forborne when both of the following conditions are simultaneously met:
- a concession in favour of the debtor exits, either (i) as contractual modification or (ii) as refinancing aimed at ensuring the repayment of a pre-existing obligation;
- the debtor is facing or about to face financial difficulties.

To comply with EBA ITS, since 2015 UniCredit S.p.A. has worked on the definition of a common methodological framework for forbearance process, issuing group's guidelines on forbearance management and setting up a shared IT infrastructure (i.e. Forbearance engine). However, in line with the overall solution, fine tunings have been applied by the different Group's legal entities to adapt the Group's framework to the local IT tools and credit practices.
More in details, the progressive convergence to the above mentioned regulatory provisions has been achieved leveraging on the following steps:
- launch of a series of activities to align the current credit process to the new classification rules;
- definition of a monitoring process of the dynamics of forborne exposures;
- delivery of necessary reporting to the Supervisory Authority.

To assess the existence of a concession, the approach adopted by UniCredit has enabled the tracking of a concession when:
- the loan is renegotiated through collective agreements, or through internal initiatives supporting certain debtors categories, or through initiatives designed to support the debtor in case of natural disasters;
- the installment/repayment plan of a loan is changed and a change of interest rate is applied;
- different debts belonging to the same debtors are repackaged into a new loan with more favourable conditions than the original ones;
- pool loans are subject to re-negotiation;
- the loan is subject to a refinancing practice.

If the abovementioned concessions are granted to a counterparty in financial difficulty the classification of the exposure as forborne is activated. The overall financial difficulty assessment is performed according to a set of a pre-defined criteria (i.e. Troubled debt test) which can be checked either automatically by the Forbearance engine or by the responsible risk management function.

The regulatory framework relating to the management of Forborne exposures has been integrated with new Guidelines following the publication of the ECB "Guidance to Banks on Non-Performing Loans" in March 2017. The Paper, that has become effective starting from 2018, provides specific recommendations to Banks for the definition of a clear NPL strategy which, consistently with the industrial plan, ultimately aims at the reduction of NPE stock, by means of ad hoc risk management initiatives.
Among a broader spectrum of activities, Banks are required to provide a detailed reporting on the NPE Forborne Portfolio through a new Quarterly Reporting Template which includes information of the credit quality of Forborne exposures and on the effectiveness of Forbearance measures granted.

On top of the Supervisory expectations provided by the ECB, the European Banking Authorities issued two further papers:
- "Guidelines on management of non-performing and forborne exposures" (October 2018) that recalls the ECB "Guidance" issued in March 2017;
- "Guidelines on disclosure of non-performing and forborne exposures" (December 2018) which is more focused on the disclosure templates to be used for Group's supervisory reporting.

In order to ensure ongoing alignment to the Forbearance practices required by the above mentioned supervisory and regulatory guidelines, UniCredit finalised the following activities:
- review of the list of the potential Forbearance measures to acknowledge (i) the split between short-term measures (duration less than 24 months) and long-term measures (duration higher than or equal to 24 months) and (ii) the possibility of granting combinations of short and long-term FBE measures;
- collection and monitoring of the relevant information of the new Quarterly Template with disclosure on:
  - performing and non-performing portfolio;
  - guarantees;
  - default inflows and outflows;
  - list of the FBE measures granted including the indication of their effectiveness.

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Quantitative information

In the following tables, the volume of impaired assets according to the IFRS definition is equivalent to the one for non-performing exposures referred to in the EBA standards.

Credit quality
For the purposes of the disclosure of quantitative information about credit quality, the term “credit exposures” does not include equity instruments and units in investment funds.

A.1 Non-Performing and performing credit exposure: amounts, writedowns, changes, distribution by business activity

A.1.1 Regulatory consolidation - Breakdown of financial assets by past-due buckets (carrying value)

(€ million)

PORTFOLIOS/RISK STAGES	STAGE 1 FROM 1 TO 30 DAYS	STAGE 1 OVER 30 AND UP TO 90 DAYS	STAGE 1 OVER 90 DAYS	STAGE 2 FROM 1 TO 30 DAYS	STAGE 2 OVER 30 AND UP TO 90 DAYS	STAGE 2 OVER 90 DAYS	STAGE 3 FROM 1 TO 30 DAYS	STAGE 3 OVER 30 AND UP TO 90 DAYS	STAGE 3 OVER 90 DAYS
1. Financial assets at amortised cost	11,712	458	180	2,082	1,358	751	3,404	666	7,650
2. Financial assets at fair value through other comprehensive income	-	-	-	-	-	-	-	-	-
3. Financial instruments classified as held for sale	37	1	-	-	4	-	31	-	175
Total 06.30.2019	**11,749**	**459**	**180**	**2,082**	**1,362**	**751**	**3,435**	**666**	**7,825**
Total 12.31.2018	**6,757**	**354**	**151**	**1,314**	**1,337**	**940**	**3,931**	**542**	**8,516**

The amounts past due over 90 days and related to Stage 1 and Stage 2 exposures refer to loans that do not meet the definition of Non-performing past due (below the materiality threshold).

Regulatory consolidation - On-balance sheet credit exposures with banks: gross and net values

(€ million)

EXPOSURE TYPES/AMOUNTS	AMOUNTS AS AT 06.30.2019 GROSS EXPOSURE NON-PERFORMING	GROSS EXPOSURE PERFORMING	OVERALL WRITE-DOWNS AND PROVISIONS	NET EXPOSURE	OVERALL PARTIAL WRITE-OFFS(*)
On-balance sheet credit exposures					
a) Bad exposures	37	X	36	1	-
of which: forborne exposures	*4*	*X*	*4*	*-*	*-*
b) Unlikely to pay	4	X	4	-	-
of which: forborne exposures	*-*	*X*	*-*	*-*	*-*
c) Non-performing past due	-	X	-	-	-
of which: forborne exposures	*-*	*X*	*-*	*-*	*-*
d) Performing past due	X	41	-	41	-
of which: forborne exposures	*X*	*-*	*-*	*-*	*-*
e) Other performing exposures	X	102,116	47	102,069	-
of which: forborne exposures	*X*	*-*	*-*	*-*	*-*
Total	**41**	**102,157**	**87**	**102,111**	**-**

Note:
(*) Value shown for information purposes.

On-balance sheet exposures to banks include all balance-sheet assets regardless of their belonging portfolio (held-for-trading, assets designed and mandatorily at fair value through profit or loss, assets at fair value through other comprehensive income, assets at amortised cost and assets held for sale).

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Regulatory consolidation - On-balance sheet credit exposures with customers: gross and net values

(€ million)

	AMOUNTS AS AT 06.30.2019				
	GROSS EXPOSURE				
EXPOSURE TYPES/AMOUNTS	NON-PERFORMING	PERFORMING	OVERALL WRITE-DOWNS AND PROVISIONS	NET EXPOSURE	OVERALL PARTIAL WRITE-OFFS(*)
On-balance sheet credit exposures					
a) Bad exposures	21,359	X	15,753	5,606	2,771
of which: forborne exposures	*4,455*	*X*	*3,082*	*1,373*	*88*
b) Unlikely to pay	15,271	X	7,251	8,020	13
of which: forborne exposures	*8,969*	*X*	*4,345*	*4,624*	*1*
c) Non-performing past due	1,573	X	457	1,116	1
of which: forborne exposures	*281*	*X*	*52*	*229*	-
d) Performing past due	X	19,363	526	18,837	-
of which: forborne exposures	*X*	*1,366*	*147*	*1,219*	-
e) Other performing exposures	X	587,931	2,465	585,466	-
of which: forborne exposures	*X*	*4,174*	*220*	*3,954*	-
Total	**38,203**	**607,294**	**26,452**	**619,045**	**2,785**

Note:
(*) Value shown for information purposes.

On-balance sheet exposures to customers include all balance-sheet assets regardless of their belonging portfolio (held-for-trading, assets designed and mandatorily at fair value through profit or loss, assets at fair value through other comprehensive income, assets at amortised cost and assets held for sale).

For a description of the rules for identification of forborne exposures please refer to Part E - Information on risks and hedging policies - Section 2 - Risks of the prudential consolidated perimeter - 2.1 Credit risk, Paragraph 4. Commercial renegotiation financial assets and forborne exposures of the Explanatory notes of this document.

Distribution and concentration of credit exposures

B.4 Large exposures

	06.30.2019
a) Amount book value (€ million)	168,993
b) Amount weighted value (€ million)	8,627
c) Number	7

Information on Sovereign Exposure

It should be reminded that, as a result of IFRS9 adoption since 1 January 2018, Sovereign debt securities are classified in the categories specified by the standard in consideration of the business model followed and the related cash flow features (Solely Payment of Principal and Interests - SPPI Test).

It should also be reminded that starting from the year 2018the changed market circumstances also suggested the adoption of a "held to collect" business model for new purchases of Italian sovereign debt securities which, consequently, have to be measured at amortized cost subject to verification of the features of the related cash flows. Finally, it should be noted that no changes have been made to the business models adopted on the 1 January 2018 and, consequently, the sovereign debt securities have not been subject to subsequent reclassification.

With reference to the Group's sovereign exposures[23], the book value of sovereign debt securities as at 30 June 2019 amounted to €101,954 million[24], of which over the 89% concentrated in eight countries; Italy, with €52,901 million, represents about 52% of the total. 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 30 June 2019.

23 Sovereign exposures are bonds issued by and loans given to central and local governments and governamental bodies. ABSs are not included.
24 Information on Sovereign exposures refers to the scope of the UniCredit Consolidated Financial Statements as at 30 June 2019, determined under IAS/IFRS.
Based on these accounting principles, the Koç/Yapi Kredi Group (Turkey), being subject to joint control, is consolidated using the equity method and therefore the Sovereign exposures of the mentioned Group are not included in this section.
For information on Sovereign exposures with reference to the regulatory scope of consolidation see UniCredit Group Disclosure (Pillar III) as at 30 June 2019 – Credit Risk.

Part E - Information on risks and hedging policies

Breakdown of Sovereign Debt Securities by Country and Portfolio

(€ million)

	AMOUNTS AS AT 06.30.2019		
COUNTRY/PORTFOLIO	NOMINAL VALUE	BOOK VALUE	FAIR VALUE
- Italy	**51,293**	**52,901**	**53,419**
financial assets/liabilities held for trading (net exposures *)	4,396	4,338	4,338
financial assets designated at fair value	-	-	-
financial assets mandatorily at fair value	800	813	813
financial assets at fair value through other comprehensive income	28,025	29,466	29,466
financial assets at amortised cost	18,072	18,284	18,802
- Spain	**9,932**	**10,754**	**10,756**
financial assets/liabilities held for trading (net exposures *)	100	120	120
financial assets designated at fair value	-	-	-
financial assets mandatorily at fair value	-	-	-
financial assets at fair value through other comprehensive income	9,794	10,595	10,595
financial assets at amortised cost	38	39	41
- Germany	**10,350**	**10,654**	**10,701**
financial assets/liabilities held for trading (net exposures *)	158	187	187
financial assets designated at fair value	-	-	-
financial assets mandatorily at fair value	8,117	8,275	8,275
financial assets at fair value through other comprehensive income	1,040	1,155	1,155
financial assets at amortised cost	1,035	1,037	1,084
- Japan	**5,896**	**5,954**	**5,970**
financial assets/liabilities held for trading (net exposures *)	-	-	-
financial assets designated at fair value	-	-	-
financial assets mandatorily at fair value	82	82	82
financial assets at fair value through other comprehensive income	2,741	2,774	2,774
financial assets at amortised cost	3,073	3,098	3,114
- Austria	**4,558**	**5,183**	**5,188**
financial assets/liabilities held for trading (net exposures *)	49	110	110
financial assets designated at fair value	-	-	-
financial assets mandatorily at fair value	80	101	101
financial assets at fair value through other comprehensive income	4,336	4,877	4,877
financial assets at amortised cost	93	95	100
- Hungary	**1,833**	**2,023**	**2,022**
financial assets/liabilities held for trading (net exposures *)	109	117	117
financial assets designated at fair value	-	-	-
financial assets mandatorily at fair value	-	-	-
financial assets at fair value through other comprehensive income	1,604	1,780	1,780
financial assets at amortised cost	120	126	125
- Romania	**1,767**	**1,822**	**1,822**
financial assets/liabilities held for trading (net exposures *)	94	100	100
financial assets designated at fair value	-	-	-
financial assets mandatorily at fair value	-	-	-
financial assets at fair value through other comprehensive income	1,673	1,722	1,722
financial assets at amortised cost	-	-	-
- United States of America	**1,371**	**1,609**	**1,609**
financial assets/liabilities held for trading (net exposures *)	113	114	114
financial assets designated at fair value	-	-	-
financial assets mandatorily at fair value	-	-	-
financial assets at fair value through other comprehensive income	1,235	1,472	1,472
financial assets at amortised cost	23	23	23
Total on-balance sheet exposures	**87,000**	**90,900**	**91,487**

Notes:
(*) Including exposures in Credit Derivatives.
Negative amount indicates the prevalence of liabilities positions.

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The weighted duration of the sovereign bonds shown in the table above, divided by the banking[25] and trading book, is the following:

Weighted duration

(years)

	BANKING BOOK	TRADING BOOK	
		ASSETS POSITIONS	LIABILITIES POSITIONS
- Italy	3.22	2.74	3.80
- Spain	3.32	11.96	7.20
- Germany	3.37	4.70	9.00
- Japan	3.55	1.46	-
- Austria	3.89	27.50	21.12
- Hungary	3.42	4.37	4.54
- Romania	3.64	4.11	9.49
- United States of America	4.54	8.73	-

The remaining 11% of the total of sovereign debt securities, amounting to €11,054 million with reference to the book values as at 30 June 2019, is divided into 35 countries, including Bulgaria (€1,602 million), Croatia (€1,514 million), Czech Republic (€1,259 million), Poland (€1,110 million), Serbia (€866 million), Portugal (€562 million) and Russia (€517 million). The sovereign exposure to Greece is immaterial.
With respect to these exposures, as at 30 June 2019 there were no indications that impairment may have occurred.
It should moreover be noted that among the aforementioned remaining part of sovereign debt securities as at 30 June 2019 there are also debt securities towards Supranational Organisations such as the European Union, the European Financial Stability Facility and the European Stability Mechanism amounting to €2,543 million.

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

(€ million)

	AMOUNTS AS AT 06.30.2019				
	FINANCIAL ASSETS DESIGNATED AT FAIR VALUE	FINANCIAL ASSETS MANDATORILY AT FAIR VALUE	FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME	FINANCIAL ASSETS AT AMORTISED COST	TOTAL
Book value	-	9,539	64,831	22,886	97,256
% Portfolio	0.00%	43.97%	83.35%	3.94%	14.30%

In addition to the exposures to sovereign debt securities, loans[26] given to central and local governments and governmental bodies must be taken into account.

25 The banking book includes financial assets designated at fair value, those mandatorily at fair value, those at fair value through other comprehensive income and those at amortised cost.
26 Tax items are not included.

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The table below shows the total amount as at 30 June 2019 of loans booked in financial assets at amortised cost portfolio given to countries towards which the overall exposure exceeds €130 million, representing over 92% of the total.

Breakdown of Sovereign Loans by Country

(€ million)

COUNTRY	AMOUNTS AS AT 06.30.2019 BOOK VALUE
- Austria (*)	6,030
- Germany (**)	5,634
- Italy	4,673
- Croatia	2,111
- Qatar	328
- Slovenia	220
- Indonesia	199
- Bulgaria	191
- Kenia	172
- Laos	165
- Bosnia and Herzegovina	158
- Turkey	148
- Angola	134
- Kuwait	131
Total on-balance sheet exposures	**20,294**

Notes:
(*) of which 332 million in financial assets held for trading and those mandatorily at fair value.
(**) of which 1,761 million in financial assets held for trading and those mandatorily at fair value.

Lastly, it should be noted that derivatives are traded within the ISDA master agreement and accompanied by Credit Support Annexes, which provide for the use of cash collaterals or low-risk eligible securities.

For more details on the sensitivity analysis of credit spreads and on the results of stress tests see the "Widespread Contagion", "Protectionism, China slowdown & Turkey shock" and “US Hard Landing” scenarios in chapter Stress test of the Section 2.2 - Market risk below and for liquidity management policies see Section 2.4 Liquidity risk below.

Other transactions

With reference to the indications of Banca d’Italia/Consob/IVASS document No.6 of 8 March 2013 - Booking of "long-term structured repos" instructions, there are no transactions of this kind to report.
In September 2016 the available-for-sale financial assets portfolio including investments in Italian and Spanish government bonds held by the Irish subsidiary UniCredit Bank Ireland P.l.c. simultaneously financed with maturity match repos (so-called “long-term structured repos") has entirely matured.

The accounting treatment of these transactions, with respect to their individual contractual components (an investment in securities shown under item "Available-for-sale financial assets" of assets, a series of repos classified under item "Deposits from banks" of liabilities and derivative contracts shown under “Hedging derivatives”), was in line with the economic purpose, represented by the will to:
- assume a sovereign risk exposure;
- optimise the absorption of liquidity through a maturity match funding;
- create a positive contribution for the duration of the transaction as difference between bond yield and repo funding cost, maximising the return on net interest margin;
- maintain the right to change the funding structure of the position on sovereign risk according to any changes in market conditions or in the bank’s liquidity position.

The changes in market values were not representative of the economic result that would be generated if all the individual contracts were analysed in terms of synthetic derivative, also in line with the business model that, providing for the dynamic and separate management of the individual components does not consider trading choices based on these variables.

In addition, with reference to an investment of UniCredit S.p.A. in a debt security issued by the Italian Republic maturing on 30 August 2019 (ITALY 19EUR FRN) subscribed for during placement for a nominal amount of €750 million and with a book value of €754 million at 30 June 2019 (classified in the “mandatorily-at-fair value” portfolio in accordance with SPPI test result), a term repo (conducted in two stages) for a total nominal amount of €750 million, with a book value of liabilities of €840 million at 30 June 2019, was completed in 2012.

At the same time, a 4.25% BTP maturing in September 2019 was purchased under a term reverse repo (conducted in 2 stages) for a total nominal value of €750 million and a book value of €840 million at 30 June 2019, with the economic purpose of obtaining the availability of more liquid

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securities (compared with the security ITALY 19EUR FRN), with the same maturity and similar underlying risks, that can be therefore used more easily for refinancing operations.

The term repo and the term reverse repo are subject to netting (whose value is collateralised by cash) in the event of the default of one of the two counterparties or of the Italian Republic. This clause is accounted for as a financial guarantee issued, in accordance with the nature of the commitments of the parties. The fair value at trade date, €22 million, was initially recorded in other liabilities and is amortised on a pro-rata basis according to the current accounting rules.

Information on structured trading derivatives with customers and exposures in the renewable energy sector

1. OTC Trading derivatives with customers
The business model governing OTC derivatives trading with customers provides for the centralisation of market risk in the CIB Division - Markets Area, while credit risk is assumed by the Group company which, under the divisional or geographical segmentation model, manages the relevant customer's account.

The Group's operational model provides for customer trading derivatives business to be carried on, as part of each subsidiary's operational independence:
- by the commercial banks and divisions that close transaction in OTC derivatives in order to provide non-institutional clients with products to manage currency, interest-rate and price risk. Under these transactions, the commercial banks transfer their market risks to the CIB Division by means of equal and opposite contracts, retaining only the relevant counterparty risk. The commercial banks also place or collect orders on behalf of others for investment products with embedded derivatives (e.g. structured bonds);
- by the CIB Division operating with large corporate and financial institutions, in respect of which it assumes and manages both market and counterparty risk;
- by CEE Banks, which transact business directly with their customers.

UniCredit group trades OTC derivatives on a wide range of underlying, e.g. interest rates, currency rates, share prices and indexes, commodities (precious metals, base metals, petroleum and energy materials) and credit rights.

OTC derivatives offer considerable scope for personalisation: new payoff profiles can be constructed by combining several OTC derivatives (for example, a plain vanilla IRS with one or more plain vanilla or exotic options). The risk and the complexity of the structures obtained in this manner depend on the respective characteristics of the components (reference parameters and indexation mechanisms) and the way in which they are combined.

Credit and market risk arising from OTC derivatives business is controlled by the Chief Risk Officer competence line (CRO) in the Parent and/or in the Division or subsidiary involved. This control is carried out by means of guidelines and policies covering risk management, measurement and controls in terms of principles, rules and processes, as well as by setting VaR limits.

The business with non-institutional clients does not (usually) entail the use of margin calls, whereas with institutional counterparties (dealt with by the CIB Division) recourse may be made to 'credit-risk mitigation' (CRM) techniques, by using netting and/or collateral agreements.

Write-downs and write-backs of derivatives to take account of counterparty risk are determined in line with the procedure used to assess other credit exposure, specifically:
- performing exposure to customers are mapped by deriving EAD (Exposure at Default) that take into account the Wrong-Way Risk and measured with PD (Probability of Default) and LGD (Loss Given Default) implied by current market default rates obtained from credit & loan-credit default swaps, in order to obtain a value in terms of 'expected loss' (EL) to be used for items designated and measured at fair value maximising the usage of market's inputs;
- non-performing positions are valued in terms of estimated expected future cash flows according to specific indications of impairment (which are the basis for the calculation of the amount and timing of the cash flow).

Here follows the breakdown of balance-sheet asset item "20.a) Financial assets held for trading" and of balance-sheet liability item "20. Financial liabilities held for trading".
For the purpose of the distinction between customers and banking counterparties, the definition contained in Banca d'Italia Circular 262 as for its 6th update of 30 November 2018 (which was used for the preparation of the accounts) was used as a reference.
Structured products were defined as derivative contracts that incorporate in the same instrument forms of contracts that generate exposure to several types of risk (with the exception of cross-currency swaps) and/or leverage effects.

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Fair values of OTC derivatives managed through Central Clearing counterparts are reported on a net basis. The related reduction of balances is €24,979 million and €30,016 million on trading asset and liabilities, respectively.

The balance of item "20. Financial assets held for trading" of the Consolidated accounts with regard to derivative contracts totaled €35,687 million (with a notional value of €1,512,001 million) including €23,491 million with customers. The notional value of derivatives with customers amounted to €843,650 million including €830,664 million in plain vanilla (with a fair value of €22,955 million) and €12,986 million in structured derivatives (with a fair value of €537 million).
The notional value of derivatives with banking counterparties totaled €668,351 million (fair value of €12,195 million) including €20,584 million relating to structured derivatives (fair value of €510 million).
The balance of item "20. Financial liabilities held for trading" of the consolidated accounts with regard to derivative contracts totaled €29,635 million (with a notional value of €1.498,762 million) including €13,123 million with customers. The notional value of derivatives with customers amounted to €847,513 million including €841,123 million in plain vanilla (with a fair value of €12,918 million) and €6,390 million in structured derivatives (with a fair value of €205 million).
The notional value of derivatives with banking counterparties totaled €651,249 million (fair value of €16,511 million) including €9,944 million relating to structured derivatives (fair value of €293 million).

2. Exposures in the renewable energy sector
Through Ocean Breeze Energy GmbH & Co. KG (OBKG), a fully consolidated subsidiary of UniCredit Bank AG, UniCredit group owns a wind farm named BARD Offshore1 (BO1). For additional information see consolidated financial statements 2018.

According to management intention to proceed with the divestment and fulfilled IFRS5 requirements also in light of the signing, in August 2019 of an agreement for the disposal that will determine the actual sale in the fourth quarter, the exposures has been classified as at 30 June 2019 to "Non-current assets and disposal groups classified as held for sale".

For additional information refer to Explanatory notes - Part B - Consolidated balance sheet - Assets - Section 12 - Non-current assets and disposal groups classified as held for sale.

Credit risk measurement models
As at 30 June 2019 the Group expected loss on the credit risk perimeter, including off-balance exposures, was 0.37% of the total credit exposure. The result does not include the exposures which migrate to non-performing during the period.
As at 31 March 2019[27], the ratio between credit economic capital (including a component to cover migration risk) and its relative credit exposure amount is 2.79%.

2.2 Market risk

Market risk derives from the effect that changes in market variables (interest rates, securities prices, exchange rates, etc.) can cause to the economic value of the Group's portfolio, including the assets held both in the Trading book, as well as those posted in the Banking book, both on the operations characteristically involved in commercial banking and in the choice of strategic investments. Market risk management within UniCredit group accordingly includes all the activities relating to cash transactions and capital structure management, both for the Parent company, as well as for the individual entities of the Group.

The current organisational model guarantees the ability to steer, coordinate and control the activities of some aggregated risks (so-called Portfolio Risks), through dedicated responsibility centres (Portfolio Risk Managers), completely focused and specialised on such risks, under a Group and interdivisional perspective.

According to this organisation, the structure at first level of reporting to "Group Risk Management", dedicated to market risk governance is the "Group Financial Risk" department.

Risk management strategies and processes
The Parent company's Board of Directors lays down strategic guidelines for taking on market risks by calculating capital allocation for the Parent company and its subsidiaries, depending on risk appetite and value creation objectives in proportion to the risks assumed.

The Parent company has defined Global Rules in order to manage and control market risk, including strategies and processes to be followed. Market risk strategies are set by the Parent company at least on an annual basis, in line with the definition of the overall Group Risk appetite and then cascaded to the legal entities. Market risk appetite is also fundamental for the development of the Group's business strategy, ensuring the consistence between the budgeted revenues and the setting of Value-at-Risk limits.

27 Latest available data.

Part E - Information on risks and hedging policies

In this context, on an annual basis Market Risk Management function of the Parent company agrees with the local Market Risk functions possible changes to the Group Market Risk Framework. Changes to the Group Market Risk Framework can include changes to the perimeter for the calculation of managerial market risk metrics and methodological changes in the limit monitoring framework.
To this end, Market Risk Management of the Parent company gathers the information needed to set up the Group Market Risk Strategy for the following year. In particular, Group Market Risk Management receives from the competent function the Group Risk Appetite Framework, which sets, among others, Market Risk KPIs and from local Market Risk functions the list of legal entities (LEs)/Business Lines allowed to assume market risk exposures, the severities of the related limits and the proposals for the review of market risk levels.
Based on these inputs, the Group Market Risk strategy is defined including the following information:

- the proposed Market Risk Takers Map;
- limits and Warning Levels (WLs) proposal in accordance with the proposed Market Risk Takers Map;
- any change occurred to the risk limit framework compared to the previous year;
- overview on the macro-economic scenario and related risks for the Group;
- market risk RWA history and expected development;
- market risk KPIs benchmarking;
- the business strategy and key initiatives to support the limit proposal.

After that all the Group relevant Bodies have approved the Group Market Risk Strategy and given the relevant NBOs for local market risk limits, the approval is communicated to the local functions.

In terms of monitoring, the LEs carry out periodical activities (e.g. daily monitoring of VaR, weekly monitoring of IRC and SVaR, monthly monitoring of Stress Test Warning Level) under the coordination of the Parent company Market Risk Management function and the breaches are timely escalated locally to Senior Management and to the Parent company.

Ultimately, it has to be highlighted that detailed Global Rules on market risk strategy definition, limits setting, monitoring, escalation and reporting activities are in place and applied at Group level.

Trading book

In accordance with the Capital Requirements Regulation, and as defined in the current policy "Eligibility Criteria for the Regulatory Trading book assignment", the Trading book is defined as all positions in financial instruments and commodities held either with trading intent, or in order to hedge positions held with trading intent. Books held with trading intent are composed of:

- positions arising from client servicing and market making
- positions intended to be resold in the short term
- positions intended to benefit from actual or expected short-term price differences between buying and selling prices or from other price or interest rate variations.

In addition, Trading book may include internal or intra-group hedging derivatives transferring risk from Banking book into Trading book, entitled to manage the relevant risk and having access to the derivatives market.
The essential requirement for the Regulatory Trading book assignment is a clear "trading intent", as defined above, which the trader has to commit to and has to confirm on an ongoing basis. Additionally, the so called "tradability", "marketability" and "hedgeability" requirements have to be assessed in order to evaluate the appropriateness for the Trading book assignment:

- tradability refers to positions free of restrictions on their tradability and coherently reflected within the "Trader Mandate" of the risk taker;
- marketability refers to the positions for which a reliable Fair Value can be evaluated based to the largest extent on independently verified observable market parameters;
- hedgeability refers to positions for which a hedge could be put in place. The hedgeability is meant to concern the "material" risks of a position which implies not necessarily that all the various risk features are to be hedgeable.

When opening a new book, the book manager makes the proposal whether the book should be managed as a Trading book or a Banking book based on the planned trading activity. This has to be in line with the bank's internal rules and criteria for the assignment to either Trading book or Banking book .The book manager is required to clearly declare the trading intent and therefore to explain the business strategy behind the request for the Regulatory Trading assignment. The book manager is then responsible for all the positions held in his book and the eligibility criteria are expected to be fulfilled on an ongoing basis.

Concerning the monitoring phase, to demonstrate adequate trading intent, the following minimum criteria have to be fulfilled at book level and are checked at least on a quarterly basis:

- minimum of 5 trades during the past 90 trading days;
- minimum of 5% of the volume of each book traded during the past 90 trading days with reference to the last day of the period.

In case a breach of the trading intent criteria, the possibility to re-classify the book has to be assessed.

Part E - Information on risks and hedging policies

With reference to the methodology used to ensure that the policies and procedures implemented for the management of the Trading book are appropriate, first of all it has to be noted that any new/updated regulation has to be preliminary shared with the main impacted functions/LEs in order to collect their feedback. The competent Group function also assesses the compliance risks with reference to the regulations falling within its direct scope of competence. In addition, before the issuance, the owner of the rule submits to the competent Body/function for the approval.

The financial instruments (an asset or a liability, cash or derivative) held by the Group are exposed to changes over time driven by moves of market risk factors. The market risk factors are classified in the following five standard market risk asset classes:
- Credit risk: the risk that the value of the instrument decreases due to credit spreads changes, issuer correlation and recovery rates;
- Equity risk: the risk that the value of the instrument decreases due to increase/decrease of index/stock prices, equity volatilities, implied correlation;
- Interest rate risk: the risk that the value of the instrument decreases due to interest rates changes, basis risk, interest rates volatility;
- Currency risk: the risk that the value of the instrument decreases due to foreign exchange rates changes, foreign exchange rates volatility;
- Commodity risk: the risk that the value of the instrument changes of the commodity prices, e.g. gold, crude oil, commodity prices volatility

Market risk in UniCredit group is measured and limited mainly through two sets of metrics: Broad Market Risk measures and Granular Market Risk measures:
- **Broad Market Risk measures**: these measures are meant to set a boundary to the economic and/or regulatory capital absorption and to the economic loss accepted for Trading book and/or the overall Trading book and Banking book activities. Limitations on Broad Market Risk measures must be reviewed at least annually in the context of the drafting of the Group and Local Market Risk Strategies and must be consistent with assigned budget of revenues, the defined risk taking capacity (ICAAP process) and Group Risk Appetite KPIs. The set of all limitations on Broad Market Risk measures assigned to a specific market risk taker must be consistent with each other.
  The consistency must be checked whenever a level for a Broad Market Risk Measure is defined. The legal entity Market Risk Function needs to provide evidence of such consistency when required. Broad Market Risk measures are:
  - Value at Risk ("VaR"), the potential 1-day loss in value of a portfolio for a 99% single-tail confidence interval; calculated through historical simulation in full revaluation using the last 500 equally weighted daily observations;
  - Stressed VaR ("SVaR"), the VaR of a portfolio calculated using a 250-day period of significant financial stress;
  - Incremental Risk Charge ("IRC"), the amount of regulatory capital aimed at addressing the credit shortcomings (migration and default risks) that can affect a portfolio in one year at a 99.9% confidence level;
  - 60 days PL, set as the 60 calendar days rolling period Accumulated Economic P&L without resetting at year end; the limitation on this metrics is called Loss Warning Level ("LWL");
  - Worst Stress test result, defined as the worst conditional loss on a given portfolio resulting from the application of a predefined set of scenarios; the limitation on this metrics is called Stress Test Warning Level ("STWL"); for all STWL included in the Market Risk Taker Maps, Holding Company monitoring is based on the set of scenarios defined in the Group Market Risk Strategy; legal entities are allowed to add specific scenarios for local monitoring purposes.
- **Granular Market Risk measures:** these measures allow a more detailed and stringent control of risk exposures than Broad Market Risk measures. Limitations on Granular Market Risk measures (so-called Granular Market Limits, GMLs) are specific limits to individual risk factors or group of risk factors:
  - sensitivity levels, which represent the change in the market value of a financial instrument due to small moves of the relevant market risk asset classes/factors. Among others, and not limited to, particularly relevant considering the asset and liability structure of the commercial bank are the Basis Point Value Sensitivity, that measures the change in the present value of the interest rate sensitive positions resulting from a 1bp parallel shift to interest rate, and the Credit Point Value Sensitivity, that measure the change in the present value of the credit risk sensitive positions resulting from a 1bp parallel shift to credit spread (per issuer, rating or industry);
  - stress scenario levels, which represent the change in the market value of a financial instrument due to large moves of the relevant market risk asset classes/factors;
  - nominal levels, which are based on the notional value of the exposure

  The main objectives of Granular Market Limits are:
  - supporting the management of market risk
  - ensuring desk's focus to exposure under their mandate
  - restricting risk concentration, i.e. preventing the build-up of positions that, although consistent with allocated VaR limits, could become unmanageable in case of turmoil or in case of reduced market liquidity
  - complementing VaR when it does not cover sufficiently a specific risk factor
  - facilitating interaction with traders, who manage their books according to sensitivities or scenario analysis
  - limiting P&L volatility due to a specific risk factor
  - complementing the compliance framework (e.g. Volcker rule and the German Trennbanken act)

GMLs must be consistent with limitations on Broad Market Risk measures.

Part E - Information on risks and hedging policies

Banking book
The main components of market risk in the Banking book are: credit spread risk, pure interest rate risk and FX risk.

Credit spread risk originates mainly from government bond portfolios held for liquidity purposes. The market risk of the bond portfolio is restricted based on notional, sensitivity measures and Value at Risk. The main credit spread exposure relates to Italian sovereign risk in the Italian perimeter.

The second risk type is the interest rate risk. The exposure is measured in terms of economic value sensitivity and the net interest income sensitivity. On a daily basis the treasury functions manages the interest rate risk from commercial transactions within operational limits set by the relevant risk committees. The exposure is measured and monitored on a daily basis by the risk management functions. The Asset & Liability Committee is responsible for the interest rate strategy for the strategic position. This includes the decision of investing the net position of non-interest earning assets and non-interest bearing liabilities. The management of Banking book interest rate risk aims at optimising, in an on-going scenario, the risk/return profile and long-term value creation while reducing adverse impacts on bank's earnings and regulatory capital coming from interest rates volatility. The main target of IRRBB strategy is reducing the net interest income volatility in a multiyear horizon. The strategy implies no intended directional or discretional positioning to generate additional earnings, unless approved by the relevant bodies and separately monitored. The only exceptions is for the functions authorised to carry interest rates positions within an approved level of limitations.
The management strategy on the structural mismatch involving non-interest earning assets and non-interest bearing liabilities (free funds), aims to balance the trade-off between a stable flow of earnings in a multiyear horizon and the opportunity cost of having a fixed rate investment.

The interest rate management strategy takes into account the main impact from prepayments. The prepayment profile is estimated on the basis of historical prepayment data as well as trend analysis. In Italy the prepayment expected profile is implicitly taken into account by treasury while hedging for commercial assets interest risk. The prepayment risk for the German mortgage portfolio is driven by the level of the interest rates and by the behaviour of customers regardless of the interest rates level. The interest rate sensitive prepayments are rather small at the current level of the interest rates and are hedged via swaptions. The non-interest rate sensitive prepayments are hedged via swaps according to the Interest Rate Risk strategy of the bank. The prepayment risk in Austrian and in the CEE countries loan portfolio is deemed residual therefore no prepayment hedging strategy is applied.

The overall interest risk exposure on the Banking book perimeter is periodically reviewed, at least on a monthly basis, by the ALCO group. The committee's involvement in interest rate risk management includes:
- the definition of granular interest rate Banking book limits;
- the initial approval and fundamental modifications for the measurement and control system of Banking book interest rate risks with the support of internal validation function (where necessary);
- the optimisation of the Group profile for Banking book interest rate risk;
- the definition of the operational strategies of Balance sheet (e.g. replicating portfolio) and application of the internal transfer prices within the Italian perimeter;
- the consultancy and suggestion to Group Risk & Internal Control Committee with respect to the contribution to Risk Appetite Framework, Global Policy for Interest Rate Banking book definition and changes of behavioral models for Interest Rate Banking book and other critical/important issues with potential impact on Banking book interest rate.

A third risk type is the FX risk. The sources of this exposure mainly refer to capital investment in foreign currency. The current strategy is not to hedge capital investments. The general policy is to hedge the foreign currency exposures from dividends and contributions to consolidate profit (loss) taking into account hedging cost and market circumstances. The exposure is most relevant for CEE legal entities. The FX exposure is hedged using forwards and options that are classified as Trading book. This general rule is valid for the Parent company. The hedge strategy is reviewed by the relevant risk committees on a regular basis.

Structure and organisation
The Group Financial Risk department is responsible, at Group level, for the definition of the strategies of financial risk management of the Group to be submitted to the competent functions/ Bodies (i.e. liquidity risk, balance sheet interest rate risk, market risk and counterpart risk), ensuring that the control of the risks taken by UniCredit S.p.A. Foreign Branches are monitored and reported to the Group Chief Risk Officer and to the Senior Management. In addition, the structure governs the Group activities aimed to ensure the independent control of the prices and of the Front Office relevant parameters, for the fair value calculation.

The development and maintenance of Group methodologies, models and architectures regarding financial and behavioural risks as well as the pricing models validation are in charge of Group Financial Risk Methodologies & Models which reports to Group Risk Models & Credit Risk Governance.

Part E - Information on risks and hedging policies

The structure breaks down as follows:

GROUP FINANCIAL RISK

- "**Group Market & Trading Credit Risk Management**", responsible for governing and checking either at Group level and UniCredit S.p.A. level (with the inclusion of the Foreign Branches) and of the Regional Center Italy (when applicable), the market risks and the counterparty risks
- **"Group Price Control",** responsible for steering and controlling, for the whole Group, the independent price verification processes (IPV)
- "**Group Financial Risk Standard & Practice**", responsible for ensuring the coherence and the coordination - within the Group - of the Group Rules of competence of "Group Financial Risk" structure
- "**Group Liquidity and Interest Rate Risk Management**", responsible for governing and controlling the liquidity risk and balance sheet interest rate risk, either at Group level and UniCredit S.p.A. level (including the Foreign Branches) and the Country Italy (when applicable)

With reference to the communication mechanism among the different parties involved in market risk management, the responsible Committees are:
- Group Market Risk Committee;
- Group Assets & Liabilities Committee.

The "Group Market Risk Committee", whose participants/permanent guests are mainly representatives of Risk, Business, Compliance and Internal Audit, meets monthly and is responsible for monitoring market risks at Group level, for evaluating the impact of transactions, approved by the competent bodies, significantly affecting the overall market risk portfolio profile, for submitting to the "Group Risk & Internal Control Committee", for approval or information, market risk strategies, policies, methodologies and limits as well as periodical reporting on the market risk portfolio.
The Committee is also responsible for ensuring consistency in market risk policies, methodologies and practices across Business Functions and legal entities.

The "Group Assets and Liabilities Committee" is involved in the process of defining strategies, policies, methodologies and limits (where applicable) for liquidity risk, FX and Banking book interest rate risks, transfer pricing, Funding Plan and Contingency Funding Plan and in monitoring activities.
It also ensures the consistency of the practices and methodologies relating to liquidity, FX and Banking book interest rate across Business Functions and legal entities, with the aim of optimising the usage of financial resources (e.g. liquidity and capital) in line with Risk Appetite and business strategies.

Risk measurement and reporting systems

Trading book

In the first half of 2019, UniCredit group continued to improve and consolidate market risk models in order to properly measure, represent and control the Group risk profile, reflecting these changes in the reporting activity. As regards market risk measurements, further details can be reported in paragraph "Internal Model for Price, Interest Rate and Exchange Rate Risk of the Regulatory Trading book", while for both monthly and daily reporting process, Global Process Regulation are periodically updated.

Within the organisational context described above, the policy implemented by UniCredit group within the scope of market risk management is aimed at gradually adopting and using common principles, rules and processes in terms of appetite for risk, limit calculations, model development, pricing and risk model scrutiny.

The Group Financial Risk department is specifically required to ensure that principles, rules and processes are in line with industry best practice and consistent with standards and uses in the various countries in which they are applied.
The main tool used by UniCredit group to measure market risk on trading positions is Value at Risk (VaR), calculated using the historical simulation method. Further details on risk valuation models are included in the following chapter.
Group Financial Risk defines market risk reporting standards, both in terms of contents and recurrence, and provides timely information to the Senior Management and regulators regarding the market risk profile at consolidated level.

Part E - Information on risks and hedging policies

In addition to VaR and Basel II risk measures, stress tests represent an important risk management tool that provides UniCredit with an indication of how much capital might be needed to absorb losses in case of large financial shocks. Stress testing forms an integral part of the Internal Capital Adequacy Assessment Process (ICAAP), which requires UniCredit to undertake rigorous, forward-looking stress testing that identifies possible events or changes in market conditions that could adversely impact the bank.

Banking book

The primary responsibility of the monitoring and control of the risk management for market risk in the Banking book lies in the bank's competent bodies. For instance, the Parent company is in charge of monitoring market risks for the Banking book at consolidated level. As such, it defines structure, data and frequency of the necessary Group reporting.
The Banking book interest rate risk measures cover both the economic value and net interest income risk aspects. In particular , the different and complementary perspectives involve:

- economic value perspective: variation in interest rates can affect the economic value of assets and liabilities. The economic value of the bank can be viewed as the present value of the bank's expected net cash flows, defined as the expected cash flows on assets minus the expected cash flows on liabilities; a relevant risk measure from this perspective is the economic value sensitivity per time bucket for a 1bp rate shock. This measure is reported to the relevant committees to assess the economic value impact of various changes in the yield curve. The economic value sensitivity for a 200bps parallel shock is also calculated;
- earnings at risk perspective: the focus of the analysis is the impact of changes of interest rates on Net Interest Income that is the difference between the revenues generated by interest sensitive assets and the cost relating to interest sensitive liabilities. An example of a measure of risks used is Net Interest Income sensitivity for a 100bps parallel shock of rates. It provides an indication of the impact on the net interest income over the next 12 months if such shock should occur. Additional stress test scenarios are performed on a regular basis to estimate the basis risk and non-parallel shocks.

Additionally to the set of limits and warning levels for interest rate risk, restrictions and exposure measures are in place for other market risk types such foreign exchange risk, equity risk, value risk due to credit spread fluctuations. In addition through economic value sensitivity measures and other granular indicators, these risk types are captured in a value at risk measure that includes all market risk factors. These values at risk measures are based on a historical simulation.

Hedging policies and risk mitigation

Trading book

A set of risk indicators is provided to the Group Risk Committee on a quarterly basis through the Enterprise Risk Management Report and, on a monthly basis, to the Group Market Risk Committee through the Market Risk Overview report; these include VaR, Stressed VaR and IRC limit usages, Sensitivities, Sovereign Exposure, Stress test results and P&L.

At the same time limit breaches are reported both to the Group Market Risk Committee and to the Group Risk Committee (according to their severity); the escalation process being ruled by the Global Policy "Market Risk Limits" which defines the nature of the various thresholds/limits applied, as well as the relevant bodies to be involve to establish the most appropriate course of action to restore exposure within the approved limits.

If required, focus is provided from time to time on the activity of a specific business line/desk in order to ensure the highest level of understanding and discussion of the risks in certain areas which are deemed to deserve particular attention.

Banking book

The ALCO evaluates the main market risk drivers on a monthly basis. Group Risk Management reports to the committee on the Banking book risk measures both from a value and income perspective. It proposes and monitors limits and warning levels that have been approved by the relevant competent bodies.
Breaches of limits and warning levels are reported, upon occurrence, to the relevant bodies. Consequently the escalation process is activated in line with the procedures set in the Policy, to establish the most appropriate course of action to restore exposure within the approved limits.
The execution of structural hedges to mitigate the interest rate risk exposure on client business is responsibility of the treasury functions. The strategic transactions in the Banking book is managed by the Asset and Liability Management department, ALM.

Internal model for price, interest rate and exchange rate risk of the regulatory trading book

The current Market Risk internal model is based on Value-at-Risk (VaR) framework, integrated with other risk measures: incremental risk capital charge (IRC) and stressed Value-at-Risk (SVaR) aimed at reducing the pro-cyclicality of the minimum capital requirements for market risk, in line with the European directives in force.
All the regulatory requirements in the market risk arena have been addressed via internal development of the necessary model and IT infrastructure as opposed to the external acquisition of ready-made solutions.
This enabled UniCredit to craft solutions that in many aspects can be considered on the sophisticated end of the spectrum of practices that can be found in the Industry. In this respect one distinctive feature of the market (and counterparty) risk frameworks implemented in UniCredit group is the full revaluation approach employing the same pricing libraries used in the Front Office.

Part E - Information on risks and hedging policies

UniCredit group calculates both VaR and SVaR for market risk on trading positions using the historical simulation method. Under the historical simulation method positions are revaluated (in full revaluation approach) on the basis of trends in market prices over an appropriate observation period. The empirical distribution of profits/losses deriving therefrom is analysed to determine the effect of extreme market movements on the portfolios. For a given portfolio, probability and time horizon, VaR is defined as a threshold value so that the probability that the mark-to-market loss on the portfolio, over the given time horizon, not exceeding this value (assuming no trading in the portfolio) has the given confidence level.
Current configuration of the internal model defines VaR at a 99% confidence level on the 1 day P&L distribution obtained from equally weighted historical scenarios covering the last 500 days. Historical scenarios are built relying on proportional shocks for Equities and FX rates, and on absolute shocks for Interest Rates and Credit Spreads. UniCredit VaR Model simulates all the risk factors, both referring to general and specific risk, thus providing diversification in a straightforward approach.
The model is recalibrated on a daily basis. The use of a 1-day time-horizon makes the immediate comparison with realised profits/losses possible and such comparison is the core of the back-testing exercise.

The VaR measure identifies a consistent measure across all the portfolios and products, since it:
- allows a comparison of risk among different businesses;
- provides a means of aggregating and netting position within a portfolio to reflect correlation and offsets between different assets classes;
- facilitates comparisons of our market risk both over time and against daily results.

Although a valuable guide to risk, VaR should always be viewed within its limitations:
- historical simulation relies on past occurrences to forecast potential losses. In case of regime shifts this might not be appropriate;
- the length of the time window used to generate the forecasted distribution will necessarily embed a trade-off between the responsiveness of the metric to recent market evolutions (short window) and the spectrum of scenarios that will embed (long window);
- assuming a constant one/ten day horizon there is no discrimination between different risk-factor liquidity.

Stressed VaR calculation is based on the very same methodology and architecture of the VaR, and it is analogously calculated with a 99% confidence level and 1 day time horizon on a weekly basis, but over a stressed observation period of 250 days. The chosen historical period identifies the 1-year observation window which produces the highest resulting measure for the current portfolio.
Stress windows are recalibrated on a monthly basis and are tailored to the portfolio of each legal entity of the Group, plus the Group itself (relevant for RWA calculation on a consolidated level). The SVaR window at Group level, at UniCredit Bank AG and UniCredit Bank Austria AG level corresponds to the “Lehman Crisis” (2008/2009), while for UniCredit S.p.A. it is the “Sovereign Debt Crisis” (2011/2012).The 10-day capital requirement is however obtained by extending the 1-day risk measure to the 10 day horizon taking the maximum of the square root of time scaling and a convolution approach that turns the one-day distribution into a 10-day distribution for both the VaR and the Stressed VaR. The 1-day measures are instead actively used for market risk management.

In order to validate the consistency of VaR internal models used in calculating capital requirements on market risks, back-testing is performed by comparing the internal model risk estimates with the portfolio profit and loss, in order to check if the 99% of the trading outcomes is covered by the 99th percentile of the risk measures.
The test is based on the last twelve months data (250 daily observations). In case the number of exceptions in the previous year exceeds what forecasted by the confidence level assumed, a careful revision of model parameters and assumptions is initiated. Group Internal Validation performed the periodic validation of the VaR/SVaR framework to assess the compliance with regulatory requirements including an independent back-testing analysis complemented with different parameterisations (e.g. different time horizon, percentile) and detailing the results for a set of representative portfolios of the bank.

The IRC capital charge captures default risk as well as migration risk for un-securitised credit products held in the Trading book. The internally developed model simulates via multivariate version of a Merton-type model the rating migration events of all the issuers relevant to the Group trading positions over a capital horizon of one year. The transition probabilities and the sector correlations are historically calibrated, while idiosyncratic correlations are derived from the IRB correlation formula. Simulated migration events are turned into credit spread scenarios while default events are associated to a simulated recovery rate. In doing so a constant position assumption is employed and products are conservatively all attributed a common liquidity horizon of 1 year.
In each scenario all the relevant product inventory is revaluated under such spread and default events producing a simulated profit or loss (P&L) that fully reflects convexity, basis risk, portfolio effects and portfolio concentration risks.
In this way a high-number of paths Monte Carlo simulation generates a P&L distribution for the Group (and each leaf of its portfolio tree). IRC is defined as the 99.9 percentile of such loss distribution.

Additional capital charge for securitisations and credit products not covered by IRC is evaluated through the standardised approach.

Part E - Information on risks and hedging policies

The following table summarises the main characteristics of the different measures that define the capital requirement for market risk in UniCredit.

MEASURE	RISK TYPE	HORIZON	QUANTILE	SIMULATION	CALIBRATION
VaR	All Market Risk Factors	1d	99%	Historical	2Y window, equally weighted
SVaR	All Market Risk Factors	1d	99%	Historical	1Y window, equally weighted
IRC	Rating Migration & Default	1Y	99.9%	Monte Carlo	Through-the-cycle (min 8Y)

The IRC Model is subject to a quarterly program of Stress tests aimed at evaluating the robustness of the model. The relevant parameters as Recovery Rates, Transition Probabilities, idiosyncratic correlation are shocked and the impact on the IRC measure is computed.

"Group Internal Validation" performed its analyses in order to evaluate the conceptual soundness of the IRC model, to supplement the available analyses on that topic and to ensure the compliance of the resulting risk management environment with all the relevant regulatory requirements and internal standards.
As already remarked by the regulation, traditional back-testing procedures, regarding the 99.9% one-year soundness standard for IRC, are not applicable due to the 1-year time horizon of the measure.
Consequently, while validation of the IRC model relied heavily on indirect methods (including stress tests, sensitivity analysis and scenario analysis) in order to assess the qualitative and quantitative reasonableness of the model, special focus has indeed been given to the specific situation of UniCredit portfolios.
Group Internal Validation Unit kept the scope of their analyses as wide as possible in order to comprise the many diverse issues that are acting concurrently in such a model (general model design, regulatory compliance, numerical implementation, outcomes explanation).
Group Internal Validation performed a full spectrum of validation analyses on the IRC measure calculation using its internal replica libraries.
The replica allows a simple verification of the results provided by the productive environment, and in addition opens up the door to a more dynamical and tailored implementation of the needed tests. The spectrum of analysis encompassed Monte Carlo stability, correlation analysis and stressing, calculation of parameters sensitivity, marginal contribution analysis, alternative models comparisons. All major parameters were tested, i.e. correlation matrices, transition probabilities matrices, transition shocks, recovery rates, probabilities of default, number of scenarios.
To understand the overall performance of the model in replicating the real-world migration and default phenomena, Group Internal Validation performed also a historical performance exercise comparing the migrations and defaults predicted by UniCredit IRC model with the ones actually observed since 1981 (due to data availability).

Banca d'Italia authorised UniCredit group to use internal models for the calculation of capital requirements for market risk. As of today CEE countries are the main entities of the Group that are using the standardised approach for calculating capital requirements relating to trading positions. However, the VaR measure is used for the management of market risk in the abovementioned entities.

For Trading book VaR, Stressed VaR and IRC, the bank differentiates between regulatory and managerial views. The managerial measure, are used for Risk monitoring and Business steering purposes as prescribed by Market Risk Framework: in particular VaR limits represent the main metric translating the Risk Appetite into the Market Risk framework.

The managerial VaR has a wider scope: it is used to monitor both Trading book and Overall perimeter (Trading book and Banking book), also including legal entities for which the standardised measurement method is applied for Regulatory purposes, in order to have a complete picture of risk.

The standardised measurement method is also applied to the calculation of capital covering the risk of holding Banking book exposure in foreign currencies for the legal entities (namely UniCredit S.p.A.) that do not have an approval for FX Risk simulation under Internal Model. In this respect the FX risk for both Trading and the Banking book is included in VaR and SVaR for Regulatory purposes as for the approved Legal entities (UniCredit Bank AG and UniCredit Bank Austria AG); as regards the managerial view the FX Risk of Banking book is included in the Overall (Trading book and Banking book) VaR.

To sum up the Internal Model approach is used for Regulatory purposes for UniCredit S.p.A., UniCredit Bank AG, UniCredit Bank Austria AG and UniCredit Bank Austria group, while it is used for all legal entities (including CEE countries) for managerial purposes.

In the end Trading portfolios are subject to Stress tests according to a wide range of simple and complex scenarios. Simple scenarios which envisage the shock of single asset classes, are defined in the context of Interest Rate Risk/Price Risk/Exchange Rate Risk/Credit Spread Risk Sensitivity. Complex scenarios apply simultaneous changes on a number of risk factors. Both simple and complex scenarios are applied to the whole Trading book. Detailed descriptions are included in the paragraph on the Stress test.

Stress tests results are calculated in the Group Market Risk system (UGRM), thus ensuring a common methodological approach across the Group. Results are calculated applying a full revaluation approach meaning that all positions are revalued under stressed conditions; no ad hoc models or pricing functions are applied for stress testing.

Part E - Information on risks and hedging policies

According to national regulations, some relevant scenarios are also a matter of regulatory reporting on a quarterly basis.
In addition a set of scenarios is run monthly on overall Group perimeter, thus covering both Trading and Banking book positions. Results are discussed monthly in Market Risk Stress Test Open Forum involving Market Risk function's representatives of all the legal entities and Business' representatives. Results are analysed in depth in the monthly report "Monthly Overview on Market Stress Test".
Stress test Warning levels Usage is monitored monthly. More details on Warning Levels and Strategy are given in the previous paragraph Risk management strategies and processes.

VaR, SVaR and IRC
Diversified VaR, SVaR and IRC are calculated taking into account the diversification arising from positions taken by different entities within the Imod perimeter (i.e. for which the use of the internal model for the risk calculation is approved). VaR, SVaR and IRC measures are however in place for all the LEs and their values are reported thereafter for information purpose, together with undiversified Group VaR, SVaR and IRC, calculated as sum of the values of all LEs (without considering diversification benefit), considering the Regulatory perimeter when applicable.
The VaR time series fluctuations occurred in the first quarter 2019 are mainly due to the variations occurred in the exposure to Republic of Italy Credit Spread in UniCredit S.p.A at solo level.

Risk on trading book

Daily VaR on Regulatory Trading book

(€ million)

			2019			2018
I-MOD PERIMETER	END OF JUNE 2019	AVERAGE LAST 60 DAYS	AVERAGE	MAX	MIN	AVERAGE
Diversified UniCredit group	**9.1**	**8.7**	**8.1**	**11.3**	**5.6**	**9.7**

Daily VaR on Managerial Trading book

(€ million)

			2019			2018
STANDARDIZED APPROACH PERIMETER	END OF JUNE 2019	AVERAGE LAST 60 DAYS	AVERAGE	MAX	MIN	AVERAGE
Russia	1.4	1.8	1.8	2.4	0.7	1.5
Turkey	3.5	2.1	1.7	4.9	1.0	1.1
Bosnia Herzegovina	0.0	0.0	0.0	0.0	0.0	0.0
Serbia	0.3	0.1	0.1	0.3	0.0	0.1
Romania	0.3	0.7	0.6	1.0	0.1	0.4
Bulgaria	0.2	0.2	0.2	0.2	0.1	0.1
Hungary	0.6	0.6	0.5	0.7	0.4	0.5
Czech Republic	1.6	1.7	1.6	2.2	1.1	3.7
Croatia	0.1	0.2	0.2	0.3	0.1	0.2
Slovenia	0.0	0.0	0.0	0.1	0.0	0.1
Baltics	0.0	0.0	0.0	0.0	0.0	0.0
Undiversified UniCredit group	**21.2**	**19.4**	**17.5**	**21.5**	**12.9**	**20.0**

Part E - Information on risks and hedging policies

Risk on trading book

SVaR on Regulatory Trading Book

(€ million)

I-MOD PERIMETER	END OF JUNE 2019	AVERAGE LAST 12 WEEKS	2019 AVERAGE	2019 MAX	2019 MIN	2018 AVERAGE
Diversified UniCredit group	**19.1**	**22.6**	**21.4**	**29.8**	**15.0**	**37.4**

SVaR on Managerial Trading Book

(€ million)

STANDARDIZED APPROACH PERIMETER	END OF JUNE 2019	AVERAGE LAST 12 WEEKS	2019 AVERAGE	2019 MAX	2019 MIN	2018 AVERAGE
Russia	19.3	18.0	16.0	22.2	8.7	13.3
Turkey	2.2	3.0	2.9	4.1	2.1	2.8
Bosnia Herzegovina	0.0	0.0	0.0	0.0	0.0	0.0
Serbia	0.7	0.8	0.9	1.3	0.4	1.1
Romania	1.8	3.5	2.9	4.6	0.9	2.7
Bulgaria	1.4	1.3	1.0	1.5	0.6	0.6
Hungary	1.8	2.3	2.2	3.0	1.5	3.0
Czech Republic	6.3	6.4	6.1	6.7	5.3	5.8
Croatia	0.6	0.6	0.6	0.8	0.4	0.7
Slovenia	0.1	0.1	0.1	0.4	0.0	0.3
Baltics	0.0	0.0	0.0	0.0	0.0	0.0
Undiversified UniCredit group	**64.8**	**72.2**	**66.8**	**81.7**	**47.7**	**75.1**

Risk on trading book

IRC on Regulatory Trading Book

(€ million)

I-MOD PERIMETER	END OF JUNE 2019	AVERAGE LAST 12 WEEKS	2019 AVERAGE	2019 MAX	2019 MIN	2018 AVERAGE
Diversified UniCredit group	**251.4**	**274.6**	**253.2**	**327.8**	**185.9**	**282.9**

IRC on Managerial Trading Book

(€ million)

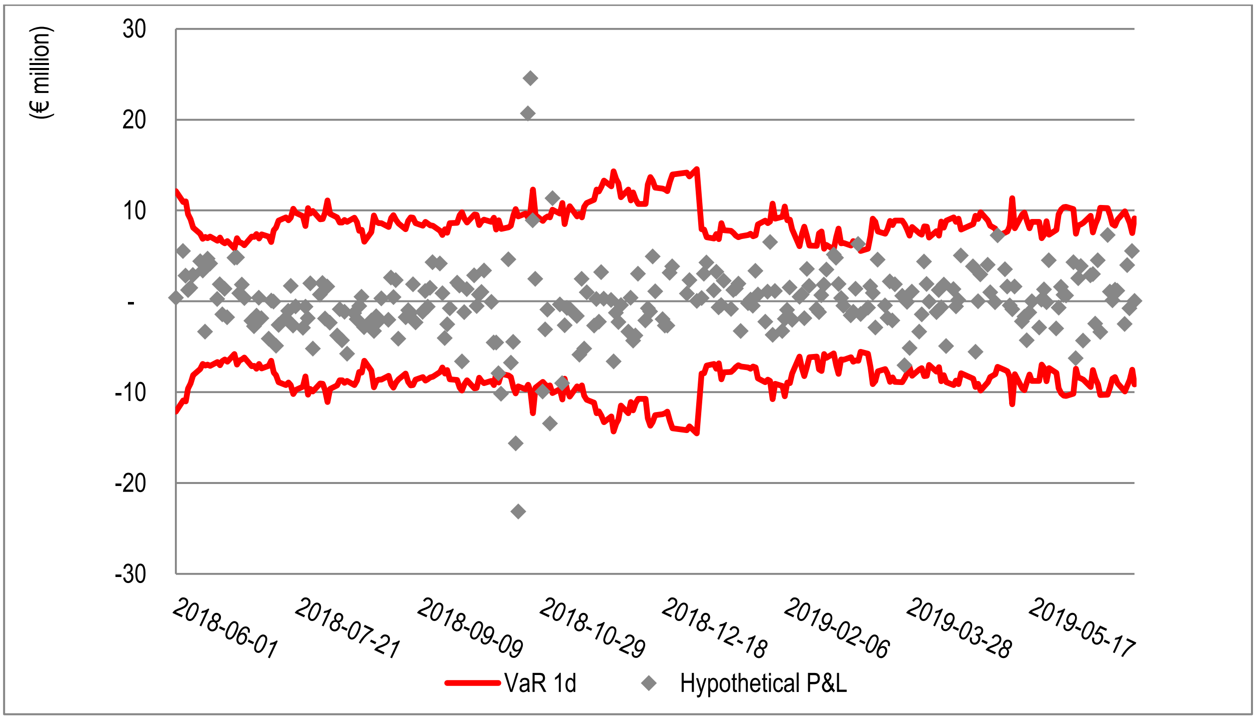
STANDARDIZED APPROACH PERIMETER	END OF JUNE 2019	AVERAGE LAST 12 WEEKS	2019 AVERAGE	2019 MAX	2019 MIN	2018 AVERAGE
Russia	0.0	10.4	12.8	31.0	0.0	25.7
Turkey	3.4	3.4	3.6	4.1	3.2	3.7
Serbia	8.3	9.6	9.7	11.4	7.0	12.9
Romania	8.1	24.2	19.9	33.5	8.1	14.4
Bulgaria	7.7	7.8	5.4	9.1	0.8	1.8
Hungary	34.2	37.0	33.3	43.6	23.2	25.5
Czech Republic	2.0	0.8	1.1	2.5	0.3	1.7
Croatia	0.0	0.1	0.7	3.3	0.0	4.7
Undiversified UniCredit group	**499.2**	**563.9**	**509.7**	**672.6**	**372.2**	**532.3**

EU MR4 Comparison of VaR estimates with gain/losses

The following graph shows back-testing results referred to the market risk on the Trading book, in which VaR results for the last twelve months are compared to the hypothetical “profit and loss” results for Group (I-Mod Perimeter).

In the first semester of 2019, no VaR overshootings were observed for UniCredit group.

Part E - Information on risks and hedging policies



Managerial VaR

Below are reported the Managerial Diversified Trading book VaR as of end of June 2019 at Group and Regional Centre levels and the Undiversified Trading book VaR at Group level, calculated as sum of the values of all LEs (without considering Diversification Benefit). Difference with Regulatory Trading book was described above.

Daily VaR on Managerial Trading Book (€ million)

TRADING BOOK	END OF JUNE 2019
Diversified UniCredit group as per internal model	**11.0**
RC Germany	5.3
RC Italy	7.5
RC Austria	0.5
RC CEE	5.2
Undiversified UniCredit group	**21.3**

Marginal Regulatory VaR

The table below provides a breakdown of 10-days VaR figure (i.e. referred to a 10-days' time horizon) according to the different market risks (debt, equity, FX, commodities) and its evolution during the year, in the form of template C24 of COREP.

Risk on Trading book by instruments classes

10-days VaR on Regulatory Trading book (€ million)

	2019		2018
	Q1	Q2	Q4
Traded Debt Instruments	32.6	39.0	30.5
TDI - General Risk	16.2	16.2	16.7
TDI - Specific Risk	27.1	38.5	22.6
Equities	6.2	7.1	5.8
Equities - General Risk	-	-	-
Equities - Specific Risk	6.2	7.1	5.8
Foreign Exchange Risk	3.8	4.8	5.1
Commodities Risk	8.2	7.6	10.2
Total Amount For General Risk	**17.9**	**18.1**	**16.7**
Total Amount For Specific Risk	**20.2**	**29.5**	**21.7**

Part E - Information on risks and hedging policies

In the second quarter 2019, there has been an increase of the specific risk on traded debt instruments, mainly due to the portfolio composition changes occurred in UniCredit Bank AG Trading Book of the business line Fixed Incomes & Currencies and an increased short term exposure to Republic of Italy Credit Spread in UniCredit S.p.A at solo level.

CVA
The CVA charge data values for the Trading book for the Group are reported below (as sum of the individual legal entities charges since the diversification benefit is not considered). The charge accounts for the credit-spread volatility affecting regulatory CVA. It consists of a VaR figure computed over the current window (CVA VaR) and a VaR figure computed over a stressed window (CVA SVaR). For exposures not covered by the CCR Internal model (used to calculate CVA exposure profiles) the standardised approach (SA) is used.
Nel primo semestre del 2019 la componente di Own Fund Requirements dovuta al CVA a modello avanzato si è mantenuta relativamente stabile a livello di gruppo rispetto all'ultimo trimestre del 2018.

In the first semester of 2019, the Own Fund Requirements due to CVA under Advance model remains relatively stable with respect of the level reached in the last quarter of 2018.

Risk on Trading book
CVA Trading book

(€ million)

	2019		2018
	Q1	Q2	Q4
CVA	159.4	162.2	157.7
CVA VaR	12.0	13.0	11.1
CVA SVaR	93.7	99.0	94.8
CVA SA	53.6	50.1	51.8

2.2.1 Interest rate risk and price risk - Regulatory trading book

Qualitative information

Interest rate risk

A. General aspects
Trading book interest rate risk arises from financial positions taken by Group specialist centres holding assigned market risk limits within certain levels of discretion. Regardless of use of the internal models in calculating capital requirements on market risks, risk positions in the Group are monitored and subject to limits assigned to the portfolios on the bases of managerial responsibilities and not purely on regulatory criteria.

B. Risk Management Processes and Measurement Methods
For both a description of internal processes for monitoring and managing risk and an illustration of the methodologies used to analyse exposure, also refer to the introduction on internal models.
As regards Stress test refer to the introduction on Risk Management Strategies and Processes and for the complex scenarios' description to Stress test paragraph.
In addition to the monitoring of Granular Market Limits, Group Market Risk functions conduct sensitivity analysis at least on monthly basis, in order to determine the effect on the income statement of changes in the value of individual risk factors or several risk factors of the same type.
Additionally to the sensitivity of financial instruments to changes in the underlying risk factor, the sensitivity to the volatility of interest rates is also calculated assuming positive and negative shifts of 30% in volatility curves or matrices.

Price risk

A. General aspects
Price risk relating to equities, commodities, investment funds and related derivative products included in the Trading book originates from positions taken by Group specialist centres holding assigned market risk limits within certain levels of discretion.
Price risk deriving from own trading of these instruments is managed using both directional and relative value strategies via direct sale and purchase of securities, regulated derivatives and OTCs and recourse to security lending. Volatility trading strategies are implemented using options and complex derivatives

B. Risk management processes and measurement methods
For both a description of internal processes for monitoring and managing risk and an illustration of the methodologies used to analyse exposure, refer to the introduction on internal models.
As regards Stress test refer to the introduction on Risk management strategies and processes and for the complex scenarios' description to the Stress test paragraph.

Part E - Information on risks and hedging policies

Quantitative information

1. Regulatory trading portfolio: distribution by residual duration (re-pricing date) of financial assets and liabilities for cash and financial derivatives
The table is not reported since a table showing Interest Rate sensitivity is described below, in accordance with Internal Model.

2. Regulatory trading portfolio: distribution of equity exposures and equity indices for the main listing countries
The table is not reported since a table showing price risk sensitivity is described below, in accordance with Internal Model.

3. Regulatory trading portfolio: internal models and other methods for sensitivity analysis
For both a description of internal processes for monitoring and managing risk and an illustration of the methodologies used to analyse exposure, also refer to the introduction on internal models.

Interest rate risk

Interest Rate Risk Sensitivity
Sensitivity to changes in interest rates is determined using both parallel shifts of interest-rate curves, and changes in the curve itself.
The curves are analysed using parallel shifts of ±1bp/±10bps and ±100bps.
For each 1bp shift, sensitivity is calculated for a series of time-buckets. Sensitivity for changes in the steepness of the rate curve is analysed by clockwise turning (Turn CW), i.e. an increase in short-term rates and a simultaneous fall in long-term rates, and by counter-clockwise turning (Turn CCW), whereby short-term rates fall and long-term rates rise.
In particular, clockwise and counter-clockwise turning use the following changes in absolute terms:
- +50bps/-50bps for the one-day bucket;
- 0bps for the one-year bucket;
- -50bps/+50bps for the 30-year plus bucket;
- for buckets between the above ones, the change to be set is found by linear interpolation.

The Group also calculates sensitivity to the volatility of Interest Rate assuming a positive shift of 30% or negative change of 30% in volatility curves or matrixes.

The tables below show trading book sensitivities.

(€ million)

INTEREST RATES	+1BP LESS THAN 1 MONTH	+1BP 1 MONTH TO 6 MONTHS	+1BP 6 MONTHS TO 1 YEAR	+1BP 1 YEAR TO 5 YEARS	+1BP 5 YEARS TO 10 YEARS	+1BP 10 YEARS TO 20 YEARS	+1BP OVER 20 YEARS	+1 BP TOTAL	-10 BP	+10 BP	-100 PB	+100 BP	CW	CCW
Total	**-0.1**	**-0.2**	**0.0**	**-0.6**	**1.0**	**-0.1**	**-0.8**	**-0.8**	**-9.7**	**1.3**	**-417.5**	**-97.5**	**-235.1**	**98.8**
of which: EUR	-0.1	-0.3	-0.1	-0.6	0.8	-0.5	-0.9	**-1.6**	-5.5	1.2	-374.1	-103.2	-226.5	91.7
USD	0.0	0.1	0.1	0.0	0.3	-0.1	-0.1	**0.4**	0.3	-0.3	0.2	-3.8	11.2	-11.4
GBP	0.0	0.0	0.0	-0.1	-0.1	0.3	0.2	**0.3**	-3.1	3.1	-28.6	30.1	-16.1	15.1
CHF	0.0	0.0	0.0	0.0	-0.1	0.1	0.0	**0.0**	-0.3	0.3	-3.1	2.3	-1.4	1.4
JPY	0.0	0.0	0.0	-0.1	0.1	0.0	0.0	**0.0**	0.0	0.0	-0.4	0.3	-0.5	0.5

(€ million)

	-30%	+30%
Interest Rates	**169.5**	**-171.4**
EUR	168.3	-169.7
USD	3.8	-4.9

Price risk

Share-price sensitivity
Share-price sensitivity is expressed in two ways:
- as a “Delta cash-equivalent”, i.e. the euro equivalent of the quantity of the underlying that would expose the bank to the same risk arising from its actual portfolio;
- as the economic result of a rise or fall in spot prices of 1%, 10% and 20%.

Part E - Information on risks and hedging policies

The Delta cash-equivalent and the Delta 1% (i.e. the economic impact of a 1% rise in spot prices) are calculated both for each geographical region (assuming that all stock markets in the region are perfectly correlated) and on the total (assuming therefore that all stock markets are perfectly correlated). The sensitivity arising from changes of 10% and 20% is calculated solely on the total.
The Group also calculates sensitivity to the volatility of equities assuming a positive shift of 30% or negative change of 30% in volatility curves or matrixes.
In addition, sensitivity to commodity price changes is calculated according to the above criteria. Given its secondary importance as compared to other risk exposures, this is calculated as a single class.

The tables below show Trading book sensitivities.

(€ million)

EQUITIES ALL MARKETS	DELTA CASH-EQUIVALENT	-20%	-10%	-1%	+1%	+10%	+20%
Europe	30.0	-	-	-	0.3	-	-
USA	-8.0	-	-	-	-0.1	-	-
Japan	3.2	-	-	-	0.0	-	-
Asia ex-Japan	15.3	-	-	-	0.2	-	-
Latin America	0.8	-	-	-	0.0	-	-
Other	-20.1	-	-	-	-0.2	-	-
Total	**21.0**	**3.6**	**5.5**	**0.4**	**0.2**	**18.8**	**62.0**
Commodity	**14.6**	**-6.6**	**-2.7**	**-0.2**	**0.2**	**1.1**	**-0.2**

(€ million)

	-30%	+30%
Equities	**-1.5**	**7.6**

2.2.2 Interest rate risk and price risk - Banking book

Qualitative information

Interest rate risk

A. General aspects, operational processes and methods for measuring interest rate risk
The Interest rate risk consists of changes in interest rates that are reflected in:
- interest income sources, and thus, the bank's earnings (cash flow risk);
- the net present value of assets and liabilities, due to their impact on the present value of future cash flows (fair value risk).

The Group measures and monitors this risk within the framework of a Banking book interest rate risk policy that establishes consistent methodologies and models and limits or thresholds to focus on, with regard to the sensitivity of net interest income and the Group's economic value. Interest rate risk has an impact on all the owned positions resulting from business operations and strategic investment decisions (Banking book).

The main sources of interest rate risk can be classified as follows:
- gap risk: it arises from the term structure of Banking book instruments, and describes the risk arising from the timing of instrument rate changes. The extent of gap risk depends also on whether changes to the term structure of interest rates occur consistently across the yield curve (parallel risk) or differentially by period (non-parallel risk). Gap risk also encompasses: repricing risk, defined as the risk of changes in interest rate earned at the time a financial contract's rate is reset. It emerges if interest rates are settled on liabilities for periods which differ from those on offsetting assets. Repricing risk also refers to the Yield curve risk, occurring when a shift in the yield curve affects the values of interest rate sensitive assets and interest rate bearing liabilities;
- basis risk can be broken down in:
  - tenor risk: resulting from the imperfect correlation in the adjustment of the rates earned and paid on different instruments with otherwise similar rate change characteristics;
  - currency risk: defined as the risk of potentially offsetting interest rate sensitivities arising from interest rate exposures in several currencies;
- option risk: risk resulting from option derivative positions or from the optional elements embedded in many bank positions, where the bank or its customers can alter the level and timing of their cash flows.

Limits and threshold are defined in terms of sensitivity for each Group Bank or Company. The set of metrics is defined depending on the level of sophistication of the Company's business.

Part E - Information on risks and hedging policies

Each of the Group's banks or companies assumes responsibility for managing exposure to interest rate risk within its specified limits. At consolidated level, the functions of Group Risk Management is in charge of interest rate risk measurement.
Interest rate risk measurement includes:

- Net Interest Income analysis: this involves a constant balance sheet analysis (i.e. assuming that positions remain constant during the period), an impact simulation on interest income for the current period is performed, by taking into account elasticity assumptions for sight items. In addition a simulation analysis includes the analysis of the impact on income from different shocks for the interest rates. Reference shock for a rate rise scenario is an instantaneous and parallel shock of +100bp. While the shocks for the rate fall scenario are applied in an asymmetric way.
  The currencies to which a shock of -30bp is applied are: EUR, BGN, JPY,CHF and BAM. For HUF, whose rates are only marginally negative, a shock of -60bp is applied. For other currencies the shock is -100bp. Additional scenarios are performed to take into account basis risk and non-parallel shifts.
- Economic Value analysis: this includes the calculation of duration measures, value sensitivities of the balance sheet for different points on the curve, as well as the impact on the Economic Value from larger shocks, e.g. a 200bp parallel shift and other parallel and non-parallels shocks, including the one required by the EBA guidelines.

The interest rate risk is monitored in terms of Economic value sensitivity for an instantaneous and parallel shock of +1 basis point value of the interest rate term structure. The function responsible for interest rate risk management verifies the limit usage of 1 basis point value sensitivity on a daily basis. On a monthly basis the Economic Value sensitivity for larger parallel and non-parallel shocks in the interest rate term structure and Net Interest Income Sensitivity are measured.

The Treasury hedges interest rate risk exposure from commercial transactions. The Treasury interest rate risk exposure is monitored through a set of limits and threshold levels. The same holds for the overall interest rate exposure of the balance sheet, taking into account also the strategic investment positions of the bank, e.g. transactions not directly relating to hedging the commercial business.

Price risk

A. General aspects, operational processes and methods for measuring price risk
Banking book price risk primarily originates from equity interests held by the Parent company and its subsidiaries as stable investments, as well as units in mutual investment funds not included in the Trading Book as they are also held as stable investments.
As regards Stress test refer to the introduction on Risk Management Strategies and Processes paragraph and for the complex scenarios' description to Stress test paragraph.

2. Banking book: internal models and other methods for sensitivity analysis

Interest Rate Risk
As at 30 June 2019, the sensitivity of interest income to an immediate and parallel shift of +100bps was +€783 million.
The sensitivity of the economic value of shareholders' equity to an immediate and parallel change in interest rates ("parallel shift") of +200bps was -€2.842 million as at 30 June 2019[28].

2.2.3 Exchange rate risk

Qualitative information

A. General information, risk management processes and measurement methods
Exchange rate risk originates both from banks in the Group operating in currency areas other than the Eurozone and from positions taken by specialist centres holding the Group's market risk within the limits assigned.

Risk deriving from own trading of these instruments is managed using both directional and relative value strategies via direct sale and purchase of securities, regulated derivatives and OTC. Volatility trading strategies are implemented using options. Exchange rate risk is constantly monitored and measured by using internal models developed by Group companies.
For both a description of internal processes for monitoring and managing risk and an illustration of the methodologies used to analyse exposure, refer to the introduction on internal models. These models are also used to calculate capital requirements on market risks due to the exposure to such risk.
As regards Stress test refer to the introduction on Risk management strategies and processes paragraph and for the complex scenarios' description to Stress test paragraph.

28 The figures include modeled sensitivity estimates for assets and liabilities with not well-defined maturities, such as sight and savings deposits.

Part E - Information on risks and hedging policies

B. Hedging exchange rate risk
The exchange risk hedging activity within the Trading book aims at keeping the FX risk within the defined Granular and Global limits.
Regarding Banking Book the Group adopts hedge strategies for profits and dividends arising from its subsidiaries not belonging to the euro zone, taking into account market circumstances for the hedging strategies.

Credit spread risk

Qualitative information

A. General aspects
The risk relating to credit spreads and related credit derivative products included in Trading book originates from positions taken by Group specialist centres holding assigned market risk limits within certain levels of discretion.
Risk deriving from own trading of these instruments is managed using both directional and relative value strategies via direct sale and purchase of securities, regulated derivatives and OTC.

B. Risk management processes and measurement methods
For both a description of internal processes for monitoring and managing risk and an illustration of the methodologies used to analyse exposure, refer to introduction on internal models.
As regards Stress test refer to the introduction on Risk management strategies and processes and for the complex scenarios' description to Stress test paragraph.

Quantitative information

Credit spread sensitivity
Credit spread sensitivity is calculated by assuming a worsening of creditworthiness seen in a parallel shift of +1bp/+10bp/+100bps in the credit spread curves.
These sensitivities are calculated both inclusively, assuming a parallel shift of all the credit spread curves, and in respect of specific rating classes and economic sectors.

The table below shows Trading book sensitivities.

(€ million)

	+1BP LESS THAN 1 MONTH	+1BP 1 MONTH TO 6 MONTHS	+1BP 6 MONTHS TO 1 YEAR	+1BP 1 YEAR TO 5 YEARS	+1BP 5 YEARS TO 10 YEARS	+1BP 10 YEARS TO 20	+1BP OVER 20 YEARS	+1 BP TOTAL	+10BP	+100BP
Total	**0.0**	**0.0**	**-0.1**	**-0.6**	**0.2**	**0.0**	**-0.1**	**-0.7**	**-7.1**	**-65.8**
Rating										
AAA	0.0	0.0	0.0	-0.1	0.1	0.0	0.0	0.1	1.1	18.4
AA	0.0	0.0	0.0	-0.1	-0.1	0.0	0.0	-0.2	-1.6	-12.5
A	0.0	0.0	0.0	-0.1	0.0	0.0	0.0	-0.2	-1.6	-16.3
BBB	0.0	0.0	-0.1	-0.4	0.2	-0.1	-0.1	-0.4	-4.4	-45.7
BB	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-0.2	-1.8
B	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-0.1	-0.6
CCC and NR	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-0.3	-2.8
Sector										
Sovereigns & Related	0.0	0.0	-0.1	-0.3	0.4	0.0	-0.1	-0.1	-1.2	-1.6
ABS and MBS	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-0.1	-0.7
Financial Services	0.0	0.0	0.0	-0.2	-0.2	0.0	0.0	-0.4	-4.6	-45.1
All Corporates	0.0	0.0	0.0	-0.1	0.0	0.0	0.0	-0.1	-1.2	-15.6
Basic Materials	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-0.2	-1.7
Communications	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-0.1	-0.6
Consumer Cyclical	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-0.1	-1.2
Consumer Non cyclical	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-0.1	-1.2
Energy	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-0.4	-4.2
Technology	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.3
Industrial	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-0.3	-2.9
Utilities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-0.1
All other Corporates	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-0.1	-0.4

Part E - Information on risks and hedging policies

Stress test

Stress tests complement the sensitivity analysis and VaR results in order to assess the potential risks in a different way. A stress test performs the evaluation of a portfolio under both simple scenarios (assuming change to single risk factors) and complex scenarios (assuming simultaneous changes in a number of risk factors).

The description of complex scenarios, which combine changes in interest rate, price, exchange-rate and credit spread risk factors is reported below. For the description of simple scenarios, refer to the previous paragraphs.
As far as complex scenarios are concerned, different scenarios have been applied to the whole Group Trading book on a monthly basis and reported to the Top Management.

Widespread contagion

In this scenario, we assume an intensification of political risks across the EU. Confidence of financial markets, businesses and households sours, leading to tighter financial conditions and lower economic activity.

In GDP space, Italy and Spain are most impacted. France follows suit, while Germany is the least affected. At the eurozone level, GDP growth is seen slowing to 0.4% in 2019, followed by a 0.6% contraction in 2020 and a slow recovery to 0.5% in 2021. Overall, the cumulative loss vs. baseline over the three years is 3.8pp.

Inflation in the eurozone would remain low in 2019-2021, reflecting a wider output gap and lower oil prices, while the weaker euro is expected to partially offset some of these drags.

The ECB would cut the deposit rate – now de facto the true policy rate – by a cumulative 20bp to -0.60%, while keeping the refi rate at 0.00%. The size of the rate cut is modest compared to the magnitude of the growth and inflation shock. The rate cuts are likely to be accompanied by mitigating measures to support profitability of the banking sector. Another dose of QE appears likely at a time of meaningful deviation from the price stability target. The slow growth recovery in 2021 is unlikely to allow the ECB to raise the deposit rate.

Brexit, along with an escalation of political risks in the EU, significantly weighs on business investment and consumer confidence in the UK. The opening up of a sizable output gap and the fall in sterling import prices (with lower USD oil prices more than offsetting sterling depreciation) means inflation stays subdued for longer. The rise in unemployment and the lower inflation level moderates wage growth. Capital outflows induce some adjustment of the UK’s large current account deficit. The response of fiscal authorities is to ease policy, while the BoE cuts rates to 0.00%.

The US economy should be less affected than EU. The reason is that most of the growth in the US comes from domestic demand, notably consumer spending. The main transmission channel of the shock is lower stock prices, which directly affect US household finances and balance sheets. The shock will increase pressure on the Fed to ease more aggressively than in the baseline scenario.

Protectionism, China slowdown & Turkey shock

In this risk scenario, we assume the introduction of protectionist policies in the US that generate meaningful retaliation by its trading partners, leading to an escalation of trade frictions globally. This intensifies downward pressure on GDP growth in emerging markets, especially China, where growth slows from 6.5% to 3% by the end of 2021. On top of this, we assume a growth shock in Turkey, mainly related to the deterioration of the domestic political picture.

This is a more global shock than “Widespread Contagion” and the main transmission channels are trade and financial markets – the latter predominantly via an aggressive sell-off in risky assets and its negative impact on confidence and investment plans. Moreover, as China is a big commodity importer, its slowdown is expected to increase downward pressure on commodity prices, damaging commodity producers like Russia.

The drag on eurozone GDP via the trade channel is supposed to account for a smaller share of the total growth shock, as most of the hit comes from the financial and confidence channel. In general, we assume the overall drag to reflect the openness of the economy and the weight of China as an export destination.

In this risk scenario, the eurozone economy is assumed to contract severely both in 2019 and 2020 (-1.2% in each year), with only a slow recovery in 2021 (+0.2%). Over three years, the cumulative GDP loss vs. baseline would be 5.5pp. Germany would experience a GDP contraction of 2.5% in 2019, 2.4% in 2020 and 0.1% in 2021. The negative impact of the trade and financial shock on the German economy is assumed to be partly mitigated by fiscal policy (with the main aim to support labor income), while in the other eurozone countries, where room for maneuver on fiscal policy is smaller, the fiscal deficit deterioration will largely reflect automatic stabilizers, like an increase in unemployment benefits. Lower oil prices

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work as automatic stabilizer, reducing the scale of the GDP shock in energy-importing countries.

Inflation in the eurozone will likely be lower compared to “Widespread Contagion”, reflecting a bigger output gap and a larger decline in oil prices.

In a context of a global growth slowdown amid weaker commodity prices, the ECB would act further by cutting the deposit rate by a cumulative 40bp to -0.80%, while keeping the refi rate at 0.00%. The size of the rate cut is still modest compared to the magnitude of the growth and inflation shock, but we believe the ECB is close to the effective lower bound as side effects of negative rates could start surfacing before long. The rate cuts are likely to be accompanied by mitigating measures to support profitability of the banking sector. Another dose of QE appears likely at a time of meaningful deviation from the price stability objective.

The UK is an open economy, although the trade exposure to China is relatively modest (exports to China amount to about 1% of GDP). We assume a large adverse growth impact via the shock to global confidence and capital flows. The UK economy stagnates in 2019 and enters a recession in 2020. The steep fall in oil prices and other global commodity prices results in a lower path for UK inflation. Unemployment rises as the economy slows.

The US economy should be less affected than the eurozone, due to its stronger reliance on domestic demand and potentially some short term positive impact of protectionist measures. However, in this scenario of a more global shock, weaker global growth is expected to slow the US recovery in 2019 (GDP at 1.3% in 2019) and to cause a recession in 2020 through weaker exports and a cutback in investment activity, which eventually will weigh on the labor market and thus on consumer spending as well. The Federal Reserve is likely to cut rates aggressively (to 0.75%) in 2020.

US Hard Landing

In this risk scenario, we assume that the longest expansion phase in the US history comes to an abrupt end and the UK leaves the EU without a deal later this year. The US enters a deep recession as the fading fiscal boost, a loss of labor market dynamics and the drag from protectionist measures expose the vulnerabilities of the corporate sector. A no-deal Brexit leads to significant supply disruption and a deep recession in the UK, on a scale equivalent to the Global Financial Crisis.

The US economy experiences an even deeper recession than the downturn we have already factored in our baseline scenario. The additional cumulative shock to real GDP between 2019 and 2021 amounts to about 5%. The sharp recession triggers policy easing by both monetary and fiscal authorities. The Federal Reserve will aggressively cut the target rate back to a range of 0.00-0.25%, and leave it there for the forecast horizon. The rate cuts will most likely be accompanied by an accommodative forward guidance on rates and a renewed expansion of the balance sheet. Automatic stabilizers and some discretionary fiscal stimulus will push the budget deficit back to above 8%, sending the general government’s total debt-to-GDP ratio towards 120%.

The UK enters a deep recession, with the cumulative shock to GDP amounting to 6% of GDP to end-2021. Inflation initially rises due the one-off impact of higher tariffs. After the first year the effects of a much more negative output gap and lower commodity prices start to dominate and inflation eases. Unemployment rises materially.

The drag on eurozone GDP is likely to materialize both via trade and the financial and confidence channel. In general, we assume the overall drag to reflect the openness of the economy and the weight of the US and the UK as export destinations.

In this risk scenario, eurozone growth is assumed to turn negative in 2019 (-0.4%), with the recession set to deepen in 2020 (-1.0%) and only a slow recovery in 2021 (+0.4%). Over three years, the cumulative GDP loss vs. baseline would be 4.3pp.

Inflation in the eurozone will likely be lower compared to “Widespread Contagion”, reflecting the wider output gap and the larger decline in oil prices.

In a context of a global growth slowdown amid weaker commodity prices, the ECB would act further by cutting the deposit rate by a cumulative 30bp to -0.70%, while keeping the refi rate at 0.00%. The size of the rate cut is modest compared to the magnitude of the growth and inflation shock, but we believe the ECB is close to the effective lower bound as side effects of negative rates could start surfacing before long. The rate cuts are likely to be accompanied by mitigating measures to support profitability of the banking sector. Another dose of Quantitative Easing appears likely at a time of meaningful deviation from the price stability objective.

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Stress Test on Trading Book

(€ million)

	END OF JUNE 2019		
	WIDESPREAD CONTAGION	PROTECTIONISM	US HARD LANDING
UniCredit Group Total	**-133**	**-199**	**-123**
RC Germania	-83	-154	-108
RC Italia	-65	-63	-20
RC Austria	-2	-3	4
RC CEE	16	21	1

Most of conditional losses in Trading Book are in UCB AG and UniCredit S.p.A. and are mainly driven by CIB Fixed Income & Currencies and Equity and Derivative Trade business lines in all scenarios, due to widening in Credit Spreads, partially offset in US Hard Landing by depreciation of USD. Conditional profits in Regional Center CEE are mainly driven by Turkey and Russia due to impacts of FX and IR defined in the scenarios; in US Hard Landing gains from FX are smaller due to the depreciation of USD combined with soft depreciation of local currencies.

2.4 Liquidity risk

Qualitative information

A. General aspects, operational processes and methods for measuring liquidity risk
Liquidity risk is defined as the risk that the Group may find itself unable to fulfil its expected or unexpected payment obligations (by cash or delivery), current and future, without jeopardising its day-to day operations or its financial condition.

The key principles

The liquidity reference banks
The Group aims at maintaining liquidity at a level that enables to fund its operations at the best rate conditions under normal operating circumstances, and to remain always in a position to meet payment obligations.
To this end, the Group complies accurately with the legal and regulatory provisions imposed by the national Central Banks and by the national authorities of each country where it operates.

In addition to local legal and regulatory requirements, the Parent Company, under the responsibility of the Group Risk Management, defines policies and metrics to be applied at Group level, to ensure that liquidity position of any entity meets the requirements of the Group.

For these reasons, the Group is organised on a managerial perspective, according to the concept of the liquidity reference bank.
The liquidity reference banks are legal entities that act in their responsibility as liquidity hub. They are in charge:
- of the liquidity management and concentration process of liquidity flows of the legal entities falling within their perimeter of responsibility;
- of the funding optimisation carried out on the relevant local markets and are responsible to coordinate the access to short-term and medium long term markets of the legal entities belonging to their perimeter;
- finally, of the implementation of the Group's liquidity rules at local level in line with Group's Governance Guideline and Policy and with local regulations.

A particularly important role is played by the Parent Company, as a "supervisory and overarching liquidity reference bank" with its role of steering, coordinating, and controlling all the aspects regarding liquidity for the whole Group. The Parent company has the responsibility to set the overall Group risk appetite and sub-allocate the limits in agreement with the liquidity reference banks and/or legal entities. In particular, the Parent company functions are responsible for the following:
- outlining Group overall liquidity risk management strategies;
- developing liquidity risk metrics and methodologies;
- setting specific limits for liquidity risk exposures, in line with the Group risk appetite;
- optimising liquidity allocation amongst legal entities, in compliance to the local regulations and transferability limitation;
- coordinating access to financial markets for liquidity management;
- outlining the yearly Group funding and contingency funding plan, coordinating and monitoring their execution;
- assessing the adequacy of the liquidity reserves buffers at legal entity and Group level;
- coordinating the refinancing transactions with the ECB;
- defining, periodically reviewing the Group ILAAP and approving the Group ILAAP Report on yearly basis.
- The Parent Company also, moreover, acts as the liquidity reference bank for the Italian perimeter.

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The principle of "self-sufficiency"
This organisational model allows self-sufficiency of the Group by accessing the local and global markets for liquidity in a controlled and coordinated way. According to Group Policies, structural liquidity surpluses can be up-streamed to the Parent Company, unless legal requirements prevent it.
The liquidity available at country level could be subject to restrictions due to legal, regulatory and political constraints. The so called "Large Exposure Regime", applied throughout Europe, along with specific national laws like the "German Stock Corporation Act", are examples of legal constraints to the free circulation of funds within a cross-border banking Group[29].

As a general rule, the large exposure regime, which came into force on 31 December 2010, limits interbank exposures to a maximum of 25% of Own Funds: this rule is also applicable to intra-group exposures.
However, there are significant differences in the way in which this EU regulation has been implemented in the various countries. In many CEE countries the limit of 25% of free funds is valid, with some countries showing even stricter rules; in Austria, according to the National law, the "25% of Own Funds limit" is not applied to exposures towards the parent company, if located in the European Economic Area; finally, in Germany the national Regulator has set up a process to apply for a waiver, exempting intra-group exposures from the large exposure limitation.
In the absence of official limits valid at national level, Austrian and German Regulators reserve the right to judge the exposure level on a case-by-case basis. In the current economic environment, in many of the territories in which the Group operates, Banking Regulatory Authorities are adopting measures aimed at reducing the exposure of their national banking system towards foreign jurisdictions with potential negative impacts on the ability of the Group to finance its activities.
For these reasons, the "Liquidity management & control group policy" provides for a further principle in order to enhance a sound liquidity risk management; each legal entity with market access has to increase its liquidity self-sufficiency, fostering in this way the exploitation of its strengths. In addition, the Group rule states that each LE (including the liquidity reference bank) should be self-sufficient in terms of liquidity in its local currency, either on its own or by leveraging on the relevant liquidity reference bank. This self-sufficiency principle is reflected in a specific "limit structure": limits are set both at Group and at individual level, with the purpose of avoiding/controlling significant imbalances among legal entities.

This type of organisation promotes the self-sufficiency of the legal entities, by allowing them to access the local and global markets for liquidity in a controlled and coordinated way, whilst optimising: i) the liquidity surpluses and deficits within the Group's legal entities ii) the overall costs of funding across the Group.

Roles and responsibilities
At Group level, three main functions are identified in the management of the liquidity: the Group Risk Management competence line, the Group Financial Office competence line, and the Treasury function (within the "Markets" Business Unit), each with different roles and responsibilities. In particular, the operational responsibilities reside in the Finance and the Treasury functions, while the Risk Management function has responsibilities of independent controls and independent reporting compared to the operational functions (in line with the current requirements of Banca d'Italia).

Specifically, the Risk Management function is responsible for the independent control of liquidity risk and of balance sheet interest rate and FX risk at Group level and for the internal and regulatory stress testing. In detail:
- defining policies and methodologies for measuring and controlling the liquidity risk and developing, updating and presenting the independent internal risk reports/assessments to internal competent functions (second level controls);
- putting in place a strong and comprehensive internal limit and control framework to mitigate or limit the liquidity risk in line with the risk tolerance in order to monitor the different material drivers of liquidity risk;
- contributing to the setting of the risk appetite framework;
- assessing and monitoring liquidity risk exposure trends at Group and Country level and confronting them with the respective limits and triggers;
- verifying the correct implementation of the agreed mapping rules;
- performing an independent assessment of the Funding Plan and of the Contingency Funding Plan as well as monitoring their execution;
- developing and performing the liquidity stress test at Group level, analysing the outcome, delineating new scenarios to be taken into account and centralising the action plan relating to the stress test results; it is also responsible of periodically reviewing the liquidity stress test framework;
- monitoring the liquidity risk and producing regular risk reporting at Group level in alignment with Basel Committee's "Principles for effective risk data aggregation and risk reporting", setting common standards in terms of presentations and communications.
- performing internal validation activities at Group level on systems for measuring liquidity risks on related processes and data quality and IT components, as well as on models for pricing financial instruments in order to check that they are conform to regulatory requirements and in-house standards;
- developing and back-testing the behavioural models for the measurement of the liquidity risk;
- validating, controlling the implementation and releases independent assessments on the models to map the liquidity profile of balance sheet items (i.e. deposit stickiness, prepayment, behavioural models, etc.).

[29] Also Banca d'Italia Rules, Circular 285, foresees that the Group should ensure the maintenance through the time of adequate reserves in each legal entity, in order to take into account possible regulatory constraints (First Part, Title IV, Chapter 6, Section III, paragraph 7).

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Group Treasury acts as main coordinator in the management of infra-group flows, stemming from liquidity deficits or surplus of the various Group's legal entities, and applies the appropriate transfer prices to such funds movements. By doing so, Group Treasury ensures a disciplined and efficient access to the markets.

Group Financial Office competence line is responsible for the coordination of the overall financial planning process at Group, liquidity reference banks and relevant LEs level, aiming to efficiently ensure the stability and the sustainability of the financial structure through time, addressing assets and liabilities composition and maturities, in compliance with the limits and triggers set for liquidity and balance sheet metrics. It is also responsible for the execution of the medium long term Group's funding strategy (including securitisation operations), coordinating the access to national and international capital markets for all the liquidity reference banks and relevant LEs, exploiting local market opportunities in order to reduce the costs of funding and diversify the financing sources. In addition to this, the function performs first level controls on liquidity positions managed by Group Finance and Group Treasury aimed at ensuring the proper P&L and liquidity workflow of the operations and defines conditions and rules for transfer price application.

All the relevant issues that concern the liquidity risk and management perspective of the Group are discussed in GALCO (Group assets & liabilities committee). The main responsibilities of GALCO are:
- participating by advising and proposing the definition of the strategies, policies, methodologies and limits for liquidity risk, fund transfer pricing, funding plan and contingency funding plan;
- contributing to the definition of the Risk Appetite in terms of thresholds for liquidity risk, interest rate risk of the banking book and FX risk;
- optimising the liquidity risk profile of the Group within the defined limits;
- controlling the liquidity risk, including the periodical reports that have to be delivered to regulators;
- approving and validate the liquidity stress test scenarios and the related assumptions;
- approving the ILAAP proposal and the regulatory reporting to be submitted to Group risk & internal control committee (GR&ICC);
- approving the operational strategies for the evolution of the balance sheet and the application of fund transfer price for the Italian perimeter.

The optimisation of liquidity risks is pursued through the setting of specific limits on the standard banking activity of transforming short, medium and long-term maturities. This is implemented in accordance with legal and regulatory framework in each country and internal rules and policies of the Group companies through management models in place within the individual liquidity reference banks.

Such models are subject to analyses carried out by the local Risk Management or equivalent structure with the same responsibilities in coordination with the Group's Risk Management to ensure that they comply with the metrics and the objectives of the Group's liquidity framework.
In addition, the regional rules must comply with national laws and regulatory requirements.

Risk measurement and reporting systems

Techniques for risk measurement

The different types of liquidity risk managed by the bank are:
- short term liquidity risk refers to the risk of non-conformity between the amounts and/or the maturities of cash inflows and cash outflows in the short term (below one year);
- market liquidity risk is the risk that the bank may face a considerable (and unfavourable) price change generated by exogenous or endogenous factors and incur losses as a result of the sale of assets deemed to be liquid. In the worst case, the bank might not be able to liquidate such positions;
- intraday liquidity risk appears when a bank is not able "to meet payment and settlement obligations on a timely manner basis under both normal and stressed conditions";
- structural liquidity risk is defined as the inability to raise the necessary funds to maintain an adequate ratio between medium to long-term (over one year) assets and liabilities at reasonable pricing level, in a stable and sustainable way, without affecting the daily operations or the financial condition of the Bank. It could have a potential impact on the cost of funding (own credit and market funding spreads), affecting future income of the institution;
- contingency risk, or stress liquidity relates to future and unexpected obligations (i. e. draw on committed facilities, deposits withdrawal, increase in collateral pledging) and could require the bank a greater amount of liquidity compared to what is considered the amount to run the ordinary business;
- intragroup liquidity risk, that might generate from an excessive exposure or dependency towards/from specific Group counterparts;
- funding concentration risk arises when the bank leverages on such a limited number of funding sources, that they become of such significance that the withdrawal of one or few could trigger liquidity problems;
- foreign exchange liquidity risk, generated by the current and projected liquidity mismatch between cash inflows and cash outflows in foreign currencies (refinancing risk) or related with the maturity distribution of the assets and liabilities in foreign currencies (foreign currency structural mismatch risk).

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The exposure of the Group and its legal entities to any of these risks is measured by associating to any of them a metric or a set of metrics. Every legal entity of the Group is exposed to the above mentioned risks at a different extent: a materiality analysis is performed in order to define the perimeter of the liquidity risk management and control.

Liquidity risk, for its particular nature, is addressed by means of gap analyses, liquidity stress testing, and complementary measures (mainly through a set of indicators, among which: loans to deposits gap, liquidity coverage ratio). In particular, gap analyses are performed within two distinct time horizons:
- liquidity imbalance mismatch approach on a daily basis, which controls the short-term liquidity risk arising from the overnight up to a 12 months maturity;
- gap ratios on a monthly basis, which control the medium to long-term risk (structural liquidity) from the 1Y maturity onwards.

Strategies and processes to manage the liquidity risk

The Group's liquidity framework is based upon the Liquidity Risk Mismatch Model which is characterised by the following fundamental principles:
- <u>short-term liquidity risk management (operational liquidity),</u> which considers the events that will impact upon the Group's liquidity position from 1 day up to one year. The primary objective is to maintain the Group's capacity to fulfil its ordinary and extraordinary payment obligations while minimising the relevant costs.
- <u>structural liquidity risk management (structural risk),</u> which considers the events that will impact upon the Group's liquidity position over one year. The primary objective is to maintain an adequate ratio between medium/long term liabilities and medium to long-term assets, with a view to avoid pressures on short-term funding sources (both current and future), while in the meantime optimising the cost of funding;
- <u>stress tests:</u> Liquidity risk is a low probability, high impact event. Therefore stress testing is an excellent tool to reveal potential vulnerabilities in the Balance Sheet. The Bank uses several scenarios ranging from general market crisis to idiosyncratic crisis, and a combination hereof.

In this context, the mismatch model takes into account all assets, liabilities, off-balance sheet positions and also both present and future events which generate certain or potential cash flows for the Group, thereby protecting the Group Banks/Companies from risks relating to the transformation of maturity.

In addition, the liquidity risk is included in the Group's risk appetite framework through some specific liquidity indicators.

Short-term liquidity management

Short-term liquidity management aims at ensuring that the Group remains in a position to fulfil its cash payment obligations, whether expected or unexpected, focused on the exposure for the first 12 months.

The standard measures taken for such purposes are the following:
- management of the access to payment systems (operational liquidity management);
- management of cash payments to be made and monitoring of the level of liquidity reserves and the extent of their utilisation (analysis and active management of the maturity ladder).

These principles are applicable at Group level and have to be used across the liquidity reference banks.

The *operative maturity ladder* is composed by the net contractual cash flows (in/outflows) affecting the cash position at Central Banks or "Nostro Account". Therefore, these flows impact directly the "core liquidity" of the bank, over pre-defined time buckets.
The *operative maturity ladder* is composed of the following building-blocks:
- primary gap, which shows the net wholesale refinancing requirements over the various time-buckets of the horizon.
- counterbalancing capacity, which shows the amount of unencumbered securities that are accepted as collateral by Central Banks and/or market counterparties. The counterbalancing capacity is considered at its "liquidity value" (i.e. the market value minus the applicable haircut).
- cumulative gap, which is the sum of the previous components;
- reservation for unexpected flows, which consists of liquidity adjustment to the operative maturity ladder, to consider a buffer that can be used by the Treasury to refinance unexpected outflows impacting the Central Bank position (included in the short-term buckets). The reservation for unexpected flows takes into account the volatility of the funding needs of the commercial asset portfolio, the volatility of the commercial funding sources, including potential concentration effects, the change of liquidity value of the counterbalancing capacity due to observed market price changes.

The operative maturity ladder is included in the Group risk appetite framework, with a limit of 0 on the 3 months bucket.

The Group also adopts the cash horizon as a synthetic indicator of the short-term liquidity risk levels. The cash horizon identifies the number of days after which the relevant entity is no longer able to meet its liquidity obligations as expressed in the operative maturity ladder, after having exhausted the available counterbalancing capacity.

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Structural liquidity management

The Group's structural liquidity management aims at limiting refinancing exposures above one year and thus reducing refinancing needs in the shorter term. The maintenance of an adequate ratio between medium to long-term liabilities and assets aims at avoiding pressures on short-term sources, whether present or future.

The standard measures taken for such purposes are the following:
- the spreading of the maturity of funding operations in order to reduce the usage of less stable funding sources, while in the meantime optimizing the cost of funding (integrated management of strategic liquidity and tactical liquidity);
- the financing of growth through strategic funding activities, setting the most appropriate maturities (yearly funding plan);
- the balancing of medium/to long-term wholesale funding requirements with the need to minimise costs, by diversifying sources, national markets, currencies of issuance and instruments used (realisation of the yearly funding plan).

The main metric used to measure the medium/long-term position is the net stable funding ratio, as described by Basel III.
In general, the net stable funding ratio is calculated as the ratio between liabilities and assets. All the balance sheet items are mapped according to their contractual maturity. In addition, they are assigned a weight that reflect, for the liabilities, their stability within the balance sheet and, for the assets, the portion that is rolled-over by the bank or that, more in general, cannot be traded on the market in exchange of liquidity that would generate relief to the institution. The internal limit set at 101% means that stable liabilities have to fully cover the requirements of funding generated by the assets.
A key structural metric, aimed at measuring the funding needs originated from the commercial activity of the Bank, is the funding gap (an improved loans-to-deposits gap). It measures the need of funding, the bank has to finance on the wholesale market. The indicator is integrated in the risk appetite framework with the aim of monitoring and managing the level of funding coverage of net loans to customers, coming from funding sources not exclusively obtained through Treasury/Finance activity.

Liquidity under stress

Stress testing is a risk management technique used to evaluate the potential effects on an institution's financial condition of a specific event and/or movement in a set of financial variables. As a forward looking tool, liquidity stress testing diagnostics the institution's liquidity risk. In particular the results of the stress tests are used to:
- determine liquidity limits both in quantitative and qualitative terms;
- plan and carry out alternative funding transactions for purposes of off-setting liquidity outflows;
- structure/modify the liquidity profile of the Group's assets;
- provide support to the development of the liquidity contingency plan.

In order to execute stress tests that are consistent across the liquidity reference banks, the Group has a centralised approach to stress testing, requiring each local liquidity reference bank to run the same scenario set under the coordination of the Group risk management. The Group runs liquidity scenarios and sensitivity analyses on a regular basis, the latter by assessing the impact on an institution's financial condition of a move in one particular risk factor, whereas scenario tests tend to consider the impact of simultaneous moves in a number of risk factors, based on a hypothetical, well defined and consistent stress scenario.

The Group identifies three different types of potential liquidity crisis:
- market (systemic, global or sector): market downturn scenario. This scenario consists of a sudden turmoil in a monetary and capital market, which may be caused by closure (or limited access) to market/settlement system, critical political events, country crisis, credit crunch, etc.;
- specific to the Group, or part of it (idiosyncratic): name crisis; the assumptions could be operational risk, events relating to the worsened perception of the Group reputational risk and a downgrade in UniCredit S.p.A. rating or other Group legal entities;
- a combination of market and specific crisis: combined scenario.

These scenarios are expected to cause a substantial reduction in the funding coming from rating-sensitive customers, CD/CPs' investors and inter-bank markets. In addition, a possible usage of the undrawn portion of the committed lines is considered.

The *combined scenario* is defined as a general negative development in the market environment and also as a factual or market-hypothesised problem specific to the Group.

In the first half of 2019 the Group liquidity stress test result on the combined scenario was always positive.

In addition to the internal stress test, the bank adopts and also monitors the liquidity coverage ratio (LCR), calculated in accordance with the provisions of Implementing Regulation (EU) 2016/322 in force from 1 October 2016. It is the ratio between the high quality liquid assets (HQLA) and the net cash outflows expected over the coming 30 days, under stress test conditions. The compliance with this regulatory requirement is constantly monitored by setting, in the risk appetite framework, internal limitations above the binding minimum level of 100%.

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Among the liquidity outflows that occur in a stress scenario, the bank monitors on a monthly basis the impact in terms of additionally required collaterals that the bank may be required to provide given a downgrade of its own credit rating. All the relevant rating agencies are taken into account.
The testing is carried out on a legal entity level, but consolidated reporting is available to analyse the impact on group wide basis. Specific attention is dedicated to exposures towards special purpose vehicles (SPV).

At Group level the amount of material outflows due to deterioration of own credit quality, included in the components of the Liquidity Coverage Ratio, amount to €5,110 million as at 30 June 2019.

Risk Mitigation

Monitoring and reporting
In the Group the governance and control of liquidity risk is mainly performed through the setting and monitoring of operating restrictions managerial and regulatory aimed at preventing potential vulnerabilities in the bank's ability to meet its cash flow obligations that are embedded in risk metrics limits or warning/trigger levels.

The short-term liquidity limits are monitored and reported on a daily basis. The structural liquidity ratios and their exposure against limits are monitored and reported on a monthly basis. The survival period and the result of the liquidity stress test are reported and monitored on a weekly basis.

In case of limit breach or warning level activation at Group level, the Group risk management function investigates the rationale of the events, triggering the proper escalation and reporting them to the relevant committees.

Mitigation factors
Liquidity risk is considered a relevant risk category for the risk appetite determination of the Group. The practices and processes are included in the "Liquidity management & control Group policy", that defines the principles that the Parent company and the legal entities have to apply for hedging and mitigating this risk and the roles to be interpreted by the different committees and functions.
Additionally to an adequate liquidity buffer to face unexpected outflows and robust and regular up-to-date stress testing performed on a regular basis, the main liquidity mitigation factors for UniCredit group are:
- an accurate plan of short-term and medium to long-term liquidity needs, to be monitored on a monthly basis;
- an effective contingency liquidity policy with feasible and up-to-date contingency action plan to be executed in case of crisis;
- a system of early warning indicators such to anticipate any potential liquidity crisis and give enough time to the Group to restore its safe liquidity profile.

Funding plan
The funding plan plays a fundamental role in the overall liquidity management influencing both the short-term and the structural position. The funding plan, defined at each level (i.e. Group, liquidity reference bank and legal entity level), is developed consistently with a sustainable analysis of uses and sources, both on short-term and structural positions. One of the objectives of accessing the medium and long-term channels is to avoid the pressure on the short-term liquidity position.
The funding plan is updated at least on a yearly basis and is approved by the Board of Directors. In addition, it is aligned with the budgeting process and the risk appetite framework.
The Parent Company accesses the market for Group capital instruments.

The Parent Company coordinates the market access of the liquidity reference banks and legal entities, while the liquidity reference banks coordinate the access of the legal entities falling within their perimeter.
Each legal entity or liquidity reference bank can access the markets for medium and long-term funding, in order to increase its self-sufficiency, exploit market opportunities and functional specialisation, safeguarding the optimisation of cost of funds of the Group.
Group Financial Office competence line is responsible for the elaboration of the funding plan. Risk management is responsible for providing an independent assessment of the funding plan.

Group contingency liquidity management
The liquidity crises usually develop quickly and the relevant signals may be either difficult to interpret or may even be lacking; it is, therefore, important to clearly identify players, powers, responsibilities, communication and reporting criteria, in order to increase significantly the probability of overcoming the state of emergency successfully. A liquidity crisis could be classified as systemic (e.g. overall capital and money market disruption) or specific (e.g. specific to the bank), or a combination of both.

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The ability to act in time is essential to minimise the potentially disruptive consequences of a liquidity crisis. The analysis of the stress tests will form a valuable tool to identify the expected consequences and to define up front the most suitable actions in a certain crisis scenario. In combination with the early warning Indicators the organisation may be able to reduce the negative liquidity effects in the initial stages of a crisis.

Therefore, a crisis-mode operating model, that can be activated effectively in case of crisis according to an approved procedure, has been defined. In order to be able to proceed timely, a set of mitigating actions have been pre-defined. Depending on the situation some of these actions can then be approved for execution.

The *Group contingency liquidity management* global policy has the objective of ensuring effective interventions starting from the very outset (initial hours) of the liquidity crisis, through the definition of specific guidelines on activation, meetings, decisions, actions and communications.
This is achieved through:
- a set of early warning indicators that may help to identify emerging vulnerabilities in the Group liquidity risk position;
- activation of extraordinary liquidity governance and operating model linked to indicators included in both the risk appetite and recovery and resolution plan framework;
- a set of available standby mitigating liquidity actions;
- consistent internal and external communication.

A relevant part of the contingency liquidity management is the contingency funding plan. This plan consists of a set of potential but concrete management actions to be performed in time of crisis. These actions are described in terms of size, instrument, and timing of execution aimed at improving the bank's liquidity position during time of crisis. The contingency funding plan is developed on the basis of the annual Funding Plan.
A specific early warning indicators dashboard is in place, both at Group and legal entities level, in order to continuously monitor situations of stress, which may, among others, be originated by market, sector or name specific events. They are based either on macroeconomic or market indicators that also reflect the monetary policy stance of the Central Banks variables, or on specific internal metrics. The system of early warning indicators helps to identify emerging vulnerabilities in the Group's liquidity risk position or potential funding needs, triggering a potential response by the Senior management. A "traffic light approach" is adopted for each metric in order to have sufficient time to inform senior management of a deteriorating situation and allow to put in place adequate actions aimed at restoring the business-as-usual state.

Adequacy of the Liquidity Risk Management
In the yearly process of the ILAAP, the Senior management is requested to give a judgement on the adequacy of the liquidity position and stability of funding, called Liquidity Adequacy Statement (LAS). This assessment aims at showing the main drivers that had modified the liquidity position throughout the year and provides comment also on the evolution of the main metrics that are used to steer the different aspects of the liquidity risk. At the end of the first half of 2019, the Group liquidity situation is deemed adequate and the liquidity risk management arrangements of the institution ensure that the liquidity risk management systems put in place are adequate with regard to the institution's profile and strategy.

The framework of measurement systems and of limits in place aims to ensure that the Group has always an internal liquidity buffer/reserve that allows it to face expected and unexpected payments.

In the daily Treasury activity, the (managerial) liquidity reserve is represented by the Counterbalancing Capacity (CBC). Group Treasury, in its role of operational liquidity management function is entitled to monetise also the bonds belonging to the trading book, if this is necessary to restore the liquidity positions, prevailing on any existing business or risk management strategies.

From a regulatory perspective, the liquidity reserve is represented by the amount of high quality liquid assets (HQLA). This is the numerator of the LCR and is made of assets, which can be easily and immediately converted into cash at little or no loss of value even in periods of severe idiosyncratic and market stress. These assets are unencumbered, which means free of legal, regulatory, contractual or other restrictions on the ability of the bank to liquidate, sell, transfer, or assign them.

The adequacy of the liquidity reserve under both perspectives is monitored and controlled through the limitations set on the operative maturity ladder (managerial) and on the liquidity coverage ratio (regulatory), as described above.

In the first half of 2019, the operative maturity ladder of the Group, measured considering the impediments in the transfer of liquidity among legal entities, was constantly above the Risk Appetite Trigger, defined at a level that ensures that the Group would have enough liquidity to survive to a period of stress.

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Similarly the Group liquidity coverage ratio (LCR) was always well above the trigger (set above the minimum regulatory requirement of 100%), confirming that its liquidity reserve was large enough to cover one month of stress designed according to the regulatory hypothesis.

While the operative maturity ladder and the LCR restrictions ensure that the liquidity reserves are adequate, the respect of the funding gap and other structural liquidity metrics restrictions ensure that the bank maintains an appropriate balance between assets and liabilities in the medium-long term (beyond one year), preventing additional pressure on the short term liquidity position.

In the first half of 2019, both the funding gap and the net stable funding ratio were above the limitations set in the risk appetite framework, thus confirming the relative stability of the funding source of the Group.

2.5 Operational risks

Qualitative information

A. General aspects, operational processes and methods for measuring operational risk

Operational risk definition
Operational risk is the risk of loss due to errors, infringements, interruptions, damages caused by internal processes or personnel systems or caused by external events. This definition includes legal and compliance risks, but excludes strategic and reputational risk.
For example, losses arising from the following can be defined as operational internal or external fraud, employment practices and workplace safety, client claims, products distribution, fines and penalties due to regulation breaches, damages to the company's physical assets, business disruption and system failures, process management.

Group operational risk framework
UniCredit Group sets the operational risk management framework as a combination of policies and procedures for controlling, measuring and mitigating the operational risk of the Group and of the controlled entities.
The operational risk policies, applying to all Legal Entities, are common principles defining the roles of the company bodies, the operational risk management function, as well as the relationship with other functions involved in operational risk monitoring and management.

The Group coordinates the Legal Entities according to the internal regulation and the Group operational risk control rulebook.
Specific Risks Committees (Group Risk & Internal Control Committee, Group Operational and Reputational Risks Committee) are set up to monitor risk exposure, mitigating actions, measurement and control methods within the Group. With particular reference to Unicredit S.p.A the " Italian Operational & Reputational Risk Committee" (IORRIC) meets with the aim of monitoring the exposure to operational and reputational risks and evaluating the events with significant impact and the related mitigation actions with reference to UniCredit S.p.A. perimeter and its Italian subsidiaries. The methodologies for data classification and completeness verification, scenario analysis, risk indicators, reporting and capital at risk measurement are set by the the Group Operational & Reputational Risks department and applied to all Legal Entities. A pivot element of the risk control framework is the operational risk management application, allowing the collection of the data required for operational risk control and capital measurement.

The compliance of the Group Operational risk control and measurement system with external regulations and Group standards is assessed through an internal validation process, which is under the responsibility of the Group Internal Validation department of the the Group and is independent from the Group Operational & Reputational Risks Department.

Since March 2008 the UniCredit Group applies the AMA model (Advanced Measurement Approach) for calculating operational risk capital. The use of this method has been rolled out to the main Legal Entities of the Group.

Organisational structure
Senior Management is responsible for approving all aspects related to the Group operational risk framework and verifying the adequacy of the measurement and control system it is regularly updated on changes to the risk profile and operational risk exposure, with the support of the appropriate risk committees if required.

The "Group Operational & Reputational Risks Committee" is responsible for the evaluation and monitoring of operational (including ICT and Cyber) and reputational risks at Group level. It enables the coordination among the control functions in identifying and sharing Group priorities concerning Operational & Reputational Risks (e.g. emerging risks) and monitors the effectiveness of initiatives put in place to oversee them. In detail:
The "Group Operational & Reputational Risks Committee" meets with functions of consultation and suggestion for the definition of proposals to be submitted to functions, decision-making bodies (i.e. "Group Risk & Internal Control Committee"/ GR&ICC), managerial body (i.e. "Executive

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Management Committee"/EMC) or Legal Entities, for:
- sharing the overall strategies for operational risk optimisation, as well as monitoring the initiatives put in place for the related implementation;
- evaluating:
  - periodical group reporting provided by Group Operational & Reputational Risks function on operational losses (with particular focus on events having high impacts), Regulatory Capital, Risk Weighted Assets, Indicators and Scenario Analysis, ICT & Cyber Risks analysis;
  - issues concerning operational & reputational risks reported by Legal Entities committees;
  - external operational events having potential impact on Group risk profile;
  - evidences reported by Group Compliance function on carried out second level controls, as well as on current and expected impacts of monitored regulations, evidences reported by the Group Chief Operating Officer (COO) on incidents and assessments for ICT, Operations and Security topics as well as main group risks/criticalities highlighted by the Internal Audit function;
  - potential synergies for further improvements concerning the actions plans aiming at the mitigation of the main operational risks of the Legal Entities, highlighted by control functions and by the COO (including situations that led to emergencies), by verifying from time to time their effectiveness and the return to business as usual;
  - yearly Regulatory Internal Validation Report on operational risk;
- disclosing the Group risk appetite proposals, including capitalisation targets capital allocation criteria for Group operational risks, as well as the Group insurance strategies proposed by the competent functions;
- disclosing fundamental modifications in measurement methodologies for operational & reputational risks;
- issuing opinions on reputational risk related to non-credit transactions identified by the Co-Head of CIB Division.

The "Group Operational & Reputational Risks Committee" provides to the "Group Risk & Internal Control Committee"/GR&ICC and/or "Executive Management Committee"/EMC a periodical information on main evidences of evaluations and on specific actions proposed or activated.
The "Group Operational & Reputational Risks Committee"/GORRIC receives from the Group Operational & Reputational Risks function a periodical aggregated information concerning either Holding and Legal Entities reports on all transactions inherent to reputational risks evaluation, including transactions reported by competent Committees (GMRC, GTCC, ITCC, ISTCC, DCMCC), based on current Global Rules on reputational risk.
The Committee periodically receives also the list of events reported by "Top Experts" commission and evaluated by them as "not material" for the Group reputational risk profile. The Committee, convened by the Chairman, meets at least on a quarterly basis, or whenever the meeting is deemed necessary by the Chairman.

The Group Operational & Reputational Risks department reports to the Head of Group Risk Management and is responsible for the governance and control of operational and reputational risks of the Group (including operational risks bordering on credit risk, alias Cross Credit risks); the department is also responsible for the evaluation of the exposure to operational and reputational risks, grating their continual and independent monitoring, as well as of the definition of strategies to mitigate such risks and contain related losses for UniCredit S.p.A perimeter.
In addition, the department is responsible for the definition of operational risk losses optimisation program, leveraging on specific risk models and methodologies it has furthermore the responsibility of coordinating the activities performed by the subsidiaries of UniCredit S.p.A. that apply the AMA model (limited to Legal Entities not included in other Hub perimeter) according to Group Operational and Reputational Risks Framework and of coordinating, for the perimeter of competence, the corresponding functions within the Group Legal Entities, according to Group Managerial Golden Rule ("GMGR" and "GMGR Evolution").
Furthermore, the department ensure that risk control activities on related risks assumed in the foreign branches of UniCredit S.p.A. are monitored and reported to the Group Chief Risk Officer and is responsible for ensuring integrated reporting between the control functions (e.g. Compliance, Audit) on the main operational and reputational risks of the Group.

The structure is additionally responsible for the governance and control of ICT/Cyber Risks, through:
a) the definition of the framework for the management of ICT/Cyber risks, the coordination and monitoring of the Legal Entities in the implementation of it;
b) the measurement, assessment and control of ICT/Cyber risks for UniCredit S.p.A.
c) the monitoring at Group level of the implementation and results of mitigation actions to oversee ICT/Cyber risks in cooperation with the competent functions (e.g. "Group Information & Security Office"), also through the analysis of risk indicators.

The department has four organisational units:
- "Operational Risk Analytics and Oversight" responsible for defining the principles and rules at Group level for identification, assessment and control of operational risk, monitoring their correct application by the Legal Entities with focus on operational losses data collection and scenario analysis activity. The unit is responsible for defining risk capital measurement methodologies, calculating operational risk capital and the corresponding economic capital, as well as conducting quantitative analysis of the Group's exposure to operational risk also based on operational risks analytics models. The unit is furthermore responsible for the reporting of operational risks and of the definition process of the Risk Appetite Framework/RAF metrics for competence risks, as well as the related periodical monitoring.
- "Operational & Reputational Risks Assessment and Strategies" responsible for defining and monitoring the strategic areas for the management of operational risk consistent with the RAF and the Group's strategic objectives, keeping the responsibility for coordinating/monitoring risk mitigation

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actions and coordinate the monitoring of operational risks in the CEE perimeter, directly supporting the "CRO CEE" structure. The unit furthermore develops ad hoc analysis on specific issues of operational and reputational risk. Finally it is responsible of defining methodologies for assessing reputational risk by verifying its correct implementation and controlling the risk assessment activities for Italian transactions within the scope of the Global Rules related to reputation risk (e.g. weapons and nuclear energy sectors).
- "Operational Risks Management Italy" responsible for overseeing the operational risks of UniCredit S.p.A. supports the business functions of the Italian perimeter in the identification and monitoring of operational risks, also by executing specific risk assessment activities (e.g. on relevant transactions).The structure, compliantly to the Group methodology:
  - assures the conformity of risk indicators and operational losses, checking that they are regularly reported within the Group losses database;
  - cooperates to provide the analysis of the operational and reputational risks' impact, in case new products are introduced or some relevant changes are made within the processes, the structure, the business context;
  - identifies, together with the local business functions, the main operational risks that should affect the development of business strategies and of budget ambition (Business Syndication), in order to suggest the related mitigation actions and to monitor their implementation and effectiveness.
  - In addition, the structure coordinates the Permanent Work Group for the mitigation of operational risks of UniCredit S.p.A. and supports, in its role of technical secretariat, the activity of the "Italian Operational & Reputational Risk Committee" (IORRIC).
- "Operational, Reputational Risks on Credit Framework & Fraud Management" responsible for the governance, identification and monitoring of the operational and reputational risk on credit framework for the Group, with the aim of reducing operational losses (including those driven by external frauds). Moreover, the structure has a steering role on the Group Legal Entities for what concerns the specific perimeter and has a reporting function in the related committees, as well as in the appropriate contexts.

The Operational Risk Management functions of the controlled Entities provide specific operational risk training to the staff, realized also through intranet training programs, and are responsible for the correct implementation of the Group framework elements.

Internal validation process

In compliance with regulations, an internal validation process for the operational risk control and measurement system has been set up for the Group and for the relevant Legal Entities in order to verify the compliance with regulations and Group standards.
This process is under the responsibility of Group Internal Validation department.
Group methodologies for measuring and allocating the capital at risk and the IT system are validated at the Group level by the above mentioned department, as well as the implementation of the operational risk control and management system within the relevant Entities, which is firstly analysed through a self-assessment performed by local Operational Risk Management functions, following the technical instructions and policies issued by Group Internal Validation. The results of the local self-assessments are annually verified by Group Internal Validation, which also performs additional analysis on data and documentation. Such evidences are the basis for the release of specific Validation Reports to the relevant subsidiaries. The local self-assessment, together with the opinion of Group Internal Validation and Internal Audit report are submitted to the Legal Entities' competent governing bodies.

The validation outcomes on the operational risk control and measurement system, both at the Group and controlled Entities level, are annually consolidated with the annual validation report which, with the annual Internal Audit report, is presented to the UniCredit S.p.A. Board of Directors.

Reporting

A reporting system has been developed by the Group to keep senior management and the Management Body regularly informed on the Group operational risk exposure and the risk mitigation actions.
In particular, weekly reports are provided on operational losses trend, the main initiatives undertaken to prevent or mitigate operational risk in the various business areas and main operational risk events. Quarterly updates are provided on capital-at-risk estimations and RAF metric monitoring. Moreover an operational loss trend report is provided monthly to Regulators.

Operational risk management and mitigation

The identification of the Group and Legal Entity Operational & Reputational risk mitigation strategies is performed through a set of recurring yearly activities at Group and LEs level in order to assess the Group and LEs risk profile and define the most appropriate mitigation actions to reduce the risk. The process starts with the preliminary self- risk assessment: it is a qualitative evaluation on selected forward looking key risk drivers performed yearly by the Legal Entities ORMs leveraging on a list of key risk drivers provided by the Holding.

In order to select and provide the list of key risk drivers, it leverages on:
- the objectives of the Group multi-year plan;
- the areas of attention and any additional priority from the top management;
- the operational risk losses evolution and the most relevant internal / external events;
- the industry and market trends evolution (including the regulator trends);
- the current ongoing ORRMS and Group TOR (Top Operational Risks)

The Legal Entity shall assess the relevance of each key risk driver supplied providing a qualitative risk evaluation with rationales and estimations on

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the related reputational risk.
Also the Legal Entity shall identify and evaluate additional key risk drivers affecting their own Legal Entity considering the local market, the business activities and the specificities (including relevant transformation / innovation in the business model).

Stress test
Starting from 2017, the Group is performing regular sensitivity analysis and stress testing for operational risk, including complex scenarios as part of the Firm-wide Stress test exercise defined within the Group Stress Test Council, with the aim to verify the response of the loss model and the resulting capital at risk to changes in the underlying macro-economic factors data set. Scenarios are proposed by Research Department, discussed and finalized within the Group Stress Test Council.
Firm wide Scenarios will be run twice a year, or on demand if it is required, in order to assess the potential risks driven by changes in the macro-economic environment.

Risk capital measurement and allocation mechanism
UniCredit S.p.A. developed an internal model for measuring the capital requirements. The system for measuring operational risk is based on internal loss data, external loss data, scenario analysis data and risk indicators.
Capital at risk is calculated per risk class. For each risk class, severity and frequency of loss data are separately estimated to obtain the annual loss distribution through simulation. The severity distribution is estimated on internal, external and scenario analysis data, while the frequency distribution is determined using only the internal data. An adjustment for key operational risk indicators is applied to each risk class. Annual loss distributions of each risk class are aggregated through a copula functions based method, considering also insurance coverage. Capital at risk is calculated at a confidence level of 99.9% on the overall loss distribution for regulatory purposes and for economic capital purposes, considering expected loss deduction. Through an allocation mechanism, the individual legal entities' capital requirements are identified, reflecting the legal entities' risk exposure.

B. Legal risks
The parent company UniCredit S.p.A. and other UniCredit group companies are named as defendants in several legal proceedings. In particular, as at 30 June 2019, the parent company UniCredit S.p.A. and other UniCredit group companies were named as defendants in about 20,700 legal proceedings, of which approx. 9,700 involving the parent company UniCredit S.p.A. (excluding labour law cases, tax cases and credit recovery actions in which counterclaims were asserted or objections raised with regard to the credit claims of Group companies). In addition, from time to time, past and present directors, officers and employees may be involved in civil and/or criminal proceedings, the details of which UniCredit group may not lawfully know about or communicate.
The Group is also required to fulfil appropriately various legal and regulatory requirements in relation to certain aspects of its activity, such as conflicts of interest, ethical issues, anti-money laundering laws, US and international sanctions, client assets, competition law, privacy and information security rules and others. Actual or alleged failure to do so may lead to additional litigation and investigations and subject the Group to damages claims, regulatory fines, other penalties and/or reputational damages. In addition, one or more Group companies and/or their current and/or former directors are subject or may in the future be subject to investigations by the relevant supervisory or prosecutorial authority in a number of countries in which the Group operates. These include investigations and/or proceedings relating, inter alia, to aspects of systems and controls and instances of actual and potential regulatory infringement by the relevant Group companies and/or its clients. Given the nature of UniCredit group's business and its reorganisation over time there is a risk that claims or matters that initially involve one Group company may affect or involve other Group entities.
In many cases, there is substantial uncertainty regarding the outcomes of the proceedings and the amount of possible losses. Where it is possible to estimate reliably the amount of possible losses and the loss is considered as likely to occur, provisions have been made in the financial statements to the extent the parent company UniCredit S.p.A., or any of the Group companies involved, deemed appropriate based on the circumstances of the case and in compliance with the International Accounting Standards (IAS).
To provide for possible liabilities and costs that may result from pending legal proceedings (excluding labour law and tax cases), as at 30 June 2019, UniCredit group set aside a provision for risks and charges of €718 million, of which €451 million for the parent company UniCredit S.p.A.
As at 30 June 2019, the total amount of claimed damages relating to judicial proceedings other than labour, tax and debt collections proceedings amounted to approx. €11 billion, of which approx. €6.9 billion for the proceedings involving the parent company UniCredit S.p.A. This figure is affected by both the heterogeneous nature of the pending proceedings and the number of involved jurisdictions and their corresponding characteristics in which UniCredit group is named as a defendant.
The estimate for reasonably possible liabilities and this provision are based upon the available information, however, given the many uncertainties inherent in legal proceedings, they involve significant elements of judgment. Therefore any provision may not be sufficient to meet entirely the legal costs and the fines and penalties that may result from pending legal actions.
Set out below is a summary of information, including, if material and/or indicated, the single requests of the plaintiffs, relating to matters involving UniCredit group which are not considered groundless or in the ordinary course of the Group's business.

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This section also describes pending proceedings against the parent company UniCredit S.p.A. and/or other UniCredit group companies and/or employees (even former employees) that the parent company UniCredit S.p.A. considers relevant and which, at present, are not characterised by a defined claim or for which the respective claim cannot be quantified.
Unless expressly mentioned below, labor law and tax claims are excluded from this section and are described elsewhere in the notes of this section.
In accordance with IAS37, information that would seriously prejudice the relevant company's position in the dispute may be omitted.

Proceedings which involve the parent company UniCredit S.p.A.

Madoff
Background
The parent company UniCredit S.p.A. and several of its direct and indirect subsidiaries have been subject to legal action or investigated in the wake of a Ponzi Scheme perpetrated by Bernard L. Madoff ("Madoff") through his company Bernard L. Madoff Investment Securities LLC ("BLMIS"), which was exposed in December 2008. The background of such litigations and investigations, and the connections between the parent company UniCredit S.p.A. and certain of its affiliates with BLMIS, have been more fully disclosed in the last reporting periods.

Proceedings in the United States
Claims by the SIPA Trustee
In December 2010, the bankruptcy administrator (the "SIPA Trustee") for the liquidation of BLMIS filed, as one of a number of cases, a case before a US Federal Court against ca. 60 defendants, including HSBC, the parent company UniCredit S.p.A. and certain of its affiliates (the "HSBC case").
In the HSBC case, the SIPA Trustee sought to recover a damage compensation for an overall amount of more than 6 billion dollars (to be later determined over the course of the proceedings) against all 60 or so defendants for common law claims (i.e. claims for aiding and abetting the violations by BLMIS) and avoidance claims (also known as claw-back claims). No separate claim for damages was brought against UniCredit group.
All the claims against the parent company UniCredit S.p.A. and other companies of UniCredit group, both relating to common law claims and those relating to claw-back actions, were rejected without any possibility of appeal, with the exception of (i) UCB Austria, where on 21 July 2015 the SIPA Trustee has voluntarily waived, with possibility to appeal, the claw-back actions against UCB Austria; and (ii) Bank Austria Worldwide Fund Management Limited ("BAWFM"), where, on 22 November 2016, the bankruptcy court issued a decision that required the dismissal of the claw-back claims against BAWFM. On 16 March 2017, the SIPA Trustee filed a notice of appeal from the dismissal of the claims.
In February 2019 the United States Court of Appeals for the Second Circuit overruled the Bankruptcy Court's decision dated 22 November 2016 and ruled that the SIPA Trustee may recover transfers of money made by BLMIS pre-bankruptcy to BAWFM and other similarly situated parties. BAWFM and other appellees petitioned for re-hearing of the Second Circuit's decision by an *en banc* panel, but the Second Circuit denied the petition in April 2019. On appellee's subsequent motion, the Second Circuit stayed the mandate in the action, pending BAWFM's and others' filing of a petition for a writ of certiorari to the United States Supreme Court. By 30 August 2019 BAWFM and others have to file a petition for writ of certiorari. However, if that petition were not granted, or a subsequent appeal were not successful, the potential claim for damages is non-material and, therefore, there are no specific risk profiles for UniCredit group. Certain current or formerly affiliated persons named as defendants in the HSBC case may have rights to indemnification from UniCredit S.p.A. and its affiliated entities.

Claim by SPV OSUS Ltd
The parent company UniCredit S.p.A. and certain of its affiliates (UCB Austria, BAWFM and PAIML) were named as defendants, together with approximately 40 other defendants, in a lawsuit filed before the Supreme Court of the State of New York, County of New York, on 12 December 2014, by SPV OSUS Ltd. The lawsuit was re-transferred to the United States District Court for the Southern District of New York on 20 April 2018. The case was brought on behalf of a purported assignee of an investor in BLMIS, with no specification of the claimed amount. On 30 March 2019 the Federal Court dismissed the case, dismissing all claims against all defendants. The time for appeal has lapsed and, accordingly, the case is definitively closed.

Proceedings outside the United States
Investors in the Primeo and Herald funds brought numerous civil proceedings in Austria. As at 30 June 2019, 25 civil proceedings remain pending with a claimed amount totalling €6.2 million plus interest, of which: 20 are pending before a judge of first instance with no judgment yet, and one case is pending before the Court of Appeal and four cases are pending before the Supreme Court. The claims in these proceedings pertain to alleged breaches by UCB Austria of certain duties regarding its function as prospectus controller (i.e. regarding the review of prospectuses for accuracy and completeness), or that UCB Austria improperly advised certain investors (directly or indirectly) to invest in funds in Madoff-related investments or a combination of these claims.
The Austrian Supreme Court issued 25 final decisions with respect to prospectus liability claims asserted in the legal proceedings. With respect to claims relating to the Primeo funds, 15 final Austrian Supreme Court decisions have been issued in favour of UCB Austria. In two cases the Supreme Court did not accept UCB Austria's extraordinary appeal, thus making the decisions of the Court of Appeal in favour of the claimant final and binding. With respect to the Herald fund, the Austrian Supreme Court ruled 5 times with respect to prospectus liability, 2 in favour of UCB

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Austria and 3 times in favour of the claimants. In a prospectus liability case with Primeo and Herald investments the Austrian Supreme Court ruled in favour of UCB Austria; in two further prospectus liability cases with Primeo and Herald investments the Supreme Court did not accept the claimants' extraordinary appeals, thus rendering binding the decisions of the Court of Appeal in favour of Bank Austria.
While the impact of these decisions on the remaining cases cannot be predicted with certainty, future rulings may be adverse to UCB Austria.
In respect of the Austrian civil proceedings pending as against UCB Austria relating to Madoff's matter, UCB Austria has made provisions for an amount considered appropriate to the current risk.
UCB Austria has been named as a defendant in criminal proceedings in Austria concerning the Madoff case on allegations that UCB Austria breached provisions of the Austrian Investment Fund Act as prospectus controller of the Primeo fund; other allegations relate to the level of fees and embezzlement. In the past, parts of the complaints have already been closed. The criminal proceedings regarding the other allegations are still at the investigation stage and no official indictments against UCB Austria have been brought by the Austrian prosecutor, therefore, it is not possible to estimate the sanctions (if any) that would be imposed on UCB Austria as well as the potential joint liability of UCB Austria.

Certain potential consequences
In addition to the foregoing proceedings and investigations stemming from the Madoff case against the parent company UniCredit S.p.A., its subsidiaries and some of their respective employees and former employees, subject to any applicable limitations on the time by when proceedings must be brought, additional Madoff-related proceedings may be filed in the future in the United States, Austria or elsewhere. Such potential future proceedings could be filed against the parent company UniCredit S.p.A., its subsidiaries, their respective employees or former employees or entities with which the parent company UniCredit S.p.A. is affiliated or may have investments in. The pending or possible future proceedings may have negative consequences for UniCredit group.
Save as described above, at the moment, it is not possible to estimate reliably the timing and results of the various proceedings, nor determine the level of liability, if any responsibility exists. However, given the outcome of the cases that have been filed, and the time that has passed since the Madoff case first came to light, it may be unlikely that any further substantive cases will be filed at this point. Notwithstanding with above, in compliance with the international accounting standards, and excluding what is reported with reference to UCB Austria, no provisions have been made for specific risks associated with Madoff-related claims and charges.

Proceedings arising out of the purchase of UCB AG by the parent company UniCredit S.p.A. and the related Group reorganisation
Squeeze-out of UCB AG minority shareholders (Appraisal Proceeding)
In 2008, approximately 300 former minority shareholders of UCB AG filed a request before the District Court of Munich to have a review of the price paid to them by the parent company UniCredit S.p.A., equal to €38.26 per share, in the context of the squeeze out of minority shareholders (Appraisal Proceeding). The dispute mainly concerns the valuation of UCB AG, which is the basis for the calculation of the price to be paid to the former minority shareholders. At present the proceeding is pending in the first instance. The District Court of Munich has appointed experts for the valuation of UCB AG at the time of the squeeze-out, who have submitted their opinion in November 2017. The experts have confirmed that the valuation of UCB AG for the purposes of the squeeze-out cash compensation was by and large adequate. The court-appointed experts have, however, identified certain value effects which, in the opinion of the experts, could lead to a value increase of UCB AG's former subsidiaries Bank Austria and certain CEE financial institutions. Against this background, the experts question the appropriateness of the purchase prices paid before the squeeze-out by the parent company UniCredit S.p.A. to UCB AG for UCB Austria and for the abovementioned CEE financial institutions. The opinion of the experts does not bind the court. Both the parent company UniCredit S.p.A. and the applicants have submitted comments on the expert opinion to the court, which has asked the court-appointed experts to prepare a supplemental expert opinion on these comments by September 2019. The next oral hearing is scheduled for February 2020. It will then be upon the court of first instance to decide on the request of the minority shareholders based on the expert opinion and the legal issues that are relevant and material to the decision of the court. The parent company UniCredit S.p.A. continues to believe that it has fully complied with applicable law and that the amount paid to the minority shareholders was adequate. It will vigorously defend this position in the ongoing proceedings and has submitted its comments on the expert opinion to the court. The decision of first instance will be subject to appeal. Thus, at this stage, it is not possible to estimate the duration of the proceeding, which might also last for a number of years and could result in the parent company UniCredit S.p.A. having to pay additional cash compensation to the former shareholders. No estimate on the amount in dispute can be made at the current stage of the proceeding.

Squeeze-out of UCB Austria's minority shareholders (Appraisal Proceeding)
In 2008, approximately 70 former minority shareholders in UCB Austria commenced proceedings before the Commercial Court of Vienna claiming that the squeeze-out price paid to them, equal to €129.4 per share, was inadequate, and asking the court to review the adequacy of the amount paid (Appraisal Proceeding).
The Commercial Court of Vienna referred the case to a panel, called the "Gremium", to investigate the facts of the case in order to review the adequacy of the cash compensation. On 26 June 2018, the Gremium issued its opinion consistent with the opinions of its experts that had been

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given in December 2011 and May 2013, and which were, in general, positive for the parent company UniCredit S.p.A. The Gremium referred the case back to the Commercial Court of Vienna. The parent company UniCredit S.p.A. submitted its comments to the Court on the Gremium's decision at the end of July 2018 along with other parties. The proceedings will continue before the Commercial Court of Vienna who has ordered the parties to submit additional documents to the court, is in the process of examining witnesses and will decide on the price evaluation and other legal matters. The parent company UniCredit S.p.A., considering the nature of the valuation methods used, believes that the amount paid to the minority shareholders was adequate.

Financial sanctions matters
In March 2011 UniCredit Bank AG received a subpoena from the District Attorney for New York County ("DANY") relating to historical transactions involving certain Iranian entities designated by the U.S. Department of the Treasury's Office of Foreign Assets Control ("OFAC") and their affiliates. In the subsequent years, DANY, the U.S. Department of Justice ("DOJ"), OFAC, the New York State Department of Financial Services ("DFS"), and the Board of Governors of the Federal Reserve System and the New York Federal Reserve Bank ("Fed") (collectively "U.S. and New York authorities") initiated their own investigations respecting historical compliance by UniCredit S.p.A., UniCredit Bank AG, and UniCredit Bank Austria AG (together "Group") with applicable U.S. sanctions laws and regulations.
The parent company UniCredit S.p.A., UniCredit Bank AG, and UniCredit Bank Austria AG have each cooperated extensively with the U.S. and New York authorities, including conducting their own voluntary investigation of their U.S. dollar payments practices and its historical compliance with applicable U.S. financial sanctions, in the course of which certain historical non-transparent practices were identified. Even before the conclusion of these investigations, the Group initiated substantial and substantive remediation activities relating to policies and procedures, which are ongoing.
On 15 April 2019 the parent company UniCredit S.p.A., UniCredit Bank AG, and UniCredit Bank Austria AG reached a resolution with the U.S. and New York authorities regarding these investigations. As part of such resolution, the parent company UniCredit S.p.A., UniCredit Bank AG, and UniCredit Bank Austria AG entities have paid penalties totalling approximately $1.3 billion and have agreed to implement certain remedial policies and procedures. The amount paid by the respective entities was entirely covered by their provisions, and the final penalty amount has not had a material impact on UniCredit group. No further enforcement actions are expected relating to the subject of the resolved investigation.
As part of the settlements with the U.S. and New York authorities (DANY, OFAC, DOJ, DFS and Fed), the parent company UniCredit S.p.A., UniCredit Bank AG, and UniCredit Bank Austria AG made certain commitments to implement remedial compliance controls and conduct risk assessments relating to UniCredit group's global business lines, to provide periodic reports and certifications concerning the implementation and effectiveness of the group's compliance program to the U.S. and New York authorities, and to engage an independent external party to conduct an annual review of the effectiveness of the group's compliance program whose findings will be shared with the U.S. and New York authorities.

Euro-denominated bonds issued by EU countries
On 31 January 2019, the parent company UniCredit S.p.A. and UniCredit Bank AG received a Statement of Objections from the European Commission referring to the investigation by the European Commission of a suspected violation of antitrust rules in relation to European government bonds. The subject matter of the investigation extends to certain periods from 2007 to 2012, and includes alleged activities by UniCredit Bank AG in a part of this period. The Statement of Objections does not prejudge the outcome of the proceeding; should the European Commission conclude that there is sufficient evidence of an infringement, a decision prohibiting the conduct and imposing a fine could be adopted, with any fine subject to a statutory maximum of 10% of company's annual worldwide turnover.
The parent company UniCredit S.p.A. and UniCredit Bank AG had access to the entirety of the European Commission's file on the investigation from 15 February 2019 onwards. As a result of the assessment of the files, the Bank regards it no longer remote but possible, even though not likely, that a cash outflow might be required to fulfill a potential fine arising from the outcome of the investigation. On the basis of the current information, it is not possible to estimate reliably the amount of any potential fine at the present date.
The parent company UniCredit S.p.A. and UniCredit Bank AG have responded to the raised objections on 29 April 2019. Proceedings are ongoing. There is no legal deadline for the European Commission to complete antitrust inquiries.

On 11 June 2019, UniCredit Bank AG and UniCredit Capital Markets LLC have been named, among other financial institutions, as defendants in a putative class action already pending in the United States District Court for the Southern District of New York. The consolidated class action complaint alleges a conspiracy among dealers of Euro-denominated bonds issued by European central banks to fix and manipulate the prices of those bonds, among other things by widening the bid-ask spreads they quoted to customers. The putative class consists of those who purchased or sold Euro-denominated bonds issued by European central banks in the US between 2007 and 2012. The consolidated class action complaint does not include a quantification of damages claimed. The proceedings are in their inception. Motions to dismiss, a procedural device contemplated by the United States Federal Rules of Civil Procedure which provides defendants with an opportunity to challenge the legal sufficiency of a complaint and present arguments that the complaint should be dismissed, are currently scheduled to be fully briefed by December 2019 and will include the argument that the complaint fails to state a claim.

Proceeding relating to certain forms of banking operations
The UniCredit group is named as a defendant in several proceedings in matters connected to its operations with clients, which are not specific to UniCredit group, rather affect the financial sector in general.

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In this regard, as at 30 June 2019 (i) proceedings against the parent company UniCredit S.p.A. pertaining to compound interest, typical of the Italian market, had a total claimed amount of €1,173 million, mediations included; (ii) proceedings pertaining to derivative products, mainly affecting the Italian market (for which the claimed amount against the parent company UniCredit S.p.A. was €708 million, mediations included) and the German market (for which the claimed amount against UCB AG was €59.9 million); and (iii) proceedings relating to foreign currency loans, mainly affecting the CEE countries (for which the claimed amount was around €57 million).
The proceedings pertaining to compound interest mainly involve damages requests from clients arising from the alleged unlawfulness of the calculation methods of the amount of interest payable in connection with certain banking contracts. Starting from the first years of 2000, there has been a progressive increase in claims brought by the account holders due to the unwinding of the interest payable arisen from the quarterly compound interest. In the first half of 2019, the number of claims for refunds/compensation for compound interest did not show particular variations compared to 2018. At present, the parent company UniCredit S.p.A. has made provisions that it deems appropriate for the risks associated with these claims.
With regard to the litigation connected to derivative products, several financial institutions, including UniCredit group companies, entered into a number of derivative contracts, both with institutional and non-institutional investors. In Germany and in Italy there are a number of pending proceedings against certain Group companies that relate to derivative contracts concluded by both institutional and non-institutional investors. The filing of such litigations affects the financial sector generally and is not specific to the parent company UniCredit S.p.A. and its Group companies. At present, it is not possible to assess the full impact of these legal challenges on the Group.
With respect to proceedings relating to foreign currency loans, in the last decade, a significant number of customers in the Central and Eastern Europe area took out loans and mortgages denominated in a foreign currency (“FX”). In a number of instances customers, or consumer associations acting on their behalf, have sought to renegotiate the terms of such FX loans and mortgages, including having the loan principal and associated interest payments redenominated in the local currency at the time that the loan was taken out, and floating rates retrospectively changed to fixed rates. In addition, in a number of countries legislation that impacts FX loans was proposed or implemented. These developments resulted in litigation against subsidiaries of the parent company UniCredit S.p.A. in a number of CEE countries including Croatia, Hungary, Romania, Slovenia and Serbia.
In Croatia, following the implementation in September 2015 of a new law that rewrote the terms of FX loan contracts, a number of these lawsuits were withdrawn as customers took advantage of the benefits of the new law. Zagrebačka Banka (“Zaba”) challenged the new law before the Croatian Constitutional Court. On 4 April 2017, the Constitutional Court rejected Zaba's constitutional challenge and no further remedies are available under local laws.
In September 2016, UCB Austria and Zaba initiated a claim against the Republic of Croatia under the Agreement between the Government of the Republic of Austria and the Government of the Republic of Croatia for the promotion and protection of investments in order to recover the losses suffered as a result of amendments in 2015 to the Consumer Lending Act and Credit Institutions Act mandating the conversion of Swiss franc-linked loans into Euro-linked. In the interim, Zaba complied with the provisions of the new law and adjusted accordingly all the respective contracts where the customers requested so. Following a hearing, the arbitral tribunal ruled on part of the Respondent’s jurisdictional objections. The arbitral proceedings remain pending.

Vanderbilt related litigations

Claims brought or threatened by or on behalf of the State of New Mexico or any of its agencies or funds

In August 2006, the New Mexico Educational Retirement Board (“ERB”) and the New Mexico State Investment Council (“SIC”), both US state funds, invested $90 million in Vanderbilt Financial, LLC (“VF”), a vehicle sponsored by Vanderbilt Capital Advisors, LLC (“VCA”). VCA is a subsidiary of Pioneer Investment Management USA Inc., at the time an indirect subsidiary of the parent company UniCredit S.p.A. The purpose of VF was to invest in the equity tranche of various collateralised debt obligations (“CDOs”) managed primarily by VCA. The equity investments in VF, including those made by the ERB and SIC, became worthless. VF was later liquidated.
Starting from 2009, several lawsuits were threatened or filed (some of which were later dismissed) on behalf of the State of New Mexico relating to the dealings between VCA and the State of New Mexico. These lawsuits include proceedings launched by a former employee of the State of New Mexico who claimed the right, pursuant to the law of the State of New Mexico, to act as a representative of the State for the losses suffered by the State of New Mexico with regard to investments managed by VCA. In these proceedings, in addition to VCA, Pioneer Investment Management USA Inc., Pioneer Global Asset Management S.p.A. (PGAM), at the time controlled by UniCredit S.p.A. and incorporated by the latter in 2017, and the parent company UniCredit S.p.A. were also named as defendants, by virtue of their respective corporate affiliation with VCA, as described in the previous paragraph. In addition, two class actions were launched with regard to VCA on behalf of the public pension fund managed by ERB and the State of New Mexico threatened to launch a case against VCA if its claim was not satisfied. These suits threatened or instigated relate to losses suffered by the ERB and/or SIC on their VF investments, with additional claims threatened in relation to further losses suffered by SIC on its earlier investments in other VCA-managed CDOs. The lawsuits threatened or instigated allege fraud and kickback practices. Damages claimed in the lawsuits filed by or on behalf of the State of New Mexico are computed based on multiples of the original investment, up to a total of $365 million.
In 2012, VCA reached an agreement with the ERB, SIC and State of New Mexico to settle for the sum of $24.25 million all the claims brought or threatened by or on behalf of the State of New Mexico or any of its agencies or funds. The settlement amount was deposited into escrow at the beginning of 2013. The settlement is contingent on the Court’s approval, but that process was temporarily delayed, and the original litigation was

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stayed, pending the determination by the New Mexico Supreme Court of a legal matter in a lawsuit brought against a different set of defendants in other proceedings. The New Mexico Supreme Court issued its ruling on the awaited legal matter in June 2015 and in December 2015 VCA, the ERB, SIC, and the State of New Mexico renewed their request for Court approval of the settlement. The Court held a hearing on the matter in April 2016 and in June 2017 approved the settlement and directed that the claims against VCA be dismissed. A judgment to that effect was entered in September 2017 and a motion by the former State employee seeking to set aside that judgment was denied by the Court in October 2017. Appeals from the judgment and the subsequent order were taken in October and November 2017 and the settlement cannot be effectuated while the appeal remains pending. If the judgment is upheld on appeal, the escrowed amount will be paid over to the State of New Mexico and VCA, Pioneer Investment Management USA Inc. and UniCredit S.p.A. will all be released from all the claims that were or could have been brought by or on behalf of the State or any of its agencies or funds.

Divania S.r.l.

In the first half of 2007, Divania S.r.l. (now in bankruptcy) ("Divania") filed a suit in the Court of Bari against UniCredit Banca d'Impresa S.p.A. (then UniCredit Corporate Banking S.p.A. and now "UniCredit S.p.A.") alleging violations of law and regulation (relating, inter alia, to financial products) in relation to certain rate and currency derivative transactions created between January 2000 and May 2005 first by Credito Italiano S.p.A. and subsequently by UniCredit Banca d'Impresa S.p.A. (now "UniCredit S.p.A."). The plaintiff requests that the contracts be declared non-existent, or failing that, null and void or to be cancelled or terminated, and that UniCredit Banca d'Impresa S.p.A. pay the plaintiff a total of €276.6 million as well as legal fees and interest. It also seeks the nullification of a settlement that the parties reached in 2005 under which Divania had agreed to waive any claims in respect of the transactions.

The parent company UniCredit S.p.A. rejected Divania demands. Without prejudice to its rejection of liability, it maintains that the amount claimed has been calculated by aggregating all the debits made (for an amount much larger than the actual amount), without taking into account the credits received that significantly reduce the plaintiff's demands. In 2010, the Court-appointed expert witness submitted a report that largely confirms the Bank's position stating that there was a loss on derivatives amounting to about €6.4 million (which would increase to €10.884 million should the out-of-court settlement, challenged by the plaintiff, be judged unlawful and thus null and void).

The expert opinion states that interest should be added in an amount between €4.137 million (contractual rate) and €868,000 (legal rate). On 29 September 2014, the judges reserved their decision. A new expert report was then ordered, which essentially confirmed the conclusions of the previous expert report. At the hearing held on 6 June 2016 the judges reserved again their decision. On 16 January 2017, the Court issued a decision declaring not to be competent to decide on part of the plaintiff's claims and ordered the parent company UniCredit S.p.A. to pay, in favour of Divania's bankruptcy Receiver an overall amount of approximately €7.6 million plus legal interests and part of the expenses. The decision has been appealed. At the first hearing dated 29 November 2017, the proceedings were adjourned to 11 October 2019 for the filing of the parties' conclusions.

Two additional lawsuits have also been filed by Divania: (i) one for €68.9 million (which was subsequently increased up to €80.5 million pursuant to Art.183 of the Italian Code of Civil Procedure); and (ii) a second for €1.6 million.

As for the first case, in May 2016 the Court ordered the parent company UniCredit S.p.A. to pay approximately €12.6 million plus costs. The parent company UniCredit S.p.A. appealed against the decision and at the first hearing the case was adjourned to 22 June 2018 for the filing of detailed conclusions. At the hearing of 22 June, the case was adjourned to 11 October 2019 for the filing of the parties' conclusions.

In respect of the second case, on 26 November 2015, the Court of Bari rejected the original claim of Divania. The judgment has res judicata effect.

The parent company UniCredit S.p.A. has made a provision for an amount it deems appropriate to cover the risk of the lawsuit.

I Viaggi del Ventaglio Group (IVV)

In 2011 the foreign companies IVV DE MEXICO S.A., TONLE S.A. and the bankruptcy trustee IVV INTERNATIONAL S.A. filed a lawsuit in the Court of Milan for approximately €68 million. In 2014, the bankruptcy trustees of IVV Holding S.r.l. and IVV S.p.A. filed two additional lawsuits in the Court of Milan for €48 million and €170 million, respectively.

The three lawsuits are linked. The first and the third relate to allegedly unlawful conduct in relation to loans. The second relates to disputed derivative transactions. The parent company UniCredit S.p.A.'s view is that the claims appear to be groundless based on its preliminary analysis. In particular: (i) as far as the first lawsuit is concerned (a claim amounting to approximately €68 million), the parent company UniCredit S.p.A. won in first instance. Respectively, in July 2016 and in September 2016 the plaintiffs filed an appeal against the decision and at the hearing of 16 January 2019 the parties filed their conclusions and the proceeding is in its conclusive phase; (ii) as far as the second lawsuit is concerned (a claim amounting to approximately €48 million), relating mainly to disputed derivative transactions, in 2015, all the evidentiary requests, including the appointment of an expert, have been rejected. On 21 May 2018, the Court of Milan rejected all IVV S.p.A.'s claims by and ordered it to pay costs. The Judge approved the settlement agreement between the Bank and the Bankruptcy Trustee; and (iii) lastly, with regard to the third lawsuit (a claim amounting to approximately €170 million), it is currently at the evidentiary stage and the requests made by the judge to the court-appointed expert do not seem relating to the position of the parent company UniCredit S.p.A. An additional report filed by the court-appointed expert is favourable for the defendants. The case is now interrupted and may be resumed by the Bankruptcy Trustee.

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Lawsuit brought by “Paolo Bolici”

In May 2014, the company wholly owned by Paolo Bolici sued the parent company UniCredit S.p.A. in the Court of Rome asking for the return of approximately €12 million for compound interest (including alleged usury component) and €400 million for damages. The company then went bankrupt. The Court of Rome issued the decision on 16 May 2017 rejecting all the claims and ordering the bankruptcy procedure to reimburse the parent company UniCredit S.p.A. with the legal costs. The parent company UniCredit S.p.A. decided not to make provisions. On 17 June 2017 the bankruptcy procedure appealed the decision. The case has been adjourned to 7 December 2021 for the filing of the parties’ conclusions.

Mazza Group

The civil lawsuit originates from a criminal proceeding before the Court of Rome for illicit lending transactions of disloyal employees of the parent company UniCredit S.p.A. in favour of certain clients for approximately €84 million. These unlawful credit transactions involve: (i) unlawful supply of funding, (ii) early use of unavailable large sums, (iii) irregular opening of accounts which the employees, in increasingly important roles, facilitated in violation of the regulations and procedures of Banca di Roma S.p.A. (later "UniCredit Banca di Roma S.p.A.” and afterwards merged by incorporation into the parent company UniCredit S.p.A.).

In May 2013, certain criminal proceedings, relating to acts and offences representatives of a group of companies (the “Mazza Group”) committed in 2005 with the collaboration of disloyal employees of the parent company UniCredit S.p.A., came to an end with an exculpatory ruling (no case to answer). The Public Prosecutor and the parent company UniCredit S.p.A. appealed this decision. On 4 December 2018 the trial was adjourned to 5 November 2019 for the parties’ final submissions.

Currently two lawsuits are pending for compensation claims against the parent company UniCredit S.p.A.:

- the first filed in June 2014 by the Mazza notary in the Court of Rome, demanding from the parent company UniCredit S.p.A. compensation for the damage allegedly suffered following the criminal complaint brought by the former Banca di Roma S.p.A. The plaintiff makes use of the exculpatory ruling in the criminal proceedings to claim a traumatic experience with repercussions on their health, marriage, social and professional life, with financial, moral, existential and personal injury damages of approximately €15 million. The proceeding is at the evidence collection stage and the hearing for the submission of the parties’ conclusion is scheduled for 13 July 2020; and
- the second filed in March 2016 by Como S.r.l. and Camillo Colella in the Court of Rome, demanding damages from the parent company UniCredit S.p.A. in the amount of approximately 379 million. Similarly to the Mazza notary, the plaintiffs complain that the initiatives of the former Banca di Roma S.p.A. in the criminal and civil proceedings, caused financial, moral, existential and personal injury damages to Camillo Colella, as well as damages for the loss of important commercial opportunities, as well as image, reputational and commercial damage to Como S.r.l. The proceeding is in its conclusive phase and the next hearing is scheduled for 9 January 2020.

In the view of the parent company UniCredit S.p.A., these lawsuits currently appear to be unfounded. The parent company UniCredit S.p.A. has made a provision it deems consistent to cover the risk resulting from unlawful credit transactions, which is essentially equal to the residual credit of the parent company UniCredit S.p.A.

So.De.Co. - Nuova Compagnia di Partecipazioni S.p.A.

So.De.Co. S.r.l. (**So.De.Co.**), following to a restructuring transaction by which it acquired the “oil” business from the parent company Nuova Compagnia di Partecipazione S.p.A. (**NCP**), was sold to Ludoil Energy S.r.l. in November 2014.

In March 2016, So.De.Co., then controlled by Ludoil, summoned before the Court of Rome its former directors, NCP, the parent company UniCredit S.p.A. (in its capacity as holding company of NCP) and the external auditors (PricewaterhouseCoopers S.p.A. and Deloitte & Touche S.p.A.) claiming damages of approximately €94 million against the defendants, on a several and joint liability basis allegedly deriving from the failure to quantify, since at least 2010, the statutory capital loss, from the insufficient provisions for charges and risks relating to environmental issues, and from the unreasonably high price paid for the acquisition of the “oil” business units and subsidiaries from NCP in the context of the group reorganisation of the “oil” business.

The parent company UniCredit S.p.A. has been sued by deducing the unfounded nature of the claim and the absence of the damage complained of. On 9 May 2017 the judge rejected all plaintiffs’ requests for evidence collection and scheduled the hearing for filing the conclusions for 12 February 2019. The proceedings are ongoing.

In November 2017 So.De.Co. served a claim against NCP and the former directors on the same matter previously subject to a mediation, which had ended with no agreement between the parties. The first hearing, scheduled for 20 February 2018, was adjourned to 15 January 2019 to allow the renovation of a previously incomplete service of the claim. At such hearing, the case was adjourned to 11 June 2019 to allow the parties to file evidentiary briefs. The court has yet to decide on the parties’ evidentiary requests.

In February 2019 NCP commenced an arbitral proceeding against Ludoil (So.De.Co.’s sole shareholder).

Criminal proceedings

Certain entities within UniCredit group and certain of its representatives (including those no longer in office), are involved in various criminal proceedings and/or, as far as the parent company UniCredit S.p.A. is aware, are under investigation by the competent authorities with regard to various cases linked to banking transactions, including, specifically, in Italy, the offence pursuant to Art.644 (usury) of the Italian Criminal Code.

At present, these criminal proceedings had no significant negative impact on the operating results and capital and financial position of the parent company UniCredit S.p.A. and/or the Group, however there is a risk that, if the Parent company UniCredit S.p.A. and/or other UniCredit group entities or their representatives (including those no longer in office) were to be convicted, these events could have an impact on the reputation of the Parent company UniCredit S.p.A. and/or UniCredit group.

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In relation to the criminal proceedings pertaining to the Diamonds offer topic see the paragraph included in Part E - Information on risks and hedging policies - 2.5 Operational risks - Qualitative information - E. Other claims by customers - Diamond offer.

Other proceedings

Proceedings relating to claims for withholding tax credits

On 31 July 2014 the Supervisory Board of UCB AG concluded its internal investigation into the so-called “cum-ex” transactions (the short selling of equities around dividend dates and claims for withholding tax credits on German share dividends) at UCB AG. The findings of the Supervisory Board’s investigation indicated that UCB AG sustained losses due to certain past acts/omissions of individuals.

The Supervisory Board brought proceedings for compensation against three former members of the Management Board, not seeing reasons to take any action against the current members. These proceedings are ongoing. UniCredit S.p.A., UCB AG’s Parent company, supports the decisions taken by the Supervisory Board. In addition, criminal investigations have been conducted against current or former employees of UCB AG by the Prosecutors in Frankfurt on the Main, Cologne and Munich with the aim of verifying alleged tax evasion offences on their part. UCB AG cooperated and continues to cooperate with the aforesaid Prosecutors who investigated offences that include alleged tax evasion in connection with cum-ex transactions both for UCB AG’s own book as well as for a former customer of UCB AG. Proceedings in Cologne against UCB AG and its former employees were closed in November 2015 with, inter alia, the payment by UCB AG of a fine of €9.8 million. The investigations by the Frankfurt on the Main Prosecutor against UCB AG under section 30 of the Administrative Offences Act (the *Ordnungswidrigkeitengesetz*) were closed in February 2016 by the payment of a fine of €5 million. The investigation by the Munich Prosecutor against UCB AG was closed as well in April 2017 with legally binding effect following the payment of a forfeiture of €5 million. In December 2018, in connection with an ongoing investigation against former bank employees by the Cologne prosecutor, UCB AG was informed of the initiation of an investigation in connection with an administrative offence regarding “cum-ex” transactions involving Exchange Traded Funds (“ETF”). In April 2019 these investigations were extended to the so called Ex/Ex-transactions, in which an involvement of the bank in the sourcing of cum/ex transactions of other market participants on the ex-day is suspected. The facts are examined internally. UCB AG continues to cooperate with the authorities.

The Munich tax authorities are currently performing a regular field audit of UCB AG for the years 2009 to 2012 as well as the ongoing follow-up audits for the years 2013 to 2015 which includes, among other things, review of other transactions in equities around the dividend record date. During these years UCB AG performed, among other things, securities-lending transactions with different domestic counterparties which include, but are not limited to, different types of securities transactions around the dividend date. It remains to be clarified whether, and under what circumstances, tax credits can be obtained or taxes refunded with regard to different types of transactions carried out close to the dividend record days, and what the further consequences for the bank will be in the event of different tax treatment. It cannot be ruled out that UCB AG might be exposed to tax-claims in this respect by relevant tax-offices or third party claims under civil law. UCB AG is in constant communication with relevant regulatory authorities and the competent tax authorities regarding these matters. UCB AG has made provisions deemed appropriate.

Medienfonds/closed-end funds

Various investors in “VIP Medienfonds 4 GmbH & Co. KG” to whom the UCB AG issued loans to finance their participation brought legal proceedings against UCB AG. In the context of the conclusion of the loan agreements the plaintiffs claim that an inadequate advice was provided by the bank about the fund structure and the related tax consequences. A settlement was reached with the vast majority of the plaintiffs. An outstanding final decision with respect to the question of UCB AG's liability for the prospectus in the proceeding pursuant to the Capital Markets Test Case Act (Kapitalanleger-Musterverfahrensgesetz) which is pending at the Higher Regional Court of Munich, will affect only a few pending cases.

Additionally, at present, UCB AG is defending lawsuits concerning other closed-end funds. Investors filed lawsuits against UCB AG and claim insufficient advice was provided by the bank within the scope of their investment in closed-end funds. In particular, the investors claim that UCB AG did not or did not fully disclose any refunds made to the bank or they were advised on the basis of an allegedly incorrect prospectus. The questions regarding a correct and sufficient advice to a customer as well as questions regarding the limitation period and thus the success prospects in the proceedings depend on the individual circumstances of the particular case and are therefore difficult to be predicted. As far as these proceedings were disputed, the experience in the past has shown that the deciding courts have largely ruled in favour of UCB AG.

Alpine Holding GmbH

Alpine Holding GmbH (a limited liability company) undertook a bond offering every year from 2010 to 2012. In 2010 and 2011, UCB Austria acted as joint lead manager, together with another bank. In June/July 2013, Alpine Holding GmbH and Alpine Bau GmbH became insolvent and insolvency proceedings began. Numerous bondholders then started to send letters to the banks involved in issuing the bonds, setting out their claims.

Insofar as UCB Austria is concerned, bondholders based their claims primarily on prospectus liability of the joint lead managers; only in a minority of cases they also claimed an alleged misselling due to bad investment advice. Furthermore, UCB Austria, among other banks, has been named as defendant in civil proceedings initiated by investors including three class actions filed by the Federal Chamber of Labour (with the claimed amount totalling about €20.26 million). The principal claim is prospectus liability. These civil proceedings are mainly pending in the first instance.

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So far the Austrian Supreme Court has not issued a final decision with respect to prospectus liability claims against UCB Austria. In addition to the foregoing proceedings against UCB Austria stemming from the Alpine insolvency, additional Alpine-related actions have been threatened and may be filed in the future. The pending or future actions may have negative consequences for UCB Austria. At the moment, it is not possible to estimate reliably the timing and results of the various actions, nor determine the level of liability, if any.
Several involved persons have been named as defendants in pre-trial criminal proceedings in Austria which concern the Alpine bankruptcy case. Bank Austria has joined these proceedings as private party. Also, unknown responsible persons of the issuing banks involved were formally investigated by the public prosecutor's office. In May 2017, the public prosecutor decided to close the proceedings against this group of persons. Several appeals against this decision were rejected in January 2018, hence the decision is final. Proceedings against the remaining defendants were closed in May 2018. Appeals against this decision are still pending.

Valauret S.A.
In 2004, Valauret S.A. and Hughes de Lasteyrie du Saillant filed a civil claim for losses resulting from the drop in the share price between 2002 and 2003, allegedly caused by earlier fraudulent actions by members of the company's Board of directors and other subjects. UCB Austria (as successor to Creditanstalt) was joined as the fourteenth defendant in 2007 based on the fact that it was banker to one of the defendants. Valauret S.A. quantified damages suffered for an amount of €129.8 million in addition to legal costs and Hughes de Lasteyrie du Saillant damages of €4.39 million. In 2006, before the action was extended to UCB Austria, the civil proceedings were suspended following the opening of criminal proceedings by the French State that are underway. In December 2008, the civil proceedings were also suspended against UCB Austria. In UCB Austria's opinion, the claim is groundless and at present no provisions have been made.

C. Risks arising from employment law cases
UniCredit is involved in employment law disputes. In general, all employment law disputes are supported by provisions made to meet any disbursements incurred and in any case UniCredit does not believe that any liabilities relating to the outcome of the pending proceedings could have a significant impact on its economic and/or financial standing.

Lawsuits filed against UniCredit S.p.A. by members of the former Cassa di Risparmio di Roma Fund
Lawsuits brought against UniCredit S.p.A. by members of the former Cassa di Risparmio di Roma Fund aimed to reconstitute the patrimony of the fund, ascertain and quantify social security individual position of each member. Claims' value is about €384 million. The litigation is now pending before the supreme Court after two degree decisions favourable to the Bank. No provision have been made as these claims are considered groundless.

D. Risks arising from tax disputes
The following information pertains to the most relevant litigations born in 2019 and to those already pending at the beginning of the fiscal year, which have been decided or otherwise defined. For the litigations which are not mentioned, reference must be made to the financial statements of previous fiscal years.

Pending cases arising during the period
In the first half of 2019 the Tax Authorities have notified the following requests of information:
- to UniCredit S.p.A., two requests pursuant to Art.36-bis of D.P.R. 600/1973, regarding all the details of the computation of IRAP for the fiscal years 2010 and 2011. With respect to such fiscal years, UniCredit S.p.A. had requested the refund of the IRAP tax paid with reference to certain dividends received, for €36.7 million (2010) and €34.7 million (2011);
- moreover, to UniCredit S.p.A., a request of information, pursuant to Art.36-bis of D.P.R. 600/1973, regarding certain amounts indicated in the 2015 IRAP tax return;
- to Bank Austria A.G., a request regarding income from capital of Italian source received from 2014 to 2018.

All the aforementioned requests have been served in June 2019 and, as at 30 June 2019, the due answers are being prepared.
Moreover:
- to Unicredit Bank A.G., Italian branch, on 11 July 2019, the tax Authorities have served a notice of assessment regarding VAT 2014 for a total amount of €14.5 million (€6 million for higher tax, €7.4 million for penalties and €1.1 million for interest). The deed follows a tax audit concluded in 2018 regarding the fiscal years 2013 and 2014. The remark pertains to the effects of the decision No. C-7/13 (Skandia) of the EUCJ. According to the decision made with reference to the 2013 assessment, a claim with the Tax Court will be filed;
- pursuant to a decision of the Supreme Court, which has referred the parties to the second degree tax Court, to UniCredit S.p.A. has been served a request of payment for €0.48 million. Such request had been already notified and, therefore, it is a duplication. Subsequently, a claim with the Tax Court has been filed and the litigation is pending.

Updates on pending disputes and tax audits
With reference to the first half of 2019, the following information is reported:
- with respect to the registration tax allegedly due for the registration of the rulings that had settled a number of opposition proceedings regarding the liability status of the companies of the "Costanzo Group", the Tax Authorities have recognised as not due an additional amount of the registration tax requested. Therefore, with reference to all the requests of payment notified, the tax requested is reduced to €12.05 million. Moreover, all the pending litigations have been decided by the second degree Tax Court in favour of UniCredit S.p.A. Currently, the legal terms for

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the filing of the claims with the Supreme Court are pending;
- the notice of assessment regarding IRES 2013 referred to Pioneer Investment Management S.G.R.p.A., regarding transfer pricing issues, has been settled out of Court, similarly to what happened with respect to previous fiscal years. The higher tax requested was equal to €4.4 million, plus interest, and the litigation has been settled by means of the payment of €2.34 million plus interest. No penalty has been applied since the Tax Authorities have expressly recognized the compliance with the transfer pricing documentation regime;
- the Supreme Court took a favourable decision for UniCredit S.p.A. for a notice of assessment regarding VAT 2000. The amount of the litigation is €6.7 million.

With reference to the settlement of the pending tax litigations, provided for by Law Decree No.119/2018, the following information is reported:
- UniCredit S.p.A. has settled pending litigations for a total amount of €54 million, by means of the payment of €2.1 million. The litigations which have been settled refer mainly to VAT and Corporate Income Tax;
- UniCredit Leasing S.p.A. has settled pending litigations for a total amount of €84.9 million, by means of the payment of €3.7 million. The litigations which have been settled refer mainly to VAT and, for a small amount, to other indirect taxes and to IRAP.

Both for UniCredit S.p.A. and for UniCredit Leasing S.p.A., the amount paid depends on the fact that, for the most part, with respect to the litigations which have been settled, favourable decisions had already been issued.

As at 31 December 2018, the provisions for tax risks amounted to about €182.1 million (including provisions for legal expenses). As at 30 June 2019, due to the use of funds and to new provisions, the provisions amount to €165.6 million, of which €6.5 million per legal expenses.

Tax proceedings in Germany
Reference is made to the paragraph of Explanatory notes in Part E Section 2 - Risk of the prudential consolidated perimeter - 2.5 Operational risk - Qualitative information - B Legal risks.

E. Other claims by customers
Supporting the business structures, the Compliance function oversees the regulatory environment evolution relating to banking services and products in areas like transparency, financial and investment services and anti-usury. Compliance, as control function, develops rules, checks processes and procedures and monitors complaints trends. The Compliance function, along with the Legal one, also supports analysis and evaluation stages of adequacy of potential "customer care" actions or other initiatives designed to compose particular situations in which UniCredit S.p.A. might be involved in order to define them.
Considering the regulatory complexity and interpretations not always homogeneous, UniCredit S.p.A. time-to-time assesses the accounting of provisions for risk and charges, aimed at facing costs, deemed probable, in a contest that has increased the litigiousness at baking system level.

The trend in market interest rates resulted in the main benchmark reference for indexed loans, the Euribor, being negative. This has originated the issue of how to measure the overall interest rate for the clients, creating a fact pattern not existing so far. In light of such complexity, the underlying contracts with clients were subject to a deep monitoring. In this regard, and in compliance with the regulations in force, UniCredit S.p.A. takes the necessary initiatives deciding to apply the most favorable approach for the clients for the past years too, applying a final interest rate calculated as algebraic sum of the parameter (Euribor) and the spread and also allocating a provision for the reimbursement to the clients defined on the basis of the best estimation considering the available information. At the reference date UniCredit S.p.A. is proceeding with the clients' reimbursement.

Diamond offer
Over the years, within the diversification of investments to which the available assets are addressed and also considering in this context those investments with the characteristics of the so-called "safe haven" with a long-term horizon, several UniCredit S.p.A.'s customers have historically invested in diamonds through a specialised intermediary company, with which the Bank has stipulated, since 1998, a collaboration agreement as "Introducer", in order to regulate the "reporting" methods of the offer of diamonds by the same company to UniCredit customers.

Since the end of 2016, the liquidity available on the market to meet the requests of customers who intended to divest their diamond assets has contracted to a certain extent until it became nil, with the suspension of the service by the brokerage company.

In 2017 UniCredit S.p.A. started a "customer care" initiative which envisaged the availability of the Bank to intervene for the acknowledgement towards the customer of the original cost incurred for the purchase of precious items and the consequent withdrawal of the stones, upon certain conditions.
The initiative has been adopted assessing the absence of responsibility for its role as "Introducer"; nevertheless, the AGCM ascertained UniCredit's responsibility for unfair commercial practice (confirmed in appeal by the Administrative Regional Court in the second half of 2018), imposing, in 2017, a fine of €4 million paid in the same year. UniCredit has filed an appeal to the Council of State. The proceedings are pending.

Part E - Information on risks and hedging policies

On 8 March 2018, a specific communication was issued from Banca d'Italia concerning the "Related activities exercisable by banks", in which large attention was given to the reporting at the bank branches of operations, purchase and sale of diamonds by specialised third-party companies.

As at 30 June 2019, UniCredit:
- received reimbursement requests for a total amount of about €358 million (cost originally incurred by the Clients) from No.10,441 Customers; according to a preliminary analysis, such requests fulfill the requirements envisaged by the "customer care" initiative; the finalisation of the reimbursement requests is currently carried out, aimed at assessing their effective compliance with the "customer care" initiative, and then proceed with the settlement where conditions recur;
- with reference to the scope outlined in the previous point (€358 million), reimbursed No.6,064 customers for about €228 million (equivalent value of original purchases), equal to about 64% of the reimbursement requests said above;

In order to cope with the probable risks of loss related to the repurchases of diamonds, a dedicated Risk and Charges Fund was set up; its quantification was also based on the outcome of an independent study (commissioned to a primary third company) aiming at evaluating the diamonds' value.
Finally, the gems purchased are recognised for about €61 million in item "130. Other assets" of the balance sheet.

On 19 February 2019, the judge in charge of the preliminary investigation at the Court of Milan issued an interim seizure directed to UniCredit and other financial institutions aimed at: (i) direct confiscation of the amount of €33 million against UniCredit for the offence of aggravated fraud and (ii) indirect as well as direct confiscation of the amount of €72 thousand for the offence of self-laundering against UniCredit. From the seizure order it emerges that investigations for the administrative offence under Article 25-octies of Legislative Decree 231/2001 are pending against UniCredit for the crime of self-laundering.

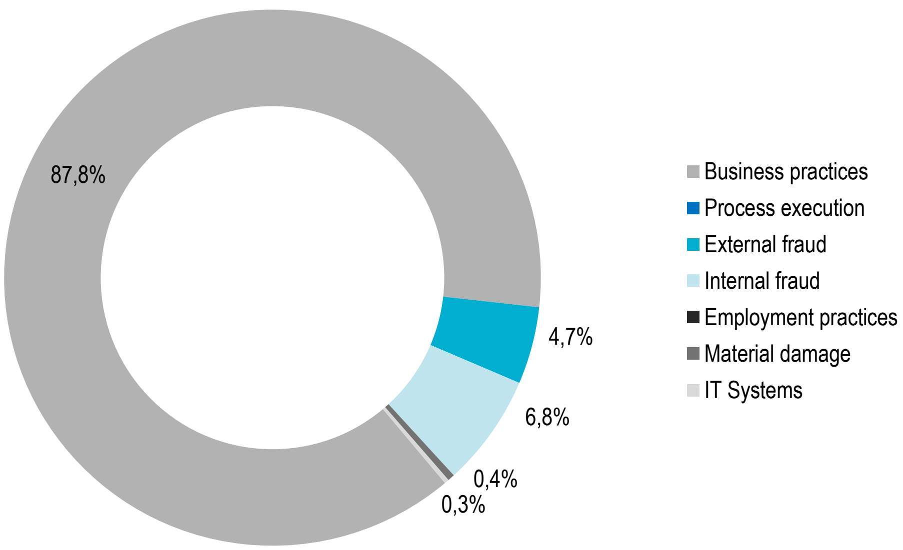
Part E - Information on risks and hedging policies

Quantitative information

Detailed below is the percentage composition at Group Level, by type of event , of operational risk sources as defined by the New Basel Capital Accord and acknowledged by the Regulations for the Prudential Supervision of Banks issued by Banca d'Italia in December 2013 (Circular No.285/2013 and following updates).

The risk categories for event type are the following:
internal fraud: losses owing to unauthorised activity, fraud, embezzlement or violation of laws, regulations or business directives that involve at least one internal member of the bank;
external fraud: losses owing to fraud, embezzlement or violation of laws by subjects external to the bank;
employment practices and workplace safety: losses arising from actions in breach of employment, health and workplace safety laws or agreements, from personal injury compensation payments or from cases of discrimination or failure to apply equal treatment;
clients, products and business practices: losses arising from non-fulfilment of professional obligations towards clients or from the nature or characteristics of the products or services provided;
damage from external events: losses arising from external events, including natural disasters, acts of terrorism and vandalism;
business disruption and system failures: losses owing to business disruption and system failures or interruptions;
process management, execution and delivery: losses owing to operational or process management shortfalls, as well as losses arising from transactions with commercial counterparties, sellers and suppliers.

Operational losses 1H 2019 divided by risk category



In the first half 2019, the main source of operational risk (for this purpose, the positive effect due to the release of provisions set aside in previous years, as a consequence of the settlement with US Authorities, has not been considered) was "Clients, products and business practices", a category which includes losses arising from the non-fulfilment of professional obligations towards clients or from the nature or characteristics of the products or services provided, as well as any sanctions for violating regulations.
The second largest contribution to losses refers to Internal fraud. There were also, in decreasing order, losses stemming from External fraud. The residual risk categories were damage to physical assets from external events and IT systems related problems.

Part E - Information on risks and hedging policies

2.6 Other risks

Other risks included in Economic Capital

The so-called Pillar 1 risk types (credit risk, market risk, operational risk, as described in dedicated chapters) are considered as primary risks, but there are also other risks the Group considers as significant, namely:

1. Business risk;
2. Real estate risk;
3. Financial investments risk.

These risks are defined as follows.

1. Business risk

Business risk is defined as adverse, unexpected changes in business volume and/or margins that are not due to credit, market and operational risks. Business risk can result, above all, from changes in the competitive situation or customer behaviour, but may also result from changes in the reference regulatory framework.

The exposure data used to calculate business risk are taken from the income statements of each Entity of the Group for which the risk is significant. Volatility and correlations are estimated from the time series of relevant items of Income statement reports. Business risk focuses on the impact of unexpected shocks on future margins on a one-year time horizon; in this context the margin is defined as the difference between earnings and costs not explained by risk factors already included e.g. in credit, market, operational risk.

Business risk is calculated on a quarterly basis for monitoring and budgeting purposes according to planning time scheduling.

2. Real estate risk

Real estate risk is defined as the potential loss resulting from market value fluctuations of the Group's real estate portfolio, including real estate Special purpose vehicles. It does not take into consideration properties held as collateral which are evaluated inside credit risk.

The relevant data for the real estate risk calculation include general information relating to properties and area or regional price indexes for each property to enable calculation of volatility and correlation in the model.

The real estate risk model estimates the maximum potential loss with a confidence level set according to the rating target over a one-year time horizon, using a Monte Carlo simulation approach and assuming real estate returns are correlated and have a non-Gaussian distribution.

Real estate risk is calculated quarterly for monitoring purposes with a portfolio updated every six months and for budgeting purposes according to the timelines scheduled in the planning process.

3. Financial investments risk

Financial investments risk stems from the equity investments held in companies not included in the Group and not held in the Trading Book.

The relevant portfolio mainly includes listed and unlisted shares, derivatives with underlying equity, private equity, units of mutual, hedge and private equity funds.

For all the Group equity positions, capital charges may be calculated using either a PD/LGD-based approach or a market-based one. The PD/LGD approach is used for unlisted or listed but not liquid equities, including direct private equity holdings. The market-based approach is used for traded equities, equity hedges and all mutual, hedge and private equity funds through the mapping to market risk factors.

The calculation of the risk is based on the maximum potential loss, i.e. Value at Risk (VaR), with a confidence level set according to the rating target and over a one-year time horizon and is executed inside credit and market risk models according to the nature of the underlying portfolio. Financial investments risk is calculated quarterly for monitoring and for budgeting purposes according to the timelines scheduled in the planning process.

Risk measurement methods

Within the Internal Capital Adequacy Assessment Process (ICAAP) and in line with the proportionality principle defined in Pillar II of Basel II, the risk profile of the Group and the main Group legal entities is assessed for all the Pillar II risk types.

Credit, market, operational, business and real estate risks are measured quantitatively, by:

- Economic Capital and aggregation as an input for Internal Capital;
- Stress tests.

The Internal Capital represents the capital needed to face the potential losses inherent in the Group's business activities and takes into consideration all the Pillar II risk types identified by the Group and which are quantifiable in terms of Economic Capital: credit, market, operational, business, participation and real estate risks. The effect of the diversification between risk types ("inter-risk diversification") and of the diversification at portfolio level ("intra-risk diversification") is calculated. In addition a Capital add-on is calculated as prudential cushion in order to account for model risk uncertainty.

Internal Capital is calculated using a Bayesian Copula with a one year time horizon and a confidence level in line with the Group rating target. For control purposes, the Internal Capital is calculated quarterly; it is also projected for budgeting purposes.

Part E - Information on risks and hedging policies

The multidimensional nature of risk requires to supplement the measurement of economic capital with stress testing, not only in order to estimate losses in certain scenarios, but also to assess their impacts in terms of capital requirements. Stress testing is a key risk management tool for the management of the relevant risks in order to assess the bank's vulnerability with respect to exceptional but plausible events, providing additional information to the monitoring activities.
Stress testing activities, in compliance with regulatory requirements, are performed on the basis of a set of internally defined stress scenarios. The stress test activities also assess the capital requirements for the main regions where the Group is active, and are carried out at least twice a year.

In the context of the activities of risk measurement prescribed by Pillar II, the Group-wide stress test considers the various impacts of a given macro-economic scenario on all the relevant risks with the aim of giving a complete and thorough representation of the behaviour of the Group in stressed conditions. These scenarios are drawn analysing both significant market events happened in the past and plausible worst-case events not yet occurred.

Stress test is performed for both single risk types and risk aggregation and produces conditional losses and stressed Economic Capital as outputs. Estimate of aggregate stress test accounts for the change of materiality of single risks as well as for the change of diversification benefit in stressed conditions.

Since 2017 two complementary approaches are applied in stress testing activities: “Normative Perspective” focuses on the effects of stressed scenarios on regulatory capital metrics while “Economic Perspective” deals with economic value changes evaluated at portfolio level.

The Group Senior Management is involved in the ex-ante as well as in the ex-post stress analysis in the following way:
- before the exercise is finalised, with a presentation regarding the selected scenarios and the underlying assumptions;
- after the exercise is finalised, with the disclosure of the results and a potential discussion of a contingency plan, if needed.

The adequacy of the risk measurement methodologies supporting the ICAAP, including stress testing and risk aggregation, is checked by internal validation functions.

Consistently with the corporate governance system, UniCredit S.p.A. Group Risk Management is responsible for the Group Economic and Internal Capital methodology development and their measurement, as well as for the setting and implementation of the Group related processes. The "Group Rules", after the approval, are submitted to relevant legal entities for approval and implementation.

Reputational risk
Reputational risk is defined as the current or prospective risk to earnings and capital arising from the adverse perception of the image of the financial institution on the part of customers, counterparties (including also debt-holders, market analysts, other relevant parties), shareholders / investors, regulators or employees (stakeholders).
Reputational risk is a secondary risk generated as a "knock-on effect" from risk categories, such as credit, market, operational and liquidity risks and all others risks types (e.g. business risk, strategy risk, ESG risk which considers the environmental, social and governance aspects of responsible investments). Reputational risk could also be generated from material events.

Since 2010 UniCredit group has ruled the reputational risk and the policy currently in place is the Group Reputational Risk management policy which aims at defining a general set of principles and rules for assessing and controlling reputational risk. In addition, since 2017 the Global Process Regulation “Reputational Risk management for Material Events” has been in force with the aim of defining a straightforward escalation process to the Parent company’s Senior Management for events not managed via existing Reputational Risk processes in order to allow it to react promptly in managing the potential consequences.
The reputational risk management is in charge to the Group Operational & Reputational Risks Department of UniCredit S.p.A. and to dedicated functions within the Group legal entities.

In addition, the setup of the Group Risk & Internal Control Committee ensures consistency in Reputational risk policies, methodologies and practices controlling and monitoring the Group Reputational risk portfolio. In addition, the Reputational risk Committee is in charge of evaluating possible Reputational risks inherent transactions, on the basis of the current Reputational risk guidelines and policies.

The current policies mitigating specific Reputational risk topics regard “Defense/Weapons Industry”, “Nuclear Energy”, “Mining”, “Water Infrastructure (dam)” and “Coal fired power generation”.

Top and emerging risks
In UniCredit S.p.A., the management and monitoring of risks is based on a dynamic approach; The Senior Management is promptly informed on top risks and/or emerging risks through a strict monitoring process embedded in the risk assessment process.
The Risk Management identifies and estimates these risks and submits them regularly to the Senior Management and the Board of Directors which take the appropriate actions to manage and mitigate risks.

Part E - Information on risks and hedging policies

Until June 2019, the Group paid particular attention to following types of risks:
1. geopolitical risks existing in the areas where UniCredit S.p.A: operates, especially in Turkey and Russia;
2. economic consequences coming from "Brexit" event;
3. risks stemming from the current Regulatory developments that could affect Group profitability.

1. Geopolitical risks

Even though the **Turkish** economy has returned to growth in the first months of 2019 and disinflation trend accelerated, recovery is at risk to be short-lived as the economic conditions remain challenging. The real economy could slip back into recession and should the fiscal-external positions keep posting excessive imbalances, reigniting recovery and maintaining solvency might necessitate financial support going forward.
Outlook is exposed to domestic- and geo-political risks, which can lead to renewed pressure on fundamentals. The economy should return to growth once the impact of the currency crisis subsides.

While the **Russian** economy has recorded a slow growth momentum in the beginning of this year, fundamentals remained sound in general with public and external finances being favourable and ensuring important buffers to deal with potential adverse externalities. Nonetheless, structural specific vulnerabilities remain, in particular to the global commodity price-cycle, and are exacerbated by persistent challenges stemming from the potential extension of sanctions regime; the risk of facing additional sanctions has anyway alleviated in recent times, which bodes well for risk sentiment.

2. Economic consequences coming from "Brexit" event

The UK government remained in deadlock to secure parliamentary approval for the Withdrawal Agreement within the initial deadline of 29 March 2019, leading the Prime Minister Theresa May to seek approval from the EU bodies for an extension to the Brexit process.
The UK's departure date from the European Union has been formally delayed to 31 October 2019, in order to allow more time for the Parliament to approve the withdrawal agreement with the EU, and pass subsequent legislation needed to facilitate Brexit.
The modest result of the ruling conservative party in the local and European elections occurred in May 2019, the subsequent resignation of Prime Minister Theresa May and the continued lack of clarity over the UK's eventual relationship with the EU, mounts to the risk of a no deal EU exit outcome or a further delay to EU exit, resulting in continuing business uncertainty.
In general, major points of attention relate to the uncertainty on legal aspects affecting continuity of cross-border financial contracts, the cross border transfer of personal data and access to UK market infrastructure.
UCG's business model is based on a multi-hub structure which allows us to flexibly react to any Brexit outcome by leveraging on continental EU UniCredit S.p.A. hubs.

3. Current regulatory and macroeconomic environments

Evolution of the regulatory framework

Over the last few years the regulatory framework in which financial institutions act has become increasingly complex and stricter. This complexity has further increased following the introduction of new financial regulations, some of them being still under discussion, and by the ECB central role in the supervision of a large portion of the European banking system. All these changes might significantly affect the Group and introduce additional challenges for the general banking sector profitability and capital requirements.

The most relevant changes are the following:
- revision to the Basel III framework for the calculation of risk weighted assets for credit, operational and market risk published in December 2017 (known as Basel IV). The regulator's ultimate goal is to restrict the usage of internal models for measuring credit risk on some specific portfolios and to return to a more stringent standardised approach as well as to eliminate internal models for operational risks. These revisions complement the change to the market risk framework (Fundamental Review of Trading Book) finalised in January 2019, which envisages the introduction of more stringent and sophisticated internal models and standardised approaches for measuring market risk in the trading portfolios. Proposals to accommodate the revised Basel III into European Union standards could probably materialise in 2020 (CRRIII), with entry into force not earlier than the end of 2022 or the beginning of 2023. With regard to internal models for credit risk, alongside the regulatory proposal of the Basel Committee, EBA issued new guidelines which will impose tighter criteria for risk parameter estimation, further increasing capital requirements for banks that use internal models extensively;
- NPLs provisioning backstop. In March 2018 the ECB published the Addendum to the Guidance on NPL, introducing the "Prudential provisioning backstop for non performing exposures". Specifically, the new rules provide quantitative guidelines to ensure more timely coverage of Non Performing exposures, defining minimum level of prudential coverage for exposures classified as non performing since 1 April 2018. The new coverage rules defined by the Supervisor require banks to apply a full coverage of a Non Performing exposure starting from the second year up to the seventh year since the date of the counterparty's classification to default (i.e. Past Due, Unlikely to Pay, Bad loans), depending on whether the exposure is unsecured or secured respectively. The potential gap between the coverage envisaged by the new rules and the accounting provisions applied at the reference date should be filled via Core Tier 1 deduction.
- on top of the rules defined within the ECB Addendum (being Pillar II requirements), the European Commission has finalised a further regulation (in

Part E - Information on risks and hedging policies

force since last April) which envisages a Pillar I measure similar to the ECB one, although with some specificities: firstly, the European Commission regulation applies to all the new loans originated since the coming into force of the regulation that afterwards become non-performing; secondly, it envisages slightly different calibration rules of prudential provisioning, requiring full coverage after 3, 7, and 9 years of default classification for unsecured, secured by movable property and secured by immovable property, respectively;
- entry into force of a binding 3% minimum leverage ratio, an additional regulatory requirement compared to the risk based indicators envisaged in the Basel III package. The leverage ratio aims to constrain the building up of financial leverage in the banking industry, as well as to reinforce the capital requirements with a supplementary measure not based on risk parameters. The final regulation for the European Union (CRRII), including the binding leverage ratio, has been published last June and defines the entry into force of this new regulatory requirement in June 2021, with a subsequent implementation of the G-SIB buffer starting in 2022 (in line with the Basel IV implementation timeline). In addition to changes implemented in the CRRII, also the revision to the leverage ratio calculation (mainly on exposure measure) introduced by the Basel IV package will have to be implemented in Europe through the further revision of the CRR (CRRIII) and enter into force not earlier than the end of 2022 or the beginning of 2023;
- entry into force of the liquidity requirements envisaged in Basel III: a short term indicator (*Liquidity Coverage Ratio*, “LCR”), with the goal to have banks to maintain a liquidity buffer to survive a 30-days period of stress, and a structural liquidity indicator (the *Net Stable Funding Ratio*, “NSFR”) referring to a time horizon over one year, introduced to ensure that assets and liabilities have a sustainable structure in terms of maturity. While the LCR is already in force, the NSFR has been introduced as a requirement in the CRRII published in June 2019 and will apply from June 2021.
- TLAC/MREL introduction: the *Total Loss Absorbing Capacity* (“TLAC”) introduced by the *Financial Stability Board* as a global standard for G-SIBs (and aimed at ensuring that institutions maintain a sufficient amount of financial resources to absorb losses and recapitalise in case of stress) is being implemented in Europe through the BRRD2 and the CRRII/CRDIV, published in June 2019. The European transposition of TLAC, i.e. the “Pillar I” *Minimum Requirement for Own Funds and Eligible Liabilities* (Pillar 1 MREL) applies to all G-SIBs; “Pillar II” MREL instead is bank-specific. TLAC (Pillar 1 MREL) has become binding in June 2019 as a transitional requirement, equal to 16% + *Combined Capital Buffer* of Risk Weighted Assets (RWAs) and will reach its fully loaded shape (18% + *Combined Capital Buffer* of RWAs) in 2022 (with no intermediate levels envisaged in terms of calibration). MREL, instead, is being phased-in and reaches its fully loaded shape in 2024 (with intermediate levels, in terms of calibration, to be discretionally set by the Resolution Authority).
- discussion of preferential treatment of sovereign exposure in banks’ banking book: banks‘ exposures to the home sovereign currently benefit of a zero risk weight. There is no concrete proposal under consultation yet, but policy makers and regulators are discussing which approach to adopt, if any, to remove this preferential treatment. On the one hand, the European Commission (DG FISMA) is drafting a document which allegedly sets out EC's priorities for completing the Banking Union: these include the revision of the treatment of sovereign exposure which might foresee the application of concentration charges. On the other hand, in 2018 the European Parliament issued a proposal, currently under discussion, to allow preferential treatment to a new class of *Sovereign Bond-Backed Securities* (SBBS), to encourage diversification of banks’ holdings of Euro zone bonds. SBBS would be a new type of asset created by the private sector based on a pre-defined pool of sovereign bonds of the Euro area Member States.

Part F - Consolidated shareholders' equity

Section 1 - Consolidated shareholders' equity

A. Qualitative information

UniCredit group deems as priority the activities of capital management and capital allocation based on the risks taken, with the aim of expanding the Group's operations in a value creation perspective. These activities are structured in the different phases of the Group planning and monitoring process and, in particular, in:

- planning and budgeting processes:
  - proposals of risks appetite and capitalisation objectives;
  - analysis of risks associated with value drivers and allocation of capital to business areas and units;
  - assignment of risk-adjusted performance objectives;
  - analysis of the impact on the Group's value and the creation of value for shareholders;
  - preparation and proposal of the equity plan and dividend policy;
- monitoring processes:
  - analysis of performance achieved at Group and business unit level and preparation of managerial reports for internal and external use;
  - analysis and monitoring of limits;
  - analysis and performance monitoring of the capital ratios of the Group and single entities.

The Group has committed itself to generate income in excess to the one necessary to remunerate risk (cost of equity) and to create value for its shareholders by allocating capital to the various business areas and business units on the basis of specific risk profiles. To support the processes of planning and monitoring, the Group adopts a methodology based on risk-adjusted performance measurement (RAPM) which provides a number of indicators that combine and summarise the operating, financial and risk-related variables to be considered.

Therefore, the Group capital and its allocation are of paramount importance in the definition of corporate strategies, as, on the one hand, the Group Capital represents the shareholders' investment in the Group, which needs to be adequately remunerated, and on the other hand, it is a scarce resource subject to the external constraints set by regulators.

In the allocation process, the definitions of capital adopted are the following:

- risk or employed capital: this is the equity component provided by shareholders (employed capital) which must be remunerated through an income generation higher than or equal to expectations (cost of equity);
- capital at risk: this is the portion of capital and reserves that is used (the budgeted amount or allocated capital) or was used to cover (at period-end - absorbed capital) the risks taken to pursue the objective of creating value.

If capital at risk is measured through risk management methods, then it is defined as internal capital; if it is measured through regulatory provisions, then it is defined as regulatory capital.
Internal capital and regulatory capital differ in terms of their definition and the categories of risk covered. The former is based on the actual measurement of the exposure taken, while the latter is based on schedules specified in regulatory provisions.
Internal capital is set at such a level to cover adverse events with a high level of probability, while regulatory capital is quantified on the basis of a CET1 target ratio in line with the one of major international banking groups and taking into account the impacts of the supervisory regulations in force or that will be adopted. Capital Allocated to Business Segment is quantified by regulatory capital.

The capital management activity, performed by the Capital Management unit of Group Planning and Capital Management, is aimed at defining the target level of capitalisation for the Group and its companies in line with supervisory regulations and the risk appetite.
UniCredit group has identified a Fully Loaded Common Equity Tier 1 Ratio Target between 12.0% and 12.5% as of 2019, as communicated in November 2018 within the Targets of Transform 2019 update during the market presentation of the third quarter 2018 Group results (https://www.unicreditgroup.eu/content/dam/unicreditgroup-eu/documents/en/investors/group-results/2018/3Q18/UniCredit_PR_3Q18-ENG.pdf).

In the dynamic activity of capital management, the Capital Management unit defines the capital plan and monitors the regulatory capital ratios. The monitoring activity is focused, on the one hand, on capital, according to both accounting and regulatory definition (Common Equity Tier 1, Additional Tier 1, and Tier 2 Capital), and, on the other hand, on the planning and performance of Risk-Weighted Assets (RWA).
The dynamic approach to the capital management activity aims at identifying the most suitable investment and capital instruments (ordinary shares and other capital instruments) for achieving the defined targets. If there is a capital shortfall, the gaps to be filled and capital generation measures are indicated, and their cost and efficiency are measured through the RAPM methodology. In this context, value analysis is enhanced by the joint role played by the Capital Management unit in the fields of, among others, regulatory, accounting, financial, tax-related, risk management, etc. and with respect to the changing regulations affecting these aspects; in this way, the Capital Management unit will be able to perform the necessary assessments and to provide with the necessary instructions the other Group HQ areas or companies asked to perform these tasks.

For further details on Own Funds and capital ratios it shall be referred to the Annex 2 of this document.

Part H - Related-party transactions

Introduction

For the purposes of financial disclosure, in accordance with the Commission Regulation (EU) No.632/2010 of 19 July 2010, the text of IAS24 applies, which defines the concept of related party and identifies the relations between that party and the entity producing the financial statements. IAS24 also explains that the disclosure should include transactions entered into with subsidiaries of associates and subsidiaries of joint ventures.

Pursuant to IAS24, UniCredit S.p.A.'s related parties include:
- companies belonging to UniCredit group and companies controlled by UniCredit S.p.A. but not consolidated[30];
- associates and joint ventures, as well as their subsidiaries;
- UniCredit's "Key management personnel";
- close family members of "key management personnel" and companies controlled (or jointly controlled) by key management personnel or their close family members;
- UniCredit group employee post-employment benefit plans.

Key management personnel are persons having authority and responsibility for planning, directing, and controlling UniCredit's activities, directly or indirectly. Key management personnel include the Chief Executive Officer and the other members of the Board of Directors, the Standing Auditors and the other Senior Executive Vice Presidents directly reporting to the Board of Directors or to the Chief Executive Officer.

Also for the management of related-party transactions refer to the discipline established by Consob Regulation No.17221/2010 (deriving from the provisions of Art.2391-bis of the Italian Civil Code) and by Banca d'Italia Circular No.263/2006 (Title V, Chapter 5) introduced in 2011 as well as the provisions pursuant to Art.136 of Legislative Decree No.385/1993, under which corporate officers may assume obligations towards the bank they manage, direct or control, only upon unanimous approval of the board of the bank and positive opinion of the Board of Statutory Auditors.

In this regard, UniCredit S.p.A., as a listed issuer and subject to Banca d'Italia regulations, has adopted the Global Policy "Transactions with related parties, associated persons and Corporate Officers ex art.136 CBA", approved by UniCredit's Board of Directors with the positive opinion of the Related-Parties Committee and of the Board of Statutory Auditors, which is published on UniCredit S.p.A. website (www.unicreditgroup.eu), designed to define preliminary and conclusive rules with respect to transactions initiated by UniCredit S.p.A., including those conducted through subsidiaries, with related parties, and the manner in which information is disclosed to corporate bodies, the supervisory authorities and the market. Specific guidelines contained in the Global Policy have been distributed to the company's functions and Group Legal Entities in order to systematically abide to the above-mentioned reporting requirements.
UniCredit S.p.A. has also established, in accordance with those guidelines, the abovementioned Related-Parties Committee and Equity Investments, consisting of three members appointed by the Board of Directors among its members qualified as "independent" within the meaning of Art.3 of the Corporate Governance Code.
In addition UniCredit S.p.A. applies specific procedures regarding internal controls on risk activities with subjects in conflit of interests regulated in the Global Policy "Transactions with related parties, associated persons and Corporate Officers ex art.136 CBA".

During 2019, transactions carried out with related parties reported in the data streams provided by the reference standards, were executed and carried out based on assessments of the economic convenience and interests of the Group.

30 For the purposes of this Consolidated first half financial report as at 30 June 2019 transactions and outstanding balances between consolidated companies were written off as described in Part A

Part H - Related-party transactions

Related-party transactions

The following table sets out the assets, liabilities, guarantees and commitments, for each group of related parties, pursuant to IAS24.

Related-party transactions: balance sheet items

(€ million)

	AMOUNTS AS AT 06.30.2019								
	CONTROLLED NOT CONSOLIDATED	JOINT VENTURE	ASSOCIETED COMPANIES	KEY MANAGEMENT PERSONNEL	OTHER RELATED PARTIES	TOTAL	% ON ACCOUNTS ITEM	SHAREHOLDERS(*)	% ON ACCOUNTS ITEM
Financial assets at fair value through profit or loss	-	313	1,183	-	-	1,496	1.68%	2	-
a) Financial assets held for trading	-	135	1,104	-	-	1,239	1.84%	2	-
c) Other financial assets mandatorily at fair value	-	178	79	-	-	257	1.18%	-	-
Financial assets at fair value through other comprehensive income	-	-	112	-	-	112	0.14%	-	-
Financial assets at amortised cost	1	2,152	2,319	2	2	4,476	0.77%	101	0.02%
a) Loans and advances to banks	-	1,234	1,154	-	-	2,388	2.94%	-	-
b) Loans and advances to customers	1	918	1,165	2	2	2,088	0.42%	101	0.02%
Non-current assets and disposal groups classified as held for sale	-	-	15	-	-	15	0.48%	-	-
Other assets	1	4	122	-	-	127	1.44%	-	-
Total assets	**2**	**2,469**	**3,751**	**2**	**2**	**6,226**	**0.81%**	**103**	**0.01%**
Financial liabilities at amortised cost	13	14	8,835	8	158	9,028	1.33%	33	-
a) Deposits from banks	-	13	7,485	-	-	7,498	5.65%	32	0.02%
b) Deposits from customers	13	1	1,350	8	158	1,530	0.34%	1	-
Financial liabilities held for trading and designated at fair value	-	20	86	-	-	106	0.20%	-	-
Other liabilities	-	-	27	-	-	27	0.18%	1	0.01%
Total liabilities	**13**	**34**	**8,948**	**8**	**158**	**9,161**	**1.21%**	**34**	**-**
Guarantees given and commitments	3	2,787	1,347	-	2	4,139	-	696	-

Notes:
(*) Shareholders and related companies holding more than 3% of voting shares in UniCredit.
(**) It should be noted that the item "Guarantees given and commitments" includes revocable commitments.

Part H - Related-party transactions

The following table sets out the impact of transactions, for each group of related parties, on income statements, pursuant to IAS24.

Related-party transactions: profit and loss items

(€ million)

	AMOUNTS AS AT 06.30.2019								
	CONTROLLED NOT CONSOLIDATED	JOINT VENTURE	ASSOCIETED COMPANIES	KEY MANAGEMENT PERSONNEL	OTHER RELATED PARTIES	TOTAL	% ON ACCOUNTS ITEM	SHAREHOLDERS(*)	% ON ACCOUNTS ITEM
10. Interest income and similar revenues	-	52	41	-	-	93	1.26%	1	0.01%
20. Interest expenses and similar charges	-	-	(21)	-	-	(21)	0.94%	-	-
30. Net interest margin	**-**	**52**	**20**	**-**	**-**	**72**	**1.39%**	**1**	**0.02%**
40. Fees and commissions income	-	3	395	-	-	398	10.72%	1	0.03%
50. Fees and commissions expenses	(2)	-	(7)	-	-	(9)	1.50%	-	-
60. Net fees and commissions	**(2)**	**3**	**388**	**-**	**-**	**389**	**12.50%**	**1**	**0.03%**
70. Dividend income and similar revenues	-	-	46	-	-	46	25.99%	-	-
80. Net gains (losses) on trading	-	(4)	(12)	-	-	(16)	3.44%	12	2.58%
110. Net gains (losses) on other financial assets/liabilities at fair value through profit or loss	-	2	1	-	-	3	2.21%	-	-
b) Other financial assets mandatorily at fair value	-	2	1	-	-	3	1.16%	-	-
120. Operating income	**(2)**	**53**	**443**	**-**	**-**	**494**	**5.51%**	**14**	**0.16%**
130. Net losses/recoveries on credit impairment relating to	-	(6)	(20)	-	-	(26)	2.19%	-	-
a) Financial assets at amortised cost	-	(6)	(20)	-	-	(26)	2.21%	-	-
190. Administrative expenses	-	-	(221)	-	(13)	(234)	4.40%	-	-
a) Staff costs	-	-	3	-	(7)	(4)	0.13%	-	-
b) Other administrative expenses	-	-	(224)	-	(6)	(230)	10.26%	-	-
200. Net provisions for risks and charges	-	-	4	-	-	4	2.44%	-	-
230. Other operating expenses/income	-	1	(18)	-	-	(17)	4.17%	-	-
240. Operating costs	**-**	**1**	**(235)**	**-**	**(13)**	**(247)**	**5.20%**	**-**	**-**

Note:
(*) Shareholders and related companies holding more than 3% of voting shares in UniCredit.

The “Other related-parties IAS” category includes:
- close family members of key management personnel (i.e. those family members who, as is expected, may influence, or be influenced by, the person in question);
- companies controlled (or jointly controlled) by key management personnel or their close family members;
- Group employee post-employment benefit plans.

The main related-party transactions are the following.
- In 2012 the subsidiary UniCredit Services S.C.p.A. (US) formerly UniCredit Business Integrated Solutions S.C.p.A. (UBIS), assumed the role of operating sub-holding to provide the Group’s support services both in Italy and abroad.
  On 19 April 2013, the Board of Directors of US approved the executive plan of the project aimed at establishing a joint venture with another major player in the industry, IBM Italia S.p.A. (IBM), for the provision of technological infrastructure services (hardware, data centre, etc.) to Commercial Banking. The transaction was completed when US transferred, with effect from 1 September 2013, of “Information Technology" business unit to the company "Value Transformation Services S.p.A.” (V-TServices), formed and controlled by IBM Italia S.p.A. Following the transaction, US holds 49% of V-TServices’s share capital; the remaining 51% is held by IBM (which is therefore the controlling shareholder)
  In December 2016 a contractual renegotiation, with extention of expiry to December 2026, between US and V-TService has been concluded with the aim of increasing value creation and ability to catch new opportunities from technological evolution.
  The services provided to UniCredit group by the abovementioned companies result in an exchange of fees (administrative costs).
- With reference to transactions with Mediobanca S.p.A. (“Mediobanca”), in addition to the transactions falling within the ordinary course of business

Part H - Related-party transactions

and financial activity, UniCredit S.p.A. has entered into a thirty-year usufruct contract on UniCredit S.p.A. shares with Mediobanca, under which Mediobanca gives back to UniCredit S.p.A., in return for a consideration (recorded as a reduction in Shareholders' Equity), the right to vote and receive dividends on UniCredit S.p.A. shares subscribed in January 2009, as part of the capital increase approved by UniCredit S.p.A. in November 2008. These shares were concomitantly used, by Mediobanca, in support of the issuance of convertible securities denominated "Cashes".
Following the resolutions of UniCredit S.p.A.'s Extraordinary Shareholders' Meeting of December 2011, the number of shares underlying the usufruct contract and the formula for calculating the remuneration fees in favor of Mediobanca were adjusted to reflect (i) the reverse split of UniCredit S.p.A. shares and (ii) the free capital increase of December 2011 carried out through the allocation to capital of an equivalent amount transferred from the issue-premium reserve recorded in January 2009. A further reverse split of UniCredit S.p.A. shares underlying the usufruct agreement has been approved by the Extraordinary Shareholders' Meeting of January 2017. In 2019 the fourth installment referred to the 2017 result has been paid for €31 million and the first installment referred to the 2018 result has been paid for €32 million.

- With regard to UniCredit's current strategy of reduction of non-performing exposures in order to strengthen the Group's risk profile as per the Transform 2019 plan, UniCredit S.p.A. and MBCredit Solutions S.p.A., member of Mediobanca group, in 2019, following other transactions realized during 2018, have reached an agreement for the disposal of non-performing customer loans originated in 2018. UniCredit S.p.A. and MBCredit Solutions S.p.A. have also reached an agreement for the sale of similar loans that should arise starting from first quarter till year-end.
- In 2018, through a competitive auction process, UniCredit S.p.A. has signed long-term partnership with Allianz for the exclusive distribution of Life and Non-Life bancassurance products (excluding Credit Protection products) in Bulgaria, Croatia, Hungary, Romania, Slovenia, Czech Republic and Slovakia (and potentially in Bosnia in case the conditions are met). The partnership was implemented in the y mentioned countries, through local distribution agreements, in compliance with the all local regulations, in the second half of 2018.
- It should be noted that distribution agreements concerning insurance products were signed with the following associates:
  - Aviva S.p.A.;
  - CNP UniCredit Vita S.p.A.;
  - Creditras Assicurazioni S.p.A.;
  - Creditras Vita S.p.A.;
  - Incontra Assicurazioni S.p.A.
- The relationships with other related parties include the relationships with external pension funds (for UniCredit S.p.A. employees), since they have separate legal personality. These transactions were conducted on the same terms and conditions as those applied to transactions with independent third parties. The relationships with these pension funds are almost entirely represented by the relationships included in Deposits from customers (and related interests).

Part L - Segment reporting

Organisational structure

The format for segment information reflects the organisational structure currently used in management reporting for monitoring the Group's results, which is broken down into the following business segments: Commercial Banking Italy, Commercial Banking Germany, Commercial Banking Austria, Corporate & Investment Banking (CIB), Central and Eastern Europe (CEE), Group Corporate Center and Non Core.

Commercial Banking Italy

Commercial Banking Italy is composed by UniCredit S.p.A. commercial network relating to Core clients (excluding Large Corporate and Multinational clients, supported by Corporate and Investment Banking Division), Leasing (excluding Non Core clients), Factoring and local Corporate Center with supporting functions for the Italian business.
In relation to individual clients (Mass market, Affluent, Private and Wealth), Commercial Banking Italy' s goal is to offer a full range of products and services to fulfill transactional, investments and credit needs, relying on branches and multichannel services provided thanks to new technologies.
The territorial organisation promotes a bank closer to customers and faster decision-making processes, while the belonging to UniCredit group allows to support companies in developing International attitudes.

Commercial Banking Germany

Commercial Banking Germany provides all German customers (excluding Large Corporate and Multinational clients, supported by Corporate and Investment Banking Division) with a complete range of banking products and services. It is composed of:

- "Privatkundenbank" (Individual Clients segment) that serves retail and private banking customers with banking and insurance solutions across all areas of demand and all-round advisory services reflecting the individual and differentiated needs in terms of relationship model and product offering;
- "Unternehmerbank" (Corporate segment) that employs a different "Mittelstand" bank model to its competitors in that it serves both business and personal needs across the whole bandwidth of German enterprises and firms operating in Germany;
- local Corporate Center.

Different service models are applied in line with the needs of its various customer groups: retail customers, private banking customers, small business and corporate customers, real estate customers and wealth management customers.
Commercial Banking Germany holds large market shares and a strategic market position in retail banking, in private banking and especially in business with local corporate customers (including factoring and leasing).

Commercial Banking Austria

Commercial Banking Austria provides its Austrian customers (excluding Large Corporate and Multinational clients, supported by Corporate and Investment Banking Division) with a complete range of banking products and services. It is composed of:

- "Privatkundenbank" (Private Customer Bank) that covers private individuals, ranging from mass-market to affluent customers, high net-worth individuals and business customers; it includes Schoellerbank, a well-established subsidiary servicing wealthy customers;
- "Unternehmerbank" (Corporate Customer Bank, excluding CIB clients) servicing the entire range of SMEs, medium-sized and large companies, which do not access capital markets (including real estate and public sector); it includes the product factories Factoring and Leasing;
- Local Corporate Center.

A broad coverage of individual clients and companies is ensured through its nation-wide branch network. Commercial Banking Austria holds significant market shares and a strategic market position in retail banking, private banking and especially in business with local corporate customers and is one of the leading providers of banking services in Austria.
Commercial Banking Austria applies an integrated service model, allowing clients to decide when, where and how they contact UniCredit Bank Austria. This approach combines classic branches which are continuously modernised, new formats of advisory service centres and modern self-service branches, internet solutions, mobile banking with innovative apps and contact to relationship managers via video-telephony.

Corporate & Investment Banking (CIB)

The CIB Division targets mainly Large Corporate and Multinational clients with highly sophisticated financial profile and needs for investment banking services, as well as institutional clients of UniCredit Group. CIB serves UniCredit Group's clients across 32 countries with a wide range of specialized products and services, combining geographical proximity with an high expertise in all segments in which it is active.
Moreover CIB acts as products and solutions provider for the commercial network, provides structured financing, hedging and treasury solutions for corporate and investment products for private and retail, according to the "CIB fully plugged-in concept". In the light of a more integrated client offering, Joint Venture between Commercial Banking and CIB division have been set up in Italy and Germany, with the objective to increase cross selling of investment banking products (M&A, Capital Markets and derivatives) to commercial banking clients.
The organisational structure of CIB is based on a matrix that integrates market coverage (carried out through an extensive commercial network in Western Europe and an international network of branches and representative offices) and product offering (divided into three Product Lines that consolidate the breadth of the Group's CIB know-how).

Part L - Segment reporting

The dedicated commercial networks (CIB Network Italy, CIB Network Germany, CIB Network Austria, CIB Network France, International Network, Financial Institutions Group) are responsible for the relationships with corporate clients, banks and financial institutions as well as the sale of a broad range of financial products and services, ranging from traditional lending and merchant banking operations to more sophisticated services with high added value, such as project finance, acquisition finance and other investment banking services and operations in international financial markets.
The three following Product Lines supplement and add value to the activities of the commercial networks:

- Financing and Advisory (F&A) - F&A is the expertise center for all business operations related to credit and advisory services for corporate and institutional clients. It is responsible for providing a wide variety of products and services ranging from plain vanilla and standardized products, extending to more sophisticated products such as Capital Markets (Equity and Debt Capital Markets), Corporate Finance and Advisory, Syndications, Leverage Buy-Out, Project and Commodity Finance, Real Estate Finance, Structured Trade and Export Finance.
- Markets - Markets is the centre specialized for all financial markets activities and serves as the Group's access point to the capital markets. This results in a highly complementary international platform with a strong presence in emerging European financial markets. As a centralized product line, it is responsible for the coordination of financial markets-related activities, including the structuring of products such as FX, Rates, Equities and credit related activities.
- Global Transaction Banking (GTB) - GTB is the centre for Cash Management, e-banking, Supply Chain Finance, Trade Finance products and global securities services.

Moreover the controlled company UCI International Luxembourg operates in Global Family Office and Wealth Management activities

Central and Eastern Europe (CEE)

The Group, through the CEE business segment, offers a wide range of products and services to retail, corporate and institutional clients in 12 Central and Eastern Europe countries: Azerbaijan, Bosnia- Herzegovina, Bulgaria, Croatia, Czech Republic, Hungary, Romania, Russia, Serbia, Slovakia, Slovenia and Turkey, and additionally Leasing activities in the 3 Baltic countries.
UniCredit group is able to offer to its retail customers in the CEE countries a broad portfolio of products and services similar to those offered to its Italian, German and Austrian customers.
With respect to corporate clients, UniCredit group is constantly engaged in standardising the customer segments and range of products. The Group shares its business models on an international level in order to ensure access to its network in any country where the Group is present. This approach is vital due to the variety of global products offered, particularly cash management and trade finance solutions to corporate customers operating in more than one CEE country.

Group Corporate Center

The Group Corporate Center's objective is to lead, control and support the management of the assets and related risks of the Group as a whole and of the single Group companies in their respective areas of competence. In this framework, an important objective is to optimise costs and internal processes guaranteeing operating excellence and supporting the sustainable growth of the Business Lines. The Group Corporate Center also include the Group's Legal Entities dismissed or that are going to be dismissed.

Non Core

Starting from the first quarter of 2014 the Group decided to introduce a clear distinction between the abovementioned activities defined as core segment, meaning strategic business segments and in line with risk strategies, and activities defined as non-core segment, including non-strategic assets and those with a poor fit to the Group's risk-adjusted return framework, with the aim of reducing the overall exposure of this last segment in the course of time and to improve the risk profile. Specifically, the non-core segment includes selected assets of Commercial Banking Italy (identified on a single deal/client basis) to be managed with a risk mitigation approach and some special vehicles for securitisation operations.

Part L - Segment reporting

A - Primary segment

A.1 - Breakdown by business segment: income statement

(€ million)

	COMMERCIAL BANKING ITALY	COMMERCIAL BANKING GERMANY	COMMERCIAL BANKING AUSTRIA	CENTRAL EASTERN EUROPE	CORPORATE & INVESTMENT BANKING	GROUP CORPORATE CENTRE	NON CORE	CONSOLIDATED GROUP TOTAL 06.30.2019
Net interest	1,702	759	345	1,361	1,096	(140)	8	5,132
Dividends and other income from equity investments	50	2	76	152	1	41	-	321
Net fees and commissions	1,832	360	294	405	233	(24)	6	3,106
Net trading income	21	11	10	208	524	(71)	(8)	696
Net other expenses/income	(10)	46	20	16	36	(68)	(12)	28
OPERATING INCOME	**3,595**	**1,178**	**744**	**2,143**	**1,890**	**(261)**	**(6)**	**9,283**
Payroll costs	(1,094)	(471)	(262)	(391)	(301)	(539)	(17)	(3,075)
Other administrative expenses	(971)	(338)	(218)	(289)	(461)	747	(105)	(1,635)
Recovery of expenses	208	4	-	24	1	27	37	301
Amortisation, depreciation and impairment losses on tangible and intangible assets	(45)	(12)	(3)	(94)	(7)	(397)	-	(557)
Operating expenses	**(1,902)**	**(816)**	**(483)**	**(750)**	**(768)**	**(162)**	**(85)**	**(4,966)**
OPERATING PROFIT	**1,693**	**361**	**262**	**1,393**	**1,122**	**(424)**	**(91)**	**4,316**
Net writedowns of loans and provisions for guarantees and commitments	(524)	(26)	10	(187)	(149)	(2)	(297)	(1,175)
OPERATING NET PROFIT	**1,169**	**336**	**272**	**1,205**	**973**	**(426)**	**(388)**	**3,142**
Other charges and provisions	(149)	41	(60)	(145)	161	(194)	(104)	(450)
Integration costs	(1)	-	1	(2)	-	(2)	-	(5)
Net income from investments	(83)	388	17	-	(232)	20	(27)	84
PROFIT BEFORE TAX	**936**	**765**	**230**	**1,058**	**902**	**(600)**	**(519)**	**2,771**

A.2 - Breakdown by business segment: balance sheet amounts and RWA

(€ million)

BALANCE SHEET AMOUNTS	COMMERCIAL BANKING ITALY	COMMERCIAL BANKING GERMANY	COMMERCIAL BANKING AUSTRIA	CENTRAL EASTERN EUROPE	CORPORATE & INVESTMENT BANKING	GROUP CORPORATE CENTRE	NON CORE	CONSOLIDATED GROUP TOTAL 06.30.2019
CUSTOMERS LOANS (NET REPOS AND IC)	143,879	87,596	44,615	67,791	80,335	2,609	5,333	**432,158**
CUSTOMERS DEPOS (NET REPOS AND IC)	151,162	89,668	47,496	70,632	47,928	2,635	546	**410,066**
TOTAL RISK WEIGHTED ASSETS (BASEL 3)	102,731	36,115	23,478	90,608	83,896	35,071	15,240	**387,139**

A.3 - Staff

	COMMERCIAL BANKING ITALY	COMMERCIAL BANKING GERMANY	COMMERCIAL BANKING AUSTRIA	CENTRAL EASTERN EUROPE	CORPORATE & INVESTMENT BANKING	GROUP CORPORATE CENTRE	NON CORE	CONSOLIDATED GROUP TOTAL 06.30.2019
STAFF								
Employees (FTE)	29,098	9,047	4,845	24,281	3,212	14,026	326	**84,836**

Part L - Segment reporting

A.1 - Breakdown by business segment: income statement

(€ million)

	COMMERCIAL BANKING ITALY	COMMERCIAL BANKING GERMANY	COMMERCIAL BANKING AUSTRIA	CENTRAL EASTERN EUROPE	CORPORATE & INVESTMENT BANKING	GROUP CORPORATE CENTRE	NON CORE	CONSOLIDATED GROUP TOTAL 06.30.2018
Net interest	1,773	738	335	1,316	1,121	(175)	61	5,169
Dividends and other income from equity investments	40	-	67	196	3	47	-	353
Net fees and commissions	1,901	382	311	399	296	(51)	16	3,254
Net trading income	26	51	48	202	489	(4)	(29)	782
Net other expenses/income	(42)	56	21	12	51	5	(14)	89
OPERATING INCOME	**3,697**	**1,227**	**782**	**2,126**	**1,960**	**(178)**	**34**	**9,647**
Payroll costs	(1,170)	(483)	(285)	(373)	(290)	(585)	(19)	(3,205)
Other administrative expenses	(1,038)	(347)	(231)	(298)	(485)	739	(111)	(1,771)
Recovery of expenses	212	9	-	22	1	35	41	320
Amortisation, depreciation and impairment losses on tangible and intangible assets	(43)	(20)	(7)	(87)	(2)	(381)	-	(541)
Operating expenses	**(2,039)**	**(841)**	**(523)**	**(736)**	**(777)**	**(192)**	**(90)**	**(5,198)**
OPERATING PROFIT	**1,658**	**386**	**258**	**1,390**	**1,183**	**(371)**	**(56)**	**4,449**
Net writedowns of loans and provisions for guarantees and commitments	(431)	(62)	55	(206)	161	(1)	(514)	(997)
OPERATING NET PROFIT	**1,227**	**324**	**313**	**1,184**	**1,345**	**(371)**	**(570)**	**3,452**
Other charges and provisions	(158)	(157)	(93)	(141)	(413)	(194)	(22)	(1,178)
Integration costs	(2)	-	1	-	-	11	-	9
Net income from investments	-	111	(5)	4	9	103	-	221
PROFIT BEFORE TAX	**1,068**	**278**	**216**	**1,046**	**941**	**(452)**	**(592)**	**2,505**

A.2 - Breakdown by business segment: balance sheet amounts and RWA

(€ million)

BALANCE SHEET AMOUNTS	COMMERCIAL BANKING ITALY	COMMERCIAL BANKING GERMANY	COMMERCIAL BANKING AUSTRIA	CENTRAL EASTERN EUROPE	CORPORATE & INVESTMENT BANKING	GROUP CORPORATE CENTRE	NON CORE	CONSOLIDATED GROUP TOTAL 12.31.2018
CUSTOMERS LOANS (NET REPOS AND IC)	145,641	83,741	44,808	65,344	81,354	3,274	6,612	**430,774**
CUSTOMERS DEPOS (NET REPOS AND IC)	146,236	91,694	47,380	65,744	45,301	2,985	528	**399,867**
TOTAL RISK WEIGHTED ASSETS (BASEL 3)	95,753	36,642	23,496	86,572	81,598	33,898	12,221	**370,180**

A.3 - Staff

	COMMERCIAL BANKING ITALY	COMMERCIAL BANKING GERMANY	COMMERCIAL BANKING AUSTRIA	CENTRAL EASTERN EUROPE	CORPORATE & INVESTMENT BANKING	GROUP CORPORATE CENTRE	NON CORE	CONSOLIDATED GROUP TOTAL 12.31.2018
STAFF								
Employees (FTE)	29,582	9,167	4,873	24,214	3,234	14,247	345	**85,662**

Condensed Interim consolidated financial statements certification pursuant to Art.81-ter of Consob Regulation No.11971/99, as amended

1. The undersigned Jean Pierre Mustier (as Chief Executive Officer) and Stefano Porro (as the Manager in Charge with preparing the financial reports) of UniCredit S.p.A., also in compliance with Art.154-bis (paragraphs 3 and 4) of Italian Legislative Decree No.58 of 24 February, 1998, do hereby **certify**:
• the adequacy in relation to the Legal Entity's features, and
• the actual application of the administrative and accounting procedures employed to draw up the Condensed interim consolidated financial statements, in the first half 2019.

2. The adequacy of administrative and accounting procedures employed to draw up the 2019 Condensed interim consolidated financial statements has been evaluated by applying a model devised by UniCredit S.p.A. in accordance with "Internal Control - Integrated Framework (CoSO)" and "Control Objective for IT and Related Technologies (Cobit)", which represent generally accepted international standards for internal control system and, specifically, for financial reporting.

3. The undersigned also **certify** that:
   3.1 the 2019 Condensed interim consolidated financial statements:
      a) were prepared in compliance with applicable international accounting standards recognised by the European Community pursuant to European Parliament and Council Regulation No.1606/2002 of 19 July 2002;
      b) are consistent with accounting books and records;
      c) are suitable to provide a fair and correct representation of the economic and financial situation of the issuer and the group of companies included in the scope of consolidation;
   3.2 the Interim report on operations includes a reliable analysis of the most significant events in the first six months of the financial year and their impact on the Condensed interim consolidated financial statements, together with a description of the main risks and uncertainties concerning the remaining six months of the year. The Consolidated first half financial report also contains a reliable analysis of information on significant related party transactions.

Milan, 6 August 2019

Jean Pierre MUSTIER

Stefano PORRO

Deloitte.

Deloitte & Touche S.p.A.
Via Tortona, 25
20144 Milano
Italia

Tel: +39 02 83322111
Fax: +39 02 83322112
www.deloitte.it

REPORT ON REVIEW OF THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

To the Shareholders of
UniCredit S.p.A.

Introduction

We have reviewed the condensed interim consolidated financial statements of UniCredit S.p.A. and subsidiaries (the "UniCredit Group"), which comprise the balance sheet as of June 30, 2019 and the income statement, the statement of comprehensive income, the statement of changes in shareholders' equity, the cash flow statement for the six month period then ended and the related explanatory notes. The Directors are responsible for the preparation of these condensed interim consolidated financial statements in accordance with the International Accounting Standard applicable to the interim financial reporting (IAS 34) as adopted by the European Union. Our responsibility is to express a conclusion on the condensed interim consolidated financial statements based on our review.

Scope of Review

We conducted our review in accordance with the criteria recommended by the Italian Regulatory Commission for Companies and the Stock Exchange ("Consob") for the review of the half-yearly financial statements under Resolution n° 10867 of July 31, 1997. A review of condensed interim consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (ISA Italia) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusions

Based on our review, nothing has come to our attention that causes us to believe that the condensed interim consolidated financial statements of UniCredit Group as at June 30, 2019 are not prepared, in all material respects, in accordance with the International Accounting Standard applicable to the interim financial reporting (IAS 34) as adopted by the European Union.

DELOITTE & TOUCHE S.p.A.

Signed by
Riccardo Motta
Partner

Milan, Italy
August 8, 2019

This report has been translated into the English language solely for the convenience of international readers.

Reconciliation between reclassified balance sheet and income statement accounts and mandatory reporting schedules

A reconciliation of the reclassified balance sheet and profit and loss account to the mandatory reporting schedules, is provided below.
Any discrepancy in the data shown in this table is solely due to roundings.
An explanation for the restatement of comparative figures is provided in the previous sections.

Consolidated balance sheet

(€ million)

	AMOUNTS AS AT	
ASSETS	**06.30.2019**	**12.31.2018**
Cash and cash balances	32,578	30,991
Item 10. Cash and cash balances	*32,578*	*30,991*
Financial assets held for trading	67,344	65,231
Item 20. Financial assets at fair value through profit and loss: a) Financial assets held for trading	*67,344*	*65,231*
Loans to banks	77,911	69,850
Item 40. Financial assets at amortised cost: a) Loans and receivables with banks	*81,352*	*73,643*
less: Reclassification of debt securities in Other financial assets	*(3,486)*	*(3,839)*
+ Reclassification of loans from Other financial assets - Item 20 c)	*45*	*47*
Loans to customers	469,298	471,839
Item 40. Financial assets at amortised cost: b) Loans and receivables with customers	*499,152*	*505,668*
less: Reclassification of debt securities in Other financial assets	*(32,778)*	*(36,304)*
less: Reclassification of leasing assets IFRS16 in Other financial liabilities	*(50)*	*-*
+ Reclassification of loans from Other financial assets - Item 20 c)	*2,974*	*2,475*
Other financial assets	138,438	152,310
Item 20. Financial assets at fair value through profit and loss: b) Financial assets designated at fair value	*-*	*-*
Item 20. Financial assets at fair value through profit and loss: c) Other financial assets mandatorily at fair value	*21,694*	*20,906*
less: Reclassification of loans in Loans to banks	*(45)*	*(47)*
less: Reclassification of loans in Loans to customers	*(2,974)*	*(2,475)*
Item 30. Financial assets at fair value through other comprehensive income	*77,779*	*88,280*
Item 70. Equity investments	*5,670*	*5,502*
+ Reclassification of debt securities from Loans to banks - Item 40 a)	*3,486*	*3,839*
+ Reclassification of debt securities from Loans to customers - Item 40 b)	*32,778*	*36,304*
+ Reclassification of leasing assets IFRS16 from Loans to customers - Item 40 b)	*50*	*-*
Hedging instruments	9,801	7,120
Item 50. Hedging derivatives	*6,211*	*4,682*
Item 60. Changes in fair value of portfolio hedged items (+/-)	*3,590*	*2,439*
Property, plant and equipment	9,176	8,408
Item 90. Property, plant and equipment	*9,176*	*8,408*
Goodwill	886	1,484
Item 100. Intangible assets of which: goodwill	*886*	*1,484*
Other intangible assets	1,915	2,024
Item 100. Intangible assets net of goodwill	*1,915*	*2,024*
Tax assets	12,896	13,078
Item 110. Tax assets	*12,896*	*13,078*
Non-current assets and disposal groups classified as held for sale	3,115	1,800
Item 120. Non-current assets and disposal groups classified as held for sale	*3,115*	*1,800*
Other assets	8,824	7,334
Item 80. Insurance reserves charged to reinsurers	*-*	*-*
Item 130. Other assets	*8,824*	*7,334*
Total assets	**832,183**	**831,469**

Reconciliation between reclassified balance sheet and income statement accounts and mandatory reporting schedules

continued: Consolidated balance sheet

(€ million)

	AMOUNTS AS AT	
LIABILITIES AND SHAREHOLDERS' EQUITY	**06.30.2019**	**12.31.2018**
Deposits from banks	132,695	125,895
Item 10. Financial liabilities at amortised cost: a) Deposits from banks	*132,695*	*125,895*
less: Reclassification of leasing liabilities IFRS16 in Other financial liabilities	*-*	*-*
Deposits from customers	453,019	478,988
Item 10. Financial liabilities at amortised cost: b) Deposits from customers	*455,363*	*478,988*
less: Reclassification of leasing liabilities IFRS16 in Other financial liabilities	*(2,344)*	*-*
Debt securities issued	92,434	81,153
Item 10. Financial liabilities at amortised cost: c) Debt securities in issue	*92,434*	*81,153*
Financial liabilities held for trading	40,410	43,111
Item 20. Financial liabilities held for trading	*40,410*	*43,111*
Other financial liabilities	13,689	9,318
Item 30. Financial liabilities designated at fair value	*11,346*	*9,318*
+ Reclassification of leasing liabilities IFRS16 from Deposits from banks	*-*	*-*
+ Reclassification of leasing liabilities IFRS16 from Deposits from customers	*2,344*	*-*
Hedging instruments	13,848	9,262
Item 40. Hedging derivatives	*7,810*	*6,032*
Item 50. Value adjustment of hedged financial liabilities (+/-)	*6,038*	*3,230*
Tax liabilities	962	825
Item 60. Tax liabilities	*962*	*825*
Liabilities included in disposal groups classified as held for sale	632	540
Item 70. Liabilities referrable to disposal groups classified as held for sale	*632*	*540*
Other liabilities	24,948	25,609
Item 80. Other liabilities	*14,705*	*13,951*
item 90. Provision for employee severance pay	*676*	*698*
Item 100. Provisions for risks and charges	*9,567*	*10,961*
Item 110. Technical reserves	*-*	*-*
Minorities	411	927
Item 190. Minority shareholders' equity (+/-)	*411*	*927*
Group shareholders' equity:	59,136	55,841
- Capital and reserves	55,895	51,948
Item 120. Valuation reserves	*(7,642)*	*(7,489)*
Item 140. Equity instruments	*5,602*	*4,610*
Item 150. Reserves	*23,719*	*20,503*
Item 160. Share premium	*13,225*	*13,393*
Item 170. Share capital	*20,995*	*20,940*
Item 180. Treasury shares (-)	*(3)*	*(9)*
- Net profit (loss)	3,241	3,892
Item 200. Profit (Loss) for the period (+/-)	*3,241*	*3,892*
Total liabilities and shareholders' equity	**832,183**	**831,469**

Reconciliation between reclassified balance sheet and income statement accounts and mandatory reporting schedules

Consolidated income statement

(€ million)

	H1	
	2019	2018
Net interest	5,132	5,169
Item 30. Net interest margin	*5,182*	*5,312*
less: Net interest margin of industrial companies	*-*	*2*
less: Reclassification commitment fees	*-*	*(2)*
less: Reclassification "loss of control" on FinecoBank S.p.A.(*)	*(51)*	*(133)*
+ Reclassification for IFRS16	*-*	*(11)*
+ Derivatives instruments - Economic Hedges - Others - Interest component	*1*	*-*
Dividends and other income from equity investments	321	353
Item 70. Dividend income and similar revenue	*177*	*316*
less: Dividends from held for trading equity instruments included in Item 70	*(151)*	*(278)*
less: Dividends on equity investments, shares and equity instruments mandatorily at fair value	*(11)*	*(16)*
Item 250. Profit (Loss) of equity investments - of which: Profit (Loss) of equity investments valued at equity	*307*	*331*
Net fees and commissions	3,106	3,254
Item 60. Net fees and commissions	*3,112*	*3,528*
less: Reclassification "loss of control" on FinecoBank S.p.A.	*-*	*(158)*
less: Recovery of expenses for financial transactions taxes recharged to customers	*-*	*(22)*
+ Non-recoverable expenses incurred for customers financial transactions taxes (from Item 190 b)	*(7)*	*(7)*
+ Reclassification commitment fees	*-*	*2*
+ Expenses for payment services and cards	*-*	*(81)*
+ Reclassification in net commission due to contractual changes	*-*	*(8)*
Net trading income	696	782
Item 80. Net gains (losses) on trading	*465*	*284*
less: Derivatives instruments - Economic Hedges - Others - Interest component	*(1)*	*-*
less: Reclassification "loss of control" on FinecoBank S.p.A.	*-*	*(26)*
Item 90. Net gains (losses) on hedge accounting	*22*	*16*
Item 100. Gains (Losses) on disposal and repurchase of: c) financial liabilities	*(6)*	*(2)*
less: Reclassification "loss of control" on FinecoBank S.p.A.	*-*	*(9)*
Item 100. Gains (Losses) on disposal or repurchase of: b) financial assets at fair value through other comprehensive income	*103*	*131*
Item 110. Net gains (losses) on other financial assets/liabilities at fair value through profit and loss	*(136)*	*103*
less: Reclassification "loss of control" on FinecoBank S.p.A.	*-*	*(1)*
+ Gains (Losses) on disposal and repurchase of financial assets at armortised cost - different from loans (from Item 100 a)	*47*	*-*
+ Dividends from held for trading equity instruments (from Item 70)	*151*	*278*
+ Dividends on equity investments, shares and equity instruments mandatorily at fair value (from Item 70)	*11*	*16*
+ Net results from trading of gold and precious metals (from Item 230)	*39*	*(7)*
Net other expenses/income	28	89
Item 230. Other operating expenses/income	*409*	*541*
less: Recovery of expenses	*(284)*	*(324)*
less: Transitional revenues from Pekao and Pgam	*-*	*(2)*
less: Net value adjustments/write-backs on leasehold improvements (on non-separable assets) classified as "Other assets"	*27*	*29*
less: Other operating income - Other income from invoicing JVs	*(17)*	*(21)*
less: Reclassification "loss of control" on FinecoBank S.p.A.	*-*	*(13)*
less: Net results from trading of gold, precious stones and metals	*37*	*8*
+ Result of industrial companies	*(75)*	*(68)*
+ Gains (Losses) on disposal and repurchase of financial assets at amortised cost - performing loans (from Item 100 a)	*(3)*	*9*
+ Net value adjustments/write-backs on property, plant and equipment in operating lease assets (from Item 210)	*(68)*	*(75)*
+ Gains (Losses) on disposals of investments in operating lease assets (from Item 280)	*2*	*5*
OPERATING INCOME	**9,283**	**9,647**

Reconciliation between reclassified balance sheet and income statement accounts and mandatory reporting schedules

continued: Consolidated income statement

(€ million)

	H1	
	2019	2018
OPERATING INCOME	**9,283**	**9,647**
Payroll costs	(3,075)	(3,205)
Item 190. Administrative expenses: a) staff costs	*(3,078)*	*(3,260)*
less: Staff costs of industrial companies	*2*	*2*
less: Integration costs	*1*	*12*
less: Reclassification "loss of control" on FinecoBank S.p.A.	*-*	*41*
Other administrative expenses	(1,635)	(1,771)
Item 190. Administrative expenses: b) other administrative expenses	*(2,241)*	*(2,742)*
less: Administrative expenses: b) other administrative expenses of industrial companies	*6*	*6*
less: Contributions to the Resolution Funds, Deposit Guarantee Schemes (DGS), Bank Levy and Guarantee fees for DTA	*619*	*621*
less: Reclassification in net commission due to contractual changes	*-*	*8*
less: Reclassification for IFRS16	*-*	*162*
less: Integration costs	*1*	*(9)*
less: Reclassification "loss of control" on FinecoBank S.p.A.	*-*	*120*
less: Expenses for local tax on corporate revenues	*-*	*5*
less: Non-recoverable expenses incurred for customers financial transactions taxes	*7*	*7*
less: Expenses for payment services and cards (from Item 60)	*-*	*81*
+ Net value adjustments/write-backs on leasehold improvements (on non-separable assets) classified as "Other assets" (from Item 230)	*(27)*	*(29)*
Recovery of expenses	301	320
less: Reclassification "loss of control" on FinecoBank S.p.A.	*-*	*(49)*
+ Recovery of expenses (from Item 230)	*284*	*324*
+ Transition revenues from Pekao and Pgam (from Item 230)	*-*	*2*
+ Reclassification for IFRS16	*-*	*(2)*
+ Other operating income - Other income from invoicing JVs	*17*	*21*
+ Recovery of expenses for financial transactions taxes recharged to customers	*-*	*22*
Amortisation, depreciation and impairment losses on intangible and tangible assets	(557)	(541)
Item 210. Net value adjustments/write-backs on property, plant and equipment	*(748)*	*(245)*
less: Impairment losses/write backs on property owned for investment	*21*	*(68)*
less: Revaluation arising from IFRS5 non-current assets and disposal groups related to equity investment consolidated line by line and at net equity method	*259*	*-*
less: Net value adjustments/write-backs of tangible in operating lease assets	*68*	*75*
less: Integration costs	*-*	*(13)*
less: Reclassification "loss of control" on FinecoBank S.p.A.	*-*	*2*
Item 220. Net value adjustments/write-backs on intangible assets	*(316)*	*(204)*
less: Net write-downs on property, plant and equipment and intangible assets of industrial companies	*63*	*57*
less: Reclassification "loss of control" on FinecoBank S.p.A.	*-*	*2*
+ Reclassification for IFRS16	*-*	*(150)*
less: Purchase Price Allocation effect	*96*	*3*
Operating costs	**(4,966)**	**(5,198)**
OPERATING PROFIT (LOSS)	**4,316**	**4,449**
Net write-downs on loans and provisions for guarantees and commitments	(1,175)	(997)
Item 100. Gains (Losses) on disposal and repurchase of: a) financial assets at amortised cost	*48*	*2*
less: Gains (Losses) on disposals/repurchases on loans and receivables - performing loans	*3*	*(9)*
less: Gains (Losses) on disposal and repurchase of financial assets at armortised cost - debt securities	*(47)*	*-*
Item 130. Net losses/recoveries on impairment relating to: a) financial assets at amortised cost	*(1,179)*	*(1,063)*
less: Net losses/recoveries on impairment relating to: a) financial assets at amortised cost - debt securities	*3*	*(25)*
less: Reclassification "loss of control" on FinecoBank S.p.A.	*-*	*3*
Item 130. Net losses/recoveries on impairment relating to: b) Financial assets at fair value through other comprehensive income	*(8)*	*(7)*
less: Net losses/recoveries on impairment relating to: b) Financial assets at fair value through other comprehensive income - debt securities	*8*	*7*
Item 140. Gains/Losses from contractual changes with no cancellations	*(3)*	*(2)*
Item 200. Net provisions for risks and charge - of which: a) commitments and financial guarantees given	*(2)*	*94*
less: Net provisions for risks and charge - Ex Post Contributions to Deposit Guarantee Schemes (DGS)	*2*	*2*
NET OPERATING PROFIT (LOSS)	**3,142**	**3,452**

Reconciliation between reclassified balance sheet and income statement accounts and mandatory reporting schedules

continued: Consolidated income statement

(€ million)

	H1	
	2019	**2018**
NET OPERATING PROFIT (LOSS)	**3,142**	**3,452**
Other charges and provisions	(450)	(1,178)
Item 200. Net provisions for risks and charges - of which: b) other net provision	*166*	*(560)*
less: Net provisions for risks and charges of industrial companies	*3*	*1*
less: Reclassification "loss of control" on FinecoBank S.p.A.	*-*	*4*
+ Contributions to Resolution Funds, Deposit Guarantee Schemes (DGS), Bank Levy and Guarantee fees for DTA	*(619)*	*(621)*
+ Net provisions for risks and charge - Ex Post Contributions to Deposit Guarantee Schemes (DGS) - (from Item 200)	*(2)*	*(2)*
+ Surplus on release of integration provision	*2*	*1*
Integration costs	(5)	9
Integration costs	*(5)*	*9*
Net income from investments	84	221
Item 250. Profit (Loss) of equity investments - of which: write-backs/impairment losses and gains/losses on disposal of associates valued at equity escluded IFRS5	*36*	*(5)*
Item 260. Net gains (losses) on tangible and intangible assets measured at fair value	*1*	*-*
Item 280. Gains (Losses) on disposal on investments	*418*	*153*
less: Gains (Losses) on disposals on investments in operating lease assets (from Item 280)	*(2)*	*(5)*
less: Industrial companies	*-*	*(6)*
less: Reclassification "loss of control" on FinecoBank S.p.A.	*-*	*1*
+ Net losses/recoveries on impairment relating to: of which: a) financial assets at amortised cost - debt securities (from Item 130)	*(3)*	*25*
+ Net losses/recoveries on impairment relating to: of which: b) financial assets at fair value through other comprehensive income - debt securities (from Item 130)	*(8)*	*(7)*
+ Impairment losses/write backs on property owned for investment (from Item 210)	*(21)*	*68*
+ Revaluation arising from IFRS5 non-current assets and disposal groups related to equity investment consolidated line by line and at net equity method	*(261)*	*-*
+ Net results from trading of precious stones (from Item 230)	*(76)*	*(1)*
PROFIT (LOSS) BEFORE TAX	**2,771**	**2,505**
Income tax for the period	(751)	(419)
Item 300. Tax expense (income) from continuing operations	*(720)*	*(485)*
less: Tax expense related to profit from continuing operations of industrial companies	*1*	*7*
+ Expenses for local tax on corporate revenues	*-*	*(5)*
less: Reclassification "loss of control" on FinecoBank S.p.A.	*-*	*65*
less: Purchase Price Allocation effect	*(32)*	*(1)*
NET PROFIT (LOSS)	**2,021**	**2,085**
Profit (Loss) from non-current assets held for sale after tax	1,372	164
Item 320. Profit (Loss) after tax from discontinued operations	*1,321*	*14*
+ Reclassification "loss of control" on FinecoBank S.p.A.(*)	*51*	*150*
PROFIT (LOSS) FOR THE PERIOD	**3,393**	**2,249**
Minorities	(87)	(111)
Item 340. Minorities' profit (loss) for the period	*(87)*	*(111)*
NET PROFIT (LOSS) ATTRIBUTABLE TO THE GROUP BEFORE PPA	**3,305**	**2,138**
Purchase Price Allocation effect	(64)	(2)
Goodwill impairment	-	-
Item 270. Goodwill Impairment	-	-
NET PROFIT (LOSS) ATTRIBUTABLE TO THE GROUP	**3,241**	**2,136**

Note:
(*) In 2019 the amount refers to the reclassification of net interests Group vs FinecoBank S.p.A. accrued up to the date of the "loss of control".

Own Funds and capital ratios

Own Funds

Starting from 1 January 2014, the calculation of capital requirements keeps into account the regulatory framework known as "Basel 3", adopted as a result of the EU Regulation No.575/2013 on prudential requirements for credit institutions and investment firms (Capital Requirements Regulation - "CRR"), and subsequently updated in the Regulation No.876/2019 ("CRR2"), and in the EU Directive 2013/36 on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms (Capital Requirements Directive IV - "CRDIV"), also according to their adoption by Italian Laws.

Such regulation foresees the following breakdown of Own Funds:

- Tier 1 Capital (T1), made by:
  - Common Equity Tier 1 Capital (CET1) and
  - Additional Tier 1Capital (AT1);
- Tier 2 Capital (T2);

the sum of T1 and T2 generates the Total Own Funds (Total Capital).

It is worth mentioning that in the update to the EU Regulation No.575/2013 transposed in the Regulation No.876/2019, the main impacts on group Own Funds calculation, applicable already starting from 30 June 2019, derive from the modification to the computability rules of the Additional Tier 1 and Tier 2 instruments. In particular, considering the new conditions provisioned by the CRR2 articles 52 and 63, an additional granfathering framework has been introduced to the instruments issued before 27 June 2019 and valid till 28 June 2025 for those instruments that do not comply with the new computability conditions presented in CRR2 article 494b): such granfathering framework is in addition to the one provisioned by CRR articles 484-491.

Capital requirements[31] and buffers for UniCredit group

The capital requirements applicable to the Group as of 30 June 2019 in coherence with CRR article 92 are the following (Pillar 1):

- CET1: **4.50%**
- T1: **6.00%**
- Total Capital: **8.00%**

In addition to such requirements, the Group shall also meet, through **CET1** capital, the following additional requirements:

- **2.00%,** as Pillar 2 Requirements for 2019 in coherence with SREP results;
- **2.50%,** as Capital Conservation buffer[32] (CCB) according to CRDIV article129;
- **1.00%,** as Global Systemically Important Institutions ("G-SII") buffer[33];
- **0.07%,** as Countercyclical Capital buffer[34] (CCyB) according to the CRDIV Article 160 (paragraphs from 1 to 4), to be calculated on a quarterly basis.

Therefore, as at 30 June 2019, the Group shall meet the following overall capital requirements:

- CET1: **10.07%**
- T1: **11.57%**
- Total Capital: **13.57%**

Find below a scheme of the UniCredit group capital requirements and buffers which also provides evidences of TSCR (Total SREP Capital Requirement) and OCR (Overall Capital Requirement) related to the outcome of the SREP (Supervisory Review and Evaluation Process) held in 2018 and applicable for 2019:

2019 Capital requirements and buffers for UniCredit group

REQUIREMENT	CET1	T1	TOTAL CAPITAL
A) Pillar 1 Requirements	**4.50%**	**6.00%**	**8.00%**
B) Pillar 2 Requirements	**2.00%**	**2.00%**	**2.00%**
C) TSCR (A+B)	**6.50%**	**8.00%**	**10.00%**
D) Combined capital buffer requirement, of which:	**3.57%**	**3.57%**	**3.57%**
1. Capital Conservation buffer (CCB)	*2.50%*	*2.50%*	*2.50%*
2. Global Systemically Important Institution buffer (G-SII)	*1.00%*	*1.00%*	*1.00%*
3. Institution-specific Countercyclical Capital buffer (CCyB)	*0.07%*	*0.07%*	*0.07%*
E) OCR (C+D)	**10.07%**	**11.57%**	**13.57%**

31 CET1 Systemic risk buffer (aimed at preventing and mitigating long-term, non-cyclical, systemic or macro-prudential risks that are not provided for by the CRR) is not applicable as of 30 June 2019.
32 On October 2016, Bank of Italy published the update of the Circular No.285 which provides for a different application of the transitional rules relating to the capital conservation buffer: such transitional rules ended in 2018 and from 1 January 2019 the capital conservation buffer is at 2.50%.
33 From 1 January 2019, ended the transitional rules, such requirement is equal to 1.00%. Please note that UniCredit group was identified by the Bank of Italy as an O-SII authorized to operate in Italy, and it has to maintain a CET1 capital buffer; such level is equal to 0.50% in 2019 and will be increased starting by 0.25% on a yearly basis reaching the target of 1.00% from 1 January 2021. Nevertheless, it is worth mentioning that according to the CRD IV article 131.14, the higher of the G-SII and the O-SII buffer will apply: hence, UniCredit is subject to the application of 1.00% G-SII buffer for 2019.
34 Amount rounded to two decimal numbers. With reference to 30 June 2019: (I) countercyclical capital rates have generally been set at 0%, except for the following countries: United Kingdom (1.00%); Czech Republic (1.25%); Hong Kong (2.50%); Iceland (1.75%); Norway (2.00%); Sweden (2.00%); Slovakia (1.25%); Lithuania (1.00%); Denmark (0.50%); (II) with reference to the exposures towards Italian counterparties, Bank of Italy has set the rate equal to 0%.

Own Funds and capital ratios

The following table shows **UniCredit group transitional Capital ratios as of 30 June 2019** compared with previous periods:

UNICREDIT GROUP CONSOLIDATED CAPITAL RATIOS TRANSITIONAL	2Q19			1Q19	4Q18	3Q18	2Q18
	RATIOS	*Delta Q/Q*	*Delta Y/Y*				
CET1 Capital ratio	12.08%	-0.18%	-0.49%	12.25%	12.13%	12.17%	12.57%
Tier 1 Capital ratio	13.63%	-0.29%	-0.49%	13.93%	13.64%	13.72%	14.12%
Total Capital ratio	16.21%	-0.15%	-0.21%	16.36%	15.80%	15.97%	16.42%

Focus on Capital ratios of UniCredit S.p.A.
The following table shows the Capital Ratios of UniCredit S.p.A. as of 30 June 2019 compared with previous periods.

UNICREDIT S.p.A. CAPITAL RATIOS TRANSITIONAL	2Q19		1Q19	4Q18	3Q18	2Q18
	RATIOS	*Delta Q/Q*				
CET1 Capital ratio	21.17%	-0.70%	21.86%	21.65%	21.43%	22.50%
Tier 1 Capital ratio	23.73%	-1.02%	24.75%	24.16%	23.94%	25.06%
Total Capital ratio	27.75%	-0.88%	28.63%	27.58%	27.46%	28.72%

Transitional consolidated Own Funds
Regarding the transitional adjustments as of 30 June 2019 it is worth mentioning that the transitional adjustment applicable is 30% of the phase-out limit for the Additional Tier 1 and Tier 2 capital instruments subject to Grandfathering in coherence with CRR article 486 (40% for 2018). In addition it is applicable the new grandfathering framework according to the CRR2 article 494 b), applicable to the Additional T1 and T2 instruments issued before 27 June 2019 that do not comply with the CRR2 articles 52 and 63

Consolidated Profit eligible for Own Funds purposes
The consolidated net profit as of 30 June 2019, equal to €3,241 million, is recognised in the Own Funds for €2,594 million, as resulting after the destination to potential dividends for €647 million approved by the Board of Directors. Such amount corresponds to the 30% of the consolidated net profit, excluding extraordinary events in first quarter 2019 (real estate disposals for €258 million) and second quarter 2019 (mainly related to the impacts deriving from FinecoBank S.p.A. 17% disposal, positive for €1.176 million, and to the disposal of the Ocean Breeze group, classified at held for sale, negative for -€178 million).
The net profit as of 30 June 2019 is included in CET1 capital following the authorisation by the competent Authority according to CRR Article 26(2).

Deductions connected to investments in financial sector entities and deferred tax assets that rely on future profitability and arise from temporary differences
With reference to 30 June 2019, UniCredit S.p.A. exceeds the thresholds related to significant investments (SI) in CET1 instruments issued by financial sector entities and deferred tax assets that rely on future profitability and arise from temporary differences, generating a capital deduction from Common Equity Tier 1 by €1,548 million.
In this regard, the deductions applied to the Own Funds are reflected in the CRR article "Threshold exemptions from deduction from Common Equity Tier 1 items". In particular, the deferred tax assets that rely on future profitability and arise from temporary differences summed up to the direct, indirect and synthetic holdings detained by UniCredit S.p.A. in financial sector entities in which UniCredit S.p.A. has a significant investment (SI) exceed the threshold of 17,65% of the residual amount of Common Equity Tier 1 items after applying the adjustments and deductions in CRR Articles 32 to 36 in full.
The amounts of the mentioned deductions will be described in detail within the table denominated "Separate disclosure of deductions (CRR Article 437.d)", included in the section dedicated to the Own Funds in the UniCredit group Disclosure (Pillar III).

IFRS9
Starting from 1 January 2018, the IFRS9 accounting standard was adopted, envisaging a new framework for provisioning computation based on expected loss rather than on incurred loss. Please refer to "Basis of preparation" section of the Press Release issued on 10 May 2018 for all details on this topic.
UniCredit group has decided not to apply the transitional arrangements for IFRS9 specified in Article 473a of the CRR. As a consequence, UniCredit S.p.A. Own Funds, Risk Weighted Assets, Capital Ratios and Leverage Ratios already reflect the full impact of IFRS9 application.

Atlante Fund and Italian Recovery Fund (ex Atlante Fund II)
As at 30 June 2019, the investment held by UniCredit S.p.A. in the quotes of Atlante Fund and Italian Recovery Fund (ex Atlante Fund II), for approximately €353 million, is primarily referred to investments in securitisation notes related to non-performing loans: the regulatory treatment of the Fund's quotes recognised in the UniCredit S.p.A. balance sheet foresees the application of the CRR article 128 (Items associated with particular high risk).

Own Funds and capital ratios

With reference to the residual commitments, for €12 million, the regulatory treatment foresees the application of a Credit Conversion Factor equal to 100% ("full risk" according to the Annex I of the CRR), for the calculation of the related Risk Weighted Assets.

Financial conglomerate
As of 30 June 2019 reporting date, the UniCredit group is allowed to not be subject to the supplementary supervision, although it is recognized as a financial conglomerate by the Joint Committee according to the 21 December 2018 communication (ref. JC 2018 68).

1. Common Equity Tier 1 Capital - CET1
Common Equity Tier 1 Capital mainly includes the following elements:
- Main Common Equity Tier 1 Capital items, recognized as Common Equity Tier 1 only where they are available to the institution for unrestricted and immediate use to cover risks or losses as soon as these occur: (I) capital instruments, provided the conditions laid down in CRR Article 28 or, where applicable, Article 29 are met; (II) share premium accounts related to the instruments referred to in point (I); (III) retained earnings; (IV) accumulated other comprehensive income; (V) other reserves; Common Equity Tier 1 Capital items also include minority interests for the computable amount recognized by the CRR;
- Prudential filters of Common Equity Tier 1 Capital: (I) filter related to increase in equity under the applicable accounting framework that results from securitized assets; (II) filter related to the fair value reserves related to gains or losses on cash flow hedges of financial instruments that are not valued at fair value; (III) filter related to gains or losses on liabilities of the institution that are valued at fair value that result from changes in the own credit standing of the institution; (IV) filter related to all fair value gains and losses arising from the institution's own credit risk related to derivative liabilities; (V) filter related to additional value adjustments (prudent valuation);
- Deductions from Common Equity Tier 1 items: (I) intangible assets; (II) deferred tax assets (DTA) that rely on future profitability and do not arise from temporary differences; (III) negative amounts resulting from the calculation of expected loss amounts when compared with credit risk adjustments (shortfall) for those positions evaluated according to IRB methods; (IV) defined benefit pension fund assets on the balance sheet of the institution; (V) direct, indirect and synthetic holdings by an institution of own Common Equity Tier 1 instruments, including own Common Equity Tier 1 instruments that an institution is to purchase under an actual or contingent obligation by virtue of an existing contractual obligation; (VI) exposures deducted from CET1 as an alternative to the application of 1,250% risk weight; (VII) the applicable amount of direct, indirect and synthetic holdings by the institution of Common Equity Tier 1 instruments of financial sector entities where the institution does not have a significant investment in those entities (deducted for the amount exceeding the thresholds foreseen by the regulation); (VIII) deferred tax assets (DTA) that rely on future profitability and arise from temporary differences, and the applicable amount of direct, indirect and synthetic holdings by the institution of the Common Equity Tier 1 instruments of financial sector entities where the institution has a significant investment in those entities (deducted for the amount exceeding the thresholds foreseen by the regulation).

As of 30 June 2019, CET1 includes ordinary shares issued by UniCredit S.p.A., equal to €20,368 million; among the other elements, such item does not include €609 million reclassified under Additional Tier 1 Capital, related to the ordinary shares underlying the Usufruct contract (Cashes).

2. Additional Tier 1 Capital - AT1
The AT1 positive elements are represented by the following items: (I) capital instruments, where the conditions laid down in CRR article 52 are met; (II) the share premium accounts related to the instruments referred to in point (I); (III) capital instruments for the amount computable in Own Funds according to the transitional provisions foreseen by the CRR (grandfathering). Furthermore, the Additional Tier 1 Capital includes also the minority interests for the computable amount not already recognized in the Common Equity Tier 1 Capital.

3. Tier 2 Capital - T2
The T2 positive elements are represented by the following items: (I) capital instruments and subordinated loans where the conditions laid down in CRR Article 63 are met; (II) the share premium accounts related to instruments referred to in point (I); (III) possible surplus of credit risk adjustments with reference to expected losses for positions evaluated according to IRB methods; (IV) capital instruments and subordinated loans for the amount computable in Own Funds according to the transitional provisions foreseen by the CRR (grandfathering). The Tier 2 Capital includes also the minority interests for the computable amount not already recognized in the Tier 1 Capital and the T2 instruments issued by the subsidiaries for the computable amount as defined by the CRR.

As at 30 June 2019, the Own Funds:
- do not include instruments with maturity of 7 years having a contractual amortisation plan starting before the 5th year, issued after 31 December 2011;
- include, according to CRR Article 484(5) among grandfathered instruments, the amount of the instruments issued before 31 December 2011 and subject to the grandfathering provisions;
- include the instruments issued before 27 June 2019, subject to grandfathering framework according to CRR2 article 494 b).

Own Funds and capital ratios

Own Funds disclosure template (*)

(€ million)

		DATA REFERRED TO 30.06.2019	DATA REFERRED TO 31.12.2018
Common Equity Tier 1 capital (CET1): instruments and reserves		**(A) - Amount at disclosure date**	**(A) - Amount at disclosure date**
1	Capital instruments and the related share premium accounts (A)	33,582	33,667
	of which: Ordinary shares	*33,582*	*33,667*
2	Retained earnings (B)	16,372	13,222
3	Accumulated other comprehensive income (and other reserves) (C)	(295)	(208)
5	Minority interests (amount allowed in consolidated CET1)	123	249
5a	Independently reviewed interim profits net of any fore-seeable charge or dividend (D)	2,594	3,287
6	**Common Equity Tier 1 (CET1) capital before regulatory adjustment**	**52,375**	**50,217**
Common Equity Tier 1 (CET1) capital: regulatory adjustments			
7	Additional value adjustments	(239)	(163)
8	Intangible assets (net of related tax liability) (E)	(2,818)	(3,468)
9	Transitional adjustment related to IAS 19 (F)	0	219
10	Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability where the conditions in Article 38 (3) are met)	(246)	(297)
11	Fair value reserves related to gains or losses on cash flow hedges	(76)	(189)
12	Negative amounts resulting from the calculation of expected loss amounts	(9)	(5)
14	Gains or losses on liabilities valued at fair value resulting from changes in own credit standing	(174)	(290)
15	Defined - benefit pension fund assets	(42)	(39)
16	Direct and indirect holdings by an institution of own CET1 instruments	(3)	(9)
20a	Exposure amount of the following items which qualify for a RW of 1250%, where the institution opts for the deduction alternative	(113)	(96)
20c	*of which: Securitisation positions*	*(113)*	*(96)*
22	Amount exceeding the 17,65% threshold (G)	(1,548)	*(615)*
23	*of which: Direct and indirect holdings by the institution of the CET1 instruments of financial sector entities where the institution ha s a significant investment in those entities*	*(855)*	*(306)*
25	*of which: Deferred tax assets arising from temporary differences*	*(693)*	*(310)*
26	Regulatory adjustments applied to Common Equity Tier 1 in respect of amount subject to pre-CRR treatment (H)	(359)	(361)
28	**Total regulatory adjustment to Common Equity Tier 1 (CET1)**	**(5,627)**	**(5,314)**
29	**Common Equity Tier 1 (CET1) capital**	**46,748**	**44,903**
Additional Tier 1 (AT1) capital: Instruments			
30	Capital instruments (I)	3,713	4,609
33	Amount of qualifying items referred to in Article 484 (4) subject to phase out from AT1 (J)	2,656	1,032
34	Qualifying Tier 1 capital included in consolidated AT1 capital (including minority interests not included in row 5) issued by subsidiaries and held by third parties	21	20.60
36	**Additional Tier 1 (AT1) capital before regulatory adjustments**	**6,390**	**5,662**
Additional Tier 1 (AT1) capital: regulatory adjustments			
37	Direct and indirect holdings by an institution of own AT1 instruments	(29)	(32)
40	Direct, indirect or synthetic holdings by the institution of the AT1 instruments of financial sector entities where the institution has a significant investmentin those entities (amount above the 10% threshold net of eligible short positions)	(337)	(45)
43	**Total regulatory adjustments to Additional Tier 1 (AT1) capital**	**(366)**	**(77)**
44	**Additional Tier 1 (AT1) capital**	**6,024**	**5,585**
45	**Tier 1 capital (T1= CET1+AT1)**	**52,772**	**50,488**

Own Funds and capital ratios

continued: Own Funds disclosure template

Tier 2 (T2) capital: instruments and provisions			
46	Capital instruments (K)	8,643	6,988
47	Amount of qualifying items referred to in Article 484 (5) subject to phase out from T2	498	280
48	Qualifying Own Funds instruments included in consolidated T2 capital (including minority interests and AT1 instruments not included in row 5 or 34) issued by subsidiaries and held by third parties	522	543
50	Credit risk adjustments	1,094	989
51	**Tier 2 (T2) capital before regulatory adjustments**	**10,757**	**8,800**
Tier 2 (T2) capital: regulatory adjustments			
52	Direct and indirect holdings by an institution of own T2 instruments and subordinated loans	(212)	(200)
55	Direct and indirect holdings by the institution of the T2 instruments and subordinated loans of financial sector entities where the institution has a significant investment in those entities (net of eligible short positions)	(560)	(612)
57	**Total regulatory adjustments to Tier 2 (T2) capital**	**(772)**	**(812)**
58	**Tier 2 (T2) capital**	**9,985**	**7,988**
59	**Total capital (TC=T1+T2)**	**62,757**	**58,476**
60	**Total risk weighted assets**	**387,139**	**370,180**
Capital ratios and buffers			
61	**Common Equity Tier 1 (as a percentage of risk exposure amount)**	**12.08%**	**12.13%**
62	**Tier 1 (as a percentage of risk exposure amount)**	**13.63%**	**13.64%**
63	**Total capital (as a percentage of risk exposure amount)**	**16.21%**	**15.80%**
64	Institution specific buffer requirement (CET1 requirement in accordance with article 92 (1) (a) plus capital conservation and countercyclical buffer requirements, plus systemic risk buffer, plus the systemically important institution buffer (G-SII or O-SII buffer), expressed as a percentage of risk exposure amount) (L)	8.07%	7.19%
65	*of which: Capital conservation buffer requirement*	*2.50%*	*1.88%*
66	*of which: Countercyclical buffer requirement*	*0.07%*	*0.06%*
67a	*of which: Global Systemically Important institution (G-SII) or Other Sistemically Important Institution*	*1.00%*	*0.75%*
68	Common Equity Tier 1 available to meet buffers (as a percentage of risk exposure amount) (M)	4.01%	4.94%
Lower amounts in comparison with the tresholds for the deductions (before the weight of the risk)			
72	Direct and indirect holdings of the capital of financial sector entities where the institution does not have a significant investment in those entities (amount below 10% threshold and net of eligible short positions)	2,171	2,717
73	Direct and indirect holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities (amount below 10% threshold and net of eligible short positions)	4,729	3,636
75	Deferred tax assets arising from temporary differences (amount below 10% threshold, net of related tax liability where the conditions in Article 38 (3) are met)	3,831	3,682
Applicable caps on the inclusion of provisions in Tier 2			
78	Credit risk adjustments included in T2 in respect of exposures subject to internal ratings-based approach (prior to the application of the cap)	1,754	3,052
79	Cap for inclusion of credit risk adjustments in T2 under internal rating-based approach	1,094	989
Capital instruments subject to phase-out arrangements (only applicable between 1 Jan 2014 and 1 Jan 2022)			
82	Current cap on AT1 instruments subject to phase out arrangements	775	1,034
83	Amount excluded from AT1 due to cap (excess over cap after redmptions and maturities)	635	375
84	Current cap on T2 instruments subject to phase out arrangements	1,900	2,533

(*) Sub-amounts equal to zero or not applicable are not reported.

Own Funds and capital ratios

Notes to the table "Own Funds disclosure template - CRR Article 492, paragraph 3 and 4"
Amounts included in the notes below refer to 30 June 2019 if not otherwise specified.
Regarding the transitional adjustments as of 30 June 2019 it is worth mentioning that the transitional adjustment applicable is 30% of the phase-out limit for the Additional Tier 1 and Tier 2 capital instruments subject to Grandfathering in coherence with CRR article 486 (40% for 2018) - ref. item 33 and 47 of the Template. In addition from 27 June 2019 it is valid the new grandfathering framework according to the CRR2 article 494 b), applicable to the Additional T1 and T2instruments issued before 27 June 2019 that do not comply with the CRR2 articles 52 and 63.

A.
This item does not include €609 million related to the ordinary shares underlying the Usufruct contract (Cashes), reclassified under item "**33. Amount of qualifying items referred to in Article 484 (4) and the related share premium accounts subject to phase out from AT1**".
The change compared to 31 December 2018 (negative for €85 million) mainly refers to the decrease of share premium reserve for €168 million, due to the settlement of negative reserves in coherence with the authorisation released by the Supervisory Authority, partially offset by the capital increase connected to the medium-long term incentives plan for the Group's personnel for €54 million.

B.
The change compared to 31 December 2018 (positive for €3,150 million) reflects the reallocation in this item of the profit for the year 2018 (net of dividends) reclassified in item "**5a. Independently reviewed interim profits net of any fore-seeable charge or dividend**"

C.
The change compared to 31 December 2018 (negative for €87 million) mainly refers to negative change of the other accumulated comprehensive income resulting from the combined effect of: i) negative change (equal to €577 million) related to the financial liabilities valued at fair value and to the reserve on actuarial losses, ii) positive change (equal to €537 million) related to the exchanges reserve and to the reserve on capital and debt instruments valued at fair value.

D.
The consolidated net profit as of 30 June 2019 - equal to €3,241 million - is recognized in the Own Funds for €2,594 million, as resulting after the destination to potential dividends for €647 million approved by the Board of Directors. Such amount corresponds to the 30% of the consolidated net profit, excluding extraordinary events in the first quarter 2019 (real estate disposals for €258 million) and in the second quarter 2019 (mainly related to the impacts deriving from FinecoBank S.p.A. 17% disposal, positive for €1,176 million, and to the disposal of the Ocean Breeze Group, classified at Held for Sale, negative for -€178 million).
The net profit as of 30 June 2019 is included in CET1 capital following the authorisation by the competent Authority according to CRR Article 26(2).

E.
The change compared to 31 December 2018 (positive for €651 million) mainly refers to the effects related to the sale of 17% of FinecoBank S.p.A. with the related deconsolidation of the Entity.

F.
Starting from 1 January 2019, the revaluation reserves of actuarial net losses - negative for €3,262 million and reported in item "**3. Accumulated other comprehensive income and other reserves**" - is not subject to transitional adjustment (positive transitional adjustment for €219 million as of 31 December 2018).

G.
With reference to 30 June 2019, the amount reports the excess with respect to the thresholds based to the CRR article 48 "Threshold exemptions from deduction from Common Equity Tier 1 items". In particular, the deferred tax assets that rely on future profitability and arise from temporary differences summed up to the direct, indirect and synthetic holdings detained by UniCredit S.p.A. in financial sector entities in which UniCredit S.p.A. has a significant investments (SI), exceed the threshold of 17.65% of Common Equity Tier 1 Capital after applying the adjustments and deductions in CRR Articles 32 to 36 in full.
The change of the deduction compared with 31 December 2018 (equal to €932 million) mainly refers to the inclusion in financial sector entities in which UniCredit S.p.A. has a significant investments, the stake of 18% held by the Group in FinecoBank S.p.A.

Own Funds and capital ratios

H.
The amount includes the following negative national filters: I) €350 million related to the filter for multiple goodwill redemption ("affrancamento multiplo dell'avviamento")[35]; II) €9 million related to the filter for gain on sale of properties mainly used in operations ("cessione in blocco degli immobili ad uso funzionale").

I.
The change compared to 31 December 2018 (negative for €896 million) mainly refers:
- reclassification into grandfathered of Additional Tier1 instruments, included in item **"33 Amount of qualifying items referred to in Article 484 (4) subject to phase out from AT1"**, that do not satisfy the new computable conditions inserted in the Article 52 of Regulation No. 876/2019 (CRR2) with a total amount equal to €1,888 million.
- the issuing in the first quarter 2019 of the Additional Tier1 instrument XS1953271225 with a computable amount of €992 million.

J.
The amount includes, in addition to the ordinary shares underlying the Usufruct contract (Cashes) for €609 million, capital instruments of Additional Tier 1, issued by Unicredit S.p.A. e under grandfathering framework according to the CRR rules, computable for an amount of €166 million.
Such amount decreases by €258 million in comparison with 31 December 2018 for the reduction of phase out percentage applicable (i.e. 30% in 2019 and 40% in 2018).
Furthermore, the item includes Additional tier 1 capital instruments that do not comply with the new computability conditions provisioned by the CRR2 article 52 and, hence, subject to the new granfathering framework for an amount of €1.888 million.

K.
The change compared to 31 December 2018 (positive for €1,655 million) - besides the amortisation impact (€345 million) is mainly due to the issuing of the instruments XS1953271225 with computable amount of €995 million and XS1972731787 with computable amount of €1,091 million.

L.
The amount does not include the Pillar 2 Requirements equal to 2% required for 2019 in coherence with SREP results of 2018.
The change compared to 31 December 2018 reflects the increase of the combined buffer related to the end of transitional period for the following elements (ref. to section "*Own Funds" of this document*"): I) applicable capital conservation buffer that reached the target value equal to 2.50% (1.875% in 2018); II) global systemic institutions - GSII buffer, that reached the target value equal to 1.00% (0.75% in 2018).

M.
The amount as of 30 June 2019 is calculated by subtracting from the Common Equity Tier 1 capital ratio at the date (i.e. item 61: 12.08%) the minimum Common Equity Tier 1 requirement including the combined capital buffer (i.e. item 64: 8.07%). Hence, the amount expressed in this item does not include the Pillar 2 Requirements equal to 2% required for 2019 in coherence with SREP results.
The reduction compared to 31 December 2018 depends on the following items: I) increase in Common Equity Tier 1 Capital for €1,845 million; II) increase in risk-weighted assets for €16,959 million; iii) increase in combined capital buffer (ref. to note L).

35 The amount of the filter refers to 5/5 of the amount subject to neutralisation calculated according to Bank of Italy communication issued on 9 May 2013; the calculation takes into account the provisions of the Resolution n.55/E of the Italian Revenue Agency (Agenzia delle entrate) issued on 29 May 2015 concerning "Discipline of the tax credit resulting from the processing of deferred tax assets recorded in the financial statements referred to in Article 2, paragraphs 55 to 58 of Decree-Law 29 December 2010, n. 225" ("Disciplina del credito d'imposta derivante dalla trasformazione di attività per imposte anticipate iscritte in bilancio di cui all'articolo 2, commi da 55 a 58, del decreto legge 29 dicembre 2010, n.225").

Own Funds and capital ratios

Capital adequacy

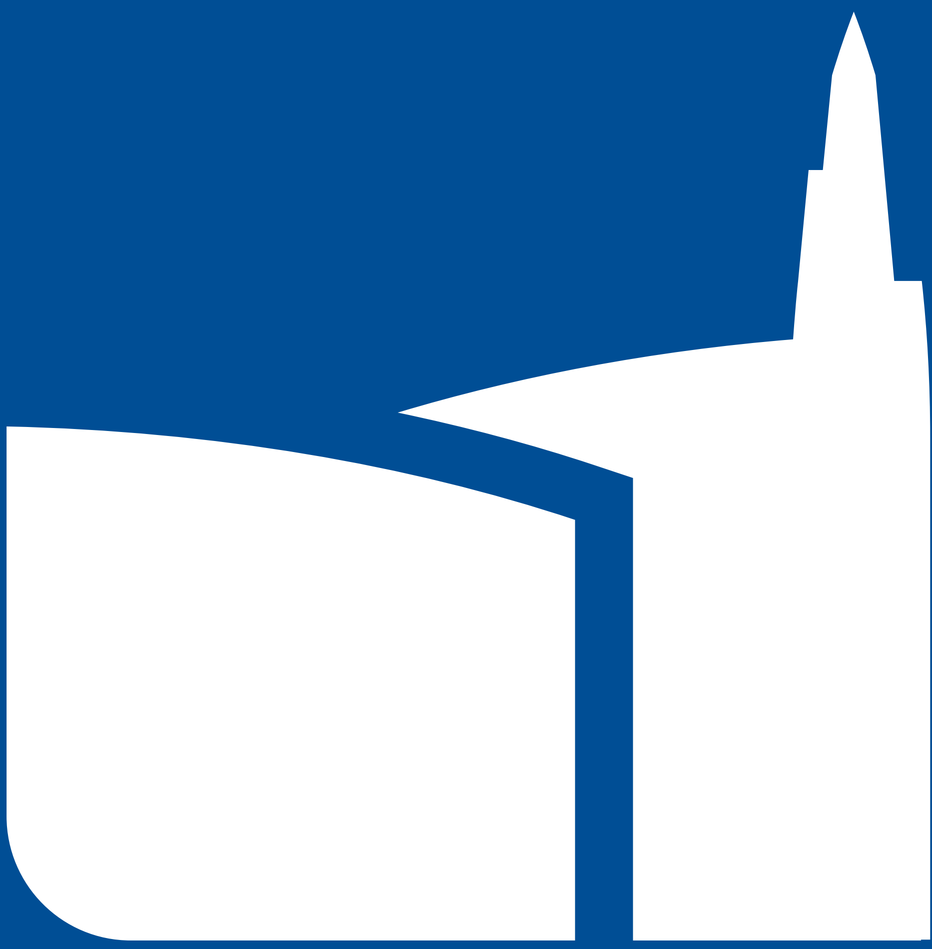
Capital Adequacy

(€ 'million)

ITEMS/VALUES	UNWEIGHTED ASSETS		WEIGHTED ASSETS/REQUIREMENTS	
	06.30.2019	12.31.2018	06.30.2019	12.31.2018
A. RISK ASSETS				
A.1 CREDIT AND COUNTERPARTY RISK	**832,838**	**837,752**	**336,634**	**318,999**
1. Standardised approach[1]	335,557	359,236	150,708	150,757
2. IRB approaches	481,003	460,251	182,308	164,881
2.1 Foundation	17,116	16,975	10,626	10,599
2.2 Advanced	463,887	443,276	171,682	154,282
3. Securitisations	16,278	18,265	3,618	3,361
B. CAPITAL REQUIREMENTS				
B.1 Credit and counterparty risk			**26,931**	**25,520**
B.2 Credit valuation adjustment risk			**162**	**158**
B.3 Settlement risk			**1**	**2**
B.4 Market Risk			**756**	**806**
1. Standard approach			136	123
2. Internal Models			620	682
3. Concentration Risk			-	-
B.5 Operational Risk			**2,588**	**2,360**
1. Basic indicator approach			216	228
2. Traditional standardised approach			286	276
3. Advanced measurement approach			2,086	1,856
B.6 Other calculation elements			**534**	**769**
B.7 Total capital requirements			**30,971**	**29,614**
C. RISK ASSETS AND CAPITAL RATIOS				
C.1 Risk Weighted Assets			**387,139**	**370,180**
C.2 Common Equity Tier 1 Capital/Risk weighted assets (CET1 capital ratio)			**12.08%**	**12.13%**
C.3 Tier 1 Capital/Risk weighted assets (Tier 1 capital ratio)			**13.63%**	**13.64%**
C.4 Total Own Funds/Risk weighted assets (Total capital ratio)			**16.21%**	**15.80%**

Note:
(1) The weighted amounts include the "Exposures with or central counterparties as pre-funded contributions to the default fund".

Adopt lean but steering center.



We have created a lean but steering center to drive Group-wide performance and ensure accountability. Through leaner support functions and transparent cost allocation, we focus on efficiency and simplification.

Glossary

ABB Accelerated Bookbuild
An accelerated bookbuild is a form of offering in the equity capital markets of material stake of a company's share to institutional investors

ABCP Conduits - Asset Backed Commercial Paper Conduits
Asset Backed Commercial Paper Conduits are a type of "SPV - Special Purpose Vehicle" (see item) set up to securitise various types of assets and financed by Commercial Paper (see item).
Commercial Paper generally matures in 270 days, with payment of principal and interest depending on the cash flow generated by the underlying assets.
ABCP Conduits may be single-sellers or multi-sellers according to the number of issues they make. Conduits generally require several SPVs. The first-level vehicles issue the Commercial Paper and finance one or more second-level vehicles or Purchase Companies (see item) which purchase the assets to be securitised.
An ABCP Conduit will have the following:
- issues of short-term paper creating a maturity mismatch between the assets held and the paper issued;
- liquidity lines covering the maturity mismatch; and
- security covering default risk in respect of both specific assets and the entire programme.

ABS - Asset Backed Securities
Debt securities, generally issued by an "SPV - Special Purpose Vehicle" (see item) guaranteed by assets of various types such as mortgage loans, consumer credits, credit card receivables, etc. Principal and interest payments are subject to the performance of the securitised assets and the existence of any further security guaranteeing the bond. ABSs are divided into tranches (senior, mezzanine and junior) according to the priority with which principal and interest will be paid.

Acquisition Finance
Finance for business acquisition operations. The most common form of Acquisition Finance is the leveraged buy-out (see Leveraged Finance).

Affluent
Banking customer segment whose available assets for investment are regarded as moderate to high.

Allocated capital
It represents the amount of capital absorbed by the Group and the Divisions to perform their business activities and to cover all the types of related risks. It is measured by Regulatory Capital obtained by multiplying risk-weighted assets by target Common Equity tier 1 ratio, plus certain regulatory deductions (e.g. shortfall, securitisations, equity exposures). If calculated as actual figure it can be also titled Absorbed Capital.

ALM - Asset & Liability Management
Integrated management of assets and liabilities, designed to allocate resources in such a manner as to optimise the risk/return ratio.

ALT-A (residential mortgages)
Mortgages whose borrowers, while not subject to the significant repayment problems of those described as Subprime (see item), have a risk profile with high loan-to-value and installment-to-income ratios or incomplete documentation of the debtor's income.

Alternative investment
Alternative investments cover a wide range of forms of investment, including investments in Private Equity (see item) and Hedge Funds (see item).

AMA (Advanced Measurement Approach)
Applying this methodology the operational risk requirement is obtained with calculation models based on operational loss data and other evaluation elements collected and processed by the bank. Admittance threshold and specific suitability requirements have been provided for the use of the standardised and advanced approaches. For the AMA approach the requirements concern, beside the management system, also the measurement system.

Asset allocation
Decisions to invest in markets, geographical areas, sectors or products.

Asset management
Activities of management of the financial investments of third parties.

Glossary

ATM - Automated Teller Machine
Automated machine that allows customers to carry out operations such as withdrawing cash, paying in cash or checks, requesting account information, paying utility bills, topping up mobile phone credits, etc.
The customer activates the terminal by inserting a smart card and entering his/her Personal Identification Number.

Audit
Process of controlling a company's activities and accounting, carried out either by an internal body (internal audit) or by an external firm of auditors (external audit).

Backstop prudential provisioning (i.e. Calendar provisioning)
Quantitative guidelines defining coverage practices of Non Performing exposures (ie. Past Due, Unlikely to Pay, Bad loans), which require a full coverage of a Non Performing exposure starting from the second year up to the ninth year since the date of the counterparty's classification to default depending on whether the exposure is unsecured or secured respectively.

Back-testing
Statistical technique which entails the comparison of model estimates of risk parameters with the ex-post empirical evidences.

Bad Loans ("Sofferenze")
Exposures to borrowers in a state of insolvency (even when not recognised in a court of law) or in an essentially similar situation, regardless of any loss forecasts made by the bank (i.e. irrespective of whether any, secured or personal, guarantees covering the exposures).

Banking Book
Used in relation to financial instruments, particularly securities, this term identifies the portion of such portfolios intended for "proprietary" activities.

Bank Levy
Charges applied at national level specifically to financial institutions, mainly based on Balance Sheet figures, or parts of it.

Basel 2
New international capital agreement redefining the guidelines for determining the minimum capital requirements for banks.
The new prudential regulations, which came into force in Italy in 2008, are based on three pillars.
- Pillar 1: while the objective of a level of capitalisation equivalent to 8% of the risk-weighted exposures remains unchanged, a new set of rules has been defined for measuring the typical risks associated with banking and financial activities (credit risk, counterparty risk, market risk and operational risk) which provides for alternative calculation methods characterised by different levels of complexity, with the ability to use internally developed models subject to prior authorisation by the Regulatory Authority;
- Pillar 2: this requires the banks to have processes and tools for determining the adequate level of total internal capital (Internal Capital Adequacy Assessment Process - ICAAP) for covering all types of risk, including risks other than those covered by the overall capital requirement (Pillar 1), within the framework of an evaluation of current and future exposure that takes account of strategies and of changes in the reference context. It is the Regulatory Authority's task to examine the ICAAP process, formulate an overall judgment and, where necessary, apply the appropriate corrective measures;
- Pillar 3: this introduces obligations to publish information concerning capital adequacy, exposure to risks, and the general characteristics of the systems used for identifying, measuring and managing those risks.

Basel 3
As a consequence of the crisis that, since 2008 has hit the financial markets, the Basel Committee on Banking Supervision has approved the substantial enhancement of the minimum capital requirements and the changes to the rules on the liquidity of banks (Basel 3) by providing for the gradual introduction of the new prudential requirements as at 1 January 2014. These rules have been implemented at the European level through the CRDIV "Package".

Best practice
Behaviour commensurate with the most significant experience and/or the best level of knowledge achieved in relation to a given technical or professional field.

CBO - Collateralised Bond Obligations
CDO - Collateralised Debt Obligations (see item) with bonds as underlyings.

Glossary

CCF - Credit Conversion Factor
Ratio between (a) the unused portion of the line of credit that it is estimated may be used in the event of default and (b) the portion currently unused.

CDO - Collateralised Debt Obligations
Bonds issued by a vehicle with loans, bonds, ABS - Asset Backed Securities (see item) or other CDOs as underlyings. CDOs make it possible to derecognise assets in the bank's balance sheet and also to arbitrage the differences in yield between the securitised assets and the bonds issued by the vehicle.
CDOs may be funded if the vehicle legally acquires title to the assets or unfunded if the vehicle acquires the underlying risk by means of a CDS - Credit Default Swap (see item) or similar security.
These bonds may be further subdivided as follows:
- CDOs of ABSs, which in turn have tranches of ABSs as underlyings;
- Commercial Real Estate CDOs (CRE CDOs), with commercial property loans as underlyings;
- Balance Sheet CDOs which enable the Originator (see item), usually a bank, to transfer its credit risk to outside investors, and, where possible under local law and supervisory regulations, to derecognise the assets from its balance sheet;
- Market Value CDOs whereby payments of interest and principal are made not only out of cash flow from the underlying assets, but also by trading the instruments. The performance of the notes issued by the vehicle thus depends not only on the credit risk, but also on the market value of the underlyings;
- Preferred Stock CDOs with hybrid debt/equity instruments or Preference shares (see item) issued by financial institutions;
- Synthetic Arbitrage CDOs which arbitrage the differences in yield between the securitised assets acquired synthetically by means of derivatives and the bonds issued by the vehicle.

CDS - Credit Default Swap
A derivative in which a seller of protection engages, for a fee, to pay the buyer of protection a fixed amount should a certain event indicating a deterioration of the creditworthiness of a reference entity occur.

CEO
Chief Executive Officer.

CFO
Chief Financial Officer.

CGU - Cash Generating Unit
A cash-generating unit is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets.

CLO
Chief Lending Officer.

CLO - Collateralised Loan Obligations
CDO - Collateralised Debt Obligations (see item) with loans made by authorised lenders such as commercial banks as underlyings.

CMBS - Commercial Mortgage Backed Securities
ABS - Asset Backed Securities (see item) with commercial mortgages as underlyings.

Commercial Paper
Short-term securities issued to raise funds from third-party subscribers as an alternative to other forms of debt.

Commodity risk
The risk that the value of the instrument decreases due to commodity prices (e.g. gold, crude oil) changes.

Consumer ABS
ABS (see item) in which the collateral consists of consumer credits.

Corporate
Customer segment consisting of medium to large businesses.

Glossary

Cost/Income Ratio
The ratio between operating expenses and operating income. It is one of the main key performance indicators of the bank's efficiency: the lower the ratio, the more efficient the bank.

Cost of risk
The annualised ratio between loan loss provisions and average net volumes of loans and receivables with customers. It is one of the indicators of the bank assets' level of risk: the lower the ratio, the less risky the bank assets.

Counterparty Credit Risk
The risk that the counterparty to a transaction involving financial instruments might default prior to completing all agreed cash-flows exchanges.

Covenant
A loan agreement clause whereby the lender is entitled to restructure or call in the loan on occurrence of the events specified in the clause, which ties changes in the borrower's profits and financial situation to events of default or restructuring (modifying e.g. the repayment schedule or the interest rate charged).

Covered bond
A bond which, as well as being guaranteed by the issuing bank, may also be covered by a portfolio of mortgages or other high-quality loans transferred, to this end, to a suitable SPV - Special Purpose Vehicle (see item).

CRD (Capital Requirement Directive)
EU directives No.2006/48 and 2006/49, incorporated into Banca d'Italia Circular 263/2006 of 27 December 2006 as amended.
The CRDIV "Package" has replaced the two aforementioned Directives and consists of the EU Directive 2013/36 on the taking up of the business of credit institutions and prudential supervision and the EU Regulation 575/2013 on prudential requirements, incorporated into Banca d'Italia Circular 285 of 17 December 2013 as amended.

Credit Quality Step
Step based on external ratings, which is used to assign risk weights under credit risk Standardised Approach.

Credit risk
The risk that an unexpected change in the creditworthiness of a counterparty, the value of the guarantees provided by it or the margins used by it in the event of insolvency might produce an unexpected change in the value of the bank's credit position.

Credit Valuation Adjustment (CVA)
Is the adjustment to the valuation of a portfolio of transactions reflecting the market value of the counterparties' credit risk.

CRM
Credit Risk Mitigation is a set of techniques, contracts accessories to the loan or other instruments (e.g. securities, guarantees), which allows a reduction of the credit risk capital requirements.

CRO
Chief Risk Officer.

CRR (Capital Requirements Regulation)
Regulation EU No. 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms and amending Regulation (EU) No 648/2012.

Currency risk
The risk that the value of the instrument decreases due to foreign exchange rates changes.

Daily VaR
It reflects the Value at Risk risk measures calibrated to a 1-day holding period to compare with the 99% confidence level with its trading outcomes.

Glossary

Default
A party's declared inability to honor its debts and/or the payment of the associated interest.

Duration
This is generally calculated as the weighted average of the maturities for payment of the interest and capital associated with a bond, and represents an indicator of the interest rate risk to which a security or a bond portfolio is subject.

EAD - Exposure at Default
Relating to the on-balance and off-balance sheet positions, EAD is defined as the estimation of the future value of an exposure at the time of the debtor’s default. Only banks that meet the requirements for adopting the IRB - Internal Rating Based (see item) advanced approach are allowed to estimate EAD (see item). Other banks are required to refer to regulatory estimations.

EBA - European Banking Authority
The European Banking Authority is an independent EU Authority which works to ensure effective and consistent prudential regulation and supervision across the European banking sector. Its overall objectives are to maintain financial stability in the EU and to safeguard the integrity, efficiency and orderly functioning of the banking sector.

ECA
Export Credit Agency.

ECAI
External credit assessment institution.

ECB European Central Bank
The ECB is the central bank for Europe's single currency, the euro. The ECB's main task is to preserve the purchasing power of the single currency thus ensuring the maintenance of price stability in the Euro area.

Economic capital
Capital level that is required to cover the bank’s losses that may occur with at a time horizon of one year and a certain probability or confidence level. Economic Capital is a measure of the variability of the Expected Loss of the portfolio and depends on the degree of diversification of the portfolio itself.

Economic value perspective
Variation in interest rates can affect the economic value of assets and liabilities.

EL
Expected Losses are the losses recorded on average over a one year period on each exposure (or pool of exposures).

EPS - Earnings Per Share
An indicator of a company’s profitability calculated as: Net Profit divided by Average total outstanding shares (excluding treasury shares).

Equity risk
The risk that the value of the instrument decreases due to stock or index prices changes.

Expected Shortfall
Risk measure representing the expected loss of a portfolio or a counterparty calculated in the scenarios of loss exceeding the VaR.

EVA - Economic Value Added
EVA is equal to the difference between the Net Operating Profit After Tax (“NOPAT” Net Operating Profit After Tax - see item) and the cost of the allocated capital. It expresses the ability to create value in monetary terms.

Factoring
Contract for the sale without recourse (with credit risk borne by the buyer) or with recourse (with credit risk borne by the seller) of commercial credits to banks or specialist companies, for the purposes of management and collection. May be associated with financing in favor of the seller.

Glossary

Fair value
The sum for which, in a freely competitive market, an item can be exchanged or a liability extinguished between aware and independent parties.

FINREP
Document issued by the Committee of European Banking Supervisors (CEBS). The Committee gives advice to the European Commission on policy and regulatory issues related to banking supervision; it also promotes cooperation and convergence of supervisory practice across the European Union. The objective of FINREP is to provide guidelines for implementation of the consolidated Financial Reporting framework for supervisory purposes; it is based on International Financial Reporting Standards (IFRSs).

Forbearance/Forborne exposures
According to EBA Implementing Technical Standards, forborne exposures consist of exposures to which forbearance measures have been extended, i.e. concessions towards a debtor who is facing or about to face difficulties in meeting its financial commitments (“financial difficulties”).

Forwards
Forward contracts on interest rates, exchange rates or share indices, generally traded on "OTC - Over-the-Counter" (see item) markets, in which the conditions are fixed when the contract is agreed but execution will take place at a predetermined future date, by means of the collection or payment of differentials calculated with reference to various parameters according to the subject of the contract.

FRA - Forward Rate Agreement
Contract whereby the parties agree to receive (pay) at maturity the difference between the value calculated by applying a predetermined interest rate to the transaction amount and the value obtained on the basis of the level reached by a reference rate preselected by the parties.

FTE - Full Time Equivalent
The number of a company’s full-time employees. Part-time employees are considered on a pro-rata temporis basis.

Full Revaluation Approach
Is a methodology behind the historical simulation approach for VaR calculation, when the value of a portfolio is estimated by the complete revaluation of its value according to the simulation results.

Funding
Provision, in various forms, of the funds necessary to finance business activities or particular financial transactions.

Futures
Standardised contracts whereby the parties undertake to exchange money, transferable securities or goods at a preset price at a future date. These contracts are traded on regulated markets, where their execution is guaranteed.

GDP (Gross Domestic Product)
The total market value of the products and services produced by Country residents in a given time frame.

GIV
Group Internal Validation.

GLO
Group Lending Office.

Goodwill
The additional sum paid for the acquisition of an equity interest, equal to the difference between the cost and the corresponding share of net assets, for the portion not attributable to the identifiable assets of the acquired company.

GW BANKS
IRB calculation model - Group Wide model Financial Institution & Banks

GW MNC
IRB calculation model - Group Wide Multinational Corporate

Hedge Fund
Speculative mutual investment fund adopting hedging techniques which generally are not used by ordinary mutual funds, in order to deliver a constant performance, which is only hardly linked to reference markets. Hedge Funds are distinguished by a limited number of partners and require a high minimum level of investment.

IAA
Internal Assessment Approach.

IAS/IFRS
International accounting standards issued by the International Accounting Standard Board (IASB), a private international body established in April 2001, involving representatives of the accounting professions of the principal countries and, as observers, the European Union, IOSCO (International Organisation of Securities Commissions) and the Basel Committee. This body is the successor of the International Accounting Standards Committee (IASC), set up in 1973 to promote harmonisation of the rules for the preparation of company accounts. When the IASC became the IASB, it was decided, among other things, to name the new accounting principles "International Financial Reporting Standards" (IFRS). At international level, work is currently underway to harmonise the IAS/IFRS with the US GAAP - United States Generally Accepted Accounting Principles (see item).

IBNR
Incurred But Not Reported (losses).

ICAAP - Internal Capital Adequacy Assessment Process
See "Basel 2 - Pillar 2".

ILC
IRB calculation model - Italian Large Corporate

IMA
Internal Models Approach is an approach to calculate market risk capital requirement using internal models.

Impaired loans
Loans are subjected to periodic examination in order to identify those which, following events occurring after their entry in the accounts (at the market value, normally equal to the disbursed amount including the transaction costs and revenues directly attributable to the disbursement of the loan), show objective signs of a possible loss of value. This category includes loans that have been classed as bad, doubtful, restructured or overdue, in accordance with Banca d'Italia rules consistent with IAS/IFRS (see item).

Impairment
Within the framework of the IAS/IFRS (see item), this refers to the loss of value of a balance sheet asset, recorded when the book value is greater than the recoverable value, i.e. the sum that can be obtained by selling or using the asset.

Index linked
Policies whose performance at maturity depends on a benchmark parameter that may be a share index, a basket of securities or another indicator.

Interest rate risk
The risk that the value of the instrument decreases due to interest rates changes.

(Internal) validation
Expert unit, internal but sufficiently independent, that verifies the adequacy of internal models for internal and regulatory purposes and issues a formal opinion about their usefulness and effectiveness. Usually a prerequisite for the validation process carried out by the authorities.

Investor
Any entity other than the Sponsor (see item) or Originator (see item) with exposure to a securitisation.

IPRE
Income Producing Real Estate.

IRB - Internal Rating Based
Method for determining the capital needed to cover credit risk within the framework of Pillar 1 of Basel 2 (see item). The rules are applied to the exposures of the banking portfolio. Furthermore, in the IRB methods the risk weightings of the assets are determined on the basis of the bank's own internal evaluations of the debtors (or, in some cases, of the transactions). Using systems based on internal ratings, the banks determine the weighted risk exposure. The IRB methods consist of a basic method and an advanced method, which differ in terms of the risk parameters that the bank must estimate: in the basic method, the banks use their own estimates for "PD - Probability of Default" and the regulatory values for the other risk parameters; in the advanced method, the banks use their own estimates for " PD - Probability of Default ", "LGD - Loss Given Default", "CCF - Credit Conversion Factors" and, where provided for, "M - Maturity" (see item). The use of IRB methods for the calculation of capital requirements is subject to authorisation from Banca d'Italia.

IRC
Incremental Risk Charge is a measure of potential losses arising from default and migration risks of unsecuritised credit products over a 1-year capital horizon at a 99.9% confidence level, taking into account the liquidity horizons of individual positions.

IRS - Interest Rate Swap
See "Swap".

Joint venture
Agreement between two or more companies for the conduct of a given economic activity, usually through the constitution of a joint stock company.

Junior, Mezzanine and Senior exposures
In a securitisation transaction, the exposures may be classified as follows:
- junior exposures are the last to be repaid, and consequently absorb the first loss produced by the securitisation transaction;
- mezzanine exposures are those with medium repayment priority, between senior and junior;
- senior exposures are the first to be repaid.

Ke
The cost of equity is the minimum return on investment required by the shareholder. It is the sum of a risk-free rate and an additional spread remunerating the shareholder for the credit risk and the volatility of the share price. The cost of capital is based on medium/long term averages of market parameters.

KPI - "Key Performance Indicators"
Set of indicators used to evaluate the performance of a business activity or process.

LCP
Loss Confirmation Period.

LCR (Liquidity Coverage Ratio)
The ratio of a credit institution's liquidity buffer to its net liquidity outflows over a 30 calendar day stress period.

Lead arranger
The bank responsible for arranging a securitisation. The arranger's duties include checking the quality and quantity of the assets to be securitised, conducting relations with rating agencies, drawing up the prospectus and dealing with accounting and legal problems.

Leasing
Contract whereby one party (the lessor) grants to another party (the lessee) for a given period of time the enjoyment of an asset purchased or built by the lessor at the choice and on the instructions of the lessee, with the latter having the option of acquiring ownership of the asset under predetermined conditions at the end of the leasing contract.

Glossary

Leveraged finance
Loans provided mainly to Private Equity funds in order to finance the acquisition of a company through a financial transaction based on the cash flow generation capacity of such target company. This can result in a higher level of debt and therefore a higher level of risk. Leveraged finance may be syndicated.

LGD - Loss Given Default
Expected value (which may be conditional upon adverse scenarios) of the ratio, expressed as a percentage, between the loss giving rise to the default and the amount of exposure at the time of the default ("EAD - Exposure At Default", see item).

Liquidity risk
The risk of the company being unable to meet its payment commitments due to the inability to mobilise assets or obtain adequate funding from the market (funding liquidity risk) or due to the difficulty/impossibility of easily liquidating positions in financial assets without significantly and unfavourably affecting the price because of insufficient depth or temporary malfunction of the financial market (market liquidity risk).

M - Maturity
The average, for a given exposure, of the residual contractual maturities, each weighted for the relevant amount.

Mark-up
Positive differential with respect to a benchmark index, generally an interbank rate, applied to the lending rate offered to customers.

Market risk
The effect that changes in market variables might have on the economic value of the Group's portfolio, where this includes both the assets held in the Trading Book and those entered in the Banking Book, or the operations connected with the characteristic management of the commercial bank and its strategic investment choices.

MDA
Stands for Maximum Distributable Amount i.e. a limit to the distributable profits in order to preserve the Combined Buffer Requirement.

Medium Term Note
Bond with a maturity of between 5 and 10 years.

Monoline insurers
Insurance companies that insure only one kind of risk. Against payment of premium they guarantee the repayment of principal and interest of bonds, usually "ABS - Asset Backed Securities" (see item) or US municipal bonds, on default by the issuer, which enables the guaranteed bond to obtain a better rating than similar unguaranteed issues.

Non-Performing Exposures
According to EBA Implementing Technical Standards, Non-Performing Exposures are debt instruments and off-balance sheet exposures which satisfy either or both of the following criteria: (i) material exposures which are more than 90 days past-due; (ii) the debtor is assessed as unlikely to pay its credit obligations in full without realisation of collateral, regardless of the existence of any past-due amount or of the number of days past due.

NOPAT - Net Operating Profit After Tax
Net Operating Profit after tax and minority interests, adjusted by elements that would not allow to assess the capability to create value through ordinary operations, such as extraordinary expenses and earnings.
It represents the share of Group Net Profit produced by typical business activities, gross of the costs of capital.

Notch
Level, referred to a scale.

Operational risk
The risk of losses due to errors, violations, interruptions, damages caused by internal processes, personnel or systems, or by external events. This definition includes legal and compliance risk, but excludes strategic and reputational risk.
For example, operational risks include losses deriving from internal or external fraud, employment contracts and employment protection regulations, customer claims, distribution of products, fines and other sanctions arising from breaches of regulations, damages to the company's assets, interruption of operations, malfunction of systems and the management of processes.

Option
The right, but not the commitment, acquired by the payment of a premium, to buy (call option) or sell (put option) a financial instrument at a given price (strike price) by or at a determined future date (American option/European option).

Originator
The entity that originated the assets to be securitised or acquired them from others.

OTC - Over the counter
Over-the-counter (OTC) trading consists of the exchange of financial instruments such as shares, bonds, derivatives or goods directly between two counterparties. The OTC markets do not have standardised contracts or buying/selling procedures and are not associated with a set of rules (admissions, controls, obligations of information, etc.) like those that govern the official markets.

Overcollateralisation
The value of the assets underlying the bonds issued is higher than the amount of the bonds.

Past Due
Problematic exposures that, at the reporting date, are more than 90 days past due on any material obligation, as required by the relevant prudential regulation. Past due can be determined either at individual debtor or at single transaction level according to the relevant local prudential regulation.

Payout ratio
It indicates the percentage of net income that is distributed to shareholders. The percentage distributed is determined mainly on the basis of the company's self-financing needs and the return expected by shareholders.

PD - Probability of Default
Probability of a counterparty entering into a situation of "default" (see item) within a time horizon of one year.

Preference shares
Capital instruments that associate forms of remuneration tied to market rates with particularly pronounced subordination conditions, such as non-recovery in subsequent years of the interest not paid by the bank and bearing a share of its losses in the event that these produce a significant reduction in the capital requirements. The regulatory authorities set the conditions under which preference shares may be counted among the core capital of banks and banking groups.

Private banking
Financial services targeting the so-called "high-end" individual customers for the global management of financial needs.

Private equity
Investments in the risk capital of companies, generally unlisted but with high growth potential and the ability to generate constant cash flows. Investments in private equity include a wide range of operations that vary according to both the development phase of the company concerned and the investment techniques used. These techniques include closed-end private equity funds.

Purchase companies
Vehicle used by "ABCP Conduits - Asset Backed Commercial Paper Conduits" (see item) to purchase the assets to be securitised and subsequently financed by the Conduit vehicle by means of commercial paper.

Rating
Evaluation of the quality of a company or its issues of debt securities on the basis of the company's financial soundness and prospects. This evaluation is made either by specialist agencies or by the bank on the basis of internal models.

RBA
Ratings-Based Approach.

Retail
Customer segment consisting principally of private individuals, self-employed professionals, traders and artisans.

RIC
IRB calculation model - Integrated Corporate Rating.

Glossary

RIP
IRB calculation model - Integrated Private Rating

RISB
IRB calculation model - Integrated Private Rating.

RMBS - Residential Mortgage Backed Securities
Asset Backed Securities (see item) with residential mortgages as underlyings.

ROA - Return On Asset
Ratio between Net Profit/(Loss) of the year and Total Assets as per IFRS balance sheet.

ROAC - Return On Allocated Capital
Annualised ratio between the net profit and the average allocated capital. It shows in percentage terms the earning capacity for absorbed capital units. A corrective factor is applied to divisional net profit where capitalisation is substantially higher than Group's target.

ROTE - Return on Tangible Equity
Annualised ratio between the net profit and the average tangible equity. Tangible Equity is defined as Shareholders' equity (including Consolidated Profit of the period) less intangible assets (goodwill and other intangibles), less AT1 component. Dividend pay-out is accounted for on a cash basis.

RUF
Revolving Underwriting Facility.

RWA - Risk Weighted Assets
On-balance sheet assets and off-balance sheet assets (derivatives and guarantees) classified and weighted by different coefficients referring to risks, following banking rules issued by local Supervisors (i.e. Banca d'Italia, Bafin, etc.), to calculate solvency ratios.

Securitisation
Transfer of a portfolio of assets to an "SPV - Special Purpose Vehicle" (see item) and the issue of securities with various levels of seniority to meet any default by the underlying assets.
Securitisations can be:
- traditional: method of securitisation whereby transfer of the assets is by means of sale of the portfolio to the "SPV - Special Purpose Vehicle" (see item);
- synthetic: method of securitisation whereby the transfer of assets is by means of credit derivatives or similar security enabling the risk of the portfolio to be transferred.

Sensitivity
The greater or lesser degree of sensitivity with which certain assets or liabilities react to changes in rates or other reference parameters.

SFA
Supervisory Formula Approach.

SL
Specialised Lending.

SME
Small and Medium Enterprises.

Sponsor
An entity other than the Originator (see item) which sets up and manages an ABCP conduit or other securitisation scheme where assets are acquired from a third entity for securitisation.

Glossary

SPV - Special Purpose Vehicles
An entity, partnership, limited company or trust, set up to carry out a set object, such as isolating financial risk or obtaining special regulatory or tax treatment for specific portfolios of financial assets.
SPV's operations are accordingly limited by a set of rules designed for this purpose.
In general SPVs' sponsors (see item) do not hold equity in them. The equity is held by other entities in order to ensure that there is no shareholder relationship with the Sponsor (see item). SPVs are usually bankruptcy-remote, in that their assets cannot be claimed by the creditors of the sponsor, even if the latter becomes insolvent.

Stress Test
Risk measure complementary to the VaR, that allows a portfolio analysis with stress exercises by the application of simple and complex scenarios.

Subprime (Residential Mortgages)
Although Subprime has no univocal definition, this category includes mortgages granted to borrowers who have had repayment difficulties in the past, e.g. delayed installments, insolvency or bankruptcy, or who are more likely to default than the average due to high loan-to-value and installment-to-income ratios.

SVaR - Stressed VaR
Stressed VaR is a quantification of exposures to particular extreme losses that can be inflicted to a Bank during market tensions, by modeling the portfolio response conditional on historical data from a (continuous 12-month) period of significant financial stress.

Swap
A transaction that generally consists of the exchange of financial streams between operators according to different contractual arrangements.
In the case of an interest rate swap (IRS), the counterparties exchange payment streams that may or may not be linked to interest rates, calculated on a notional principal amount (for example, one counterparty pays a stream on the basis of a fixed rate, while the other does so on the basis of a variable rate).
In the case of a currency swap, the counterparties exchange specific amounts in two different currencies, with these amounts being exchanged back in due course according to predefined arrangements that may concern both the capital (notional) and the streams of interest payments.

Tangible Equity
Shareholders' equity (including consolidated profit of the period) less intangible assets (goodwill and other intangibles), less AT1 component; dividend pay-out is accounted for on a cash basis.

TLAC -Total Loss Absorbing Capacity
TLAC represents the indicator of the Total Loss Absorbing Capacity, a new Pillar I requirement established by the (EU) regulation 2109/876 (CRR II), entered into force on 27 June 2019, for Global Systemically Important Banks (G-SIBs). The TLAC standard requires G-SIBs, to hold a sufficient amount of highly loss absorbing liabilities

Tier 1 Capital
The most reliable and liquid part of a bank's capital, as defined by regulatory rules.

Tier 1 Capital Ratio
The percentage of a bank's Tier 1 Capital to its risk weighted assets "RWA - Risk Weighted Assets" (see item).

TSR - Total Shareholder Return
It is the full reward, in terms of capital gain and dividends, that a shareholder gets from holding one share.

UCI - Undertakings for Collective Investment
This term includes "UCITS" (see item) and other collective investment Funds (real estate collective investment funds, closed-end investment funds).

UCITS - Undertakings for Collective Investment in Transferable Securities
This term covers open-end real estate investment funds, both Italian and foreign, and investment companies with variable capital. The latter are joint stock companies that have the sole purpose of collective investment of the assets gathered through a public offer of their own shares.

Glossary

UGRM
The pool of software applications, IT structure and database used by The Group for the financial risk analysis.

UL
Unexpected Losses are the losses exceeding the expected losses.

Unlikely to Pay
The classification in this category is the result of the judgment of the bank about the unlikeliness, without recourse to actions such as realising collaterals, that the obligor will pay in full (principal and/or interest) its credit obligations. This assessment should be carried out independently of the presence of any amount (or rate) past due and unpaid.

US GAAP - United States Generally Accepted Accounting Principles
Accounting principles issued by the FASB (Financial Accounting Statement Board), generally accepted in the USA.

VaR - Value at Risk
A method used for quantifying risk. It measures potential future losses which will not be exceeded within a specified period and with a specified probability.

Vintage
The year of issue of the collateral underlying bonds created by securitisation. In the case of subprime mortgages this information is an indicator of the riskiness of the bond, since the practice of granting mortgages to subprime borrowers became significant in the US starting in 2005.

Warehousing
A stage in the preparation of a securitisation transaction whereby an “SPV - Special Purpose Vehicle” (see item) acquires assets for a certain period of time until it reaches a sufficient quantity to be able to issue an ABS.

Contacts

UniCredit S.p.A.

Head Office in Milan
Piazza Gae Aulenti 3 - Tower A
20154 Milano

+39 02 88 621

Media Relations:
Tel. +39 02 88623569; e-mail: MediaRelations@unicredit.eu

Investor Relations:
Tel. +39 02 88621034; e-mail: InvestorRelations@unicredit.eu

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unicreditgroup.eu