

# One Bank One UniCredit



Consolidated First Half  
Financial Report  
as at 30 June 2018

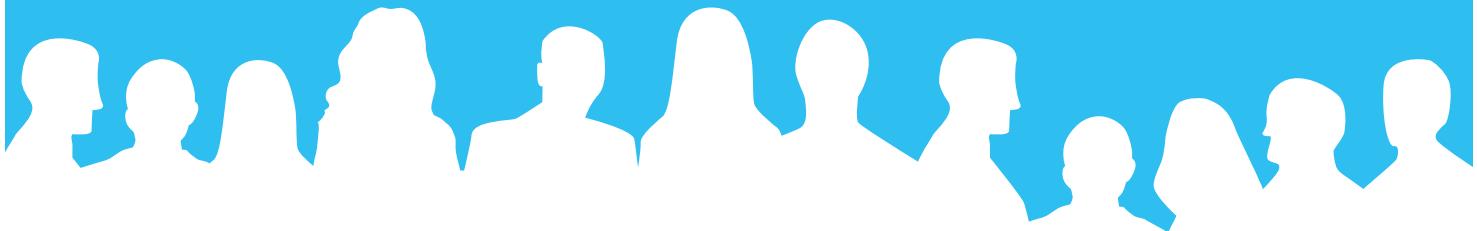
Banking that matters. |  **UniCredit**





Banking that matters. |  **UniCredit**

# Banking that matters.



In this era of unprecedented change customers are looking for companies they can trust and that can play a tangible positive role in their everyday lives. UniCredit has a simple and successful Pan European Commercial banking model delivering relevant solutions to the real needs and wants of today's customers.

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## Notes

The following conventional symbols have been used in the tables:

- a dash (-) indicates that the item/figure is nonexistent;
- two dots (...) 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.

Any discrepancies between data are solely due to the effect of rounding.

# Strengthen and optimise capital.



Following a € 13 billion capital increase, we confirmed a 2019 fully loaded CET1 ratio target above 12.5 percent and an organic capital generation that will fully absorb the expected regulatory impacts: our capital position is stronger and in line with best in class G-SIFIs.

# Introduction

<b>Board of Directors, Board of Statutory Auditors and External Auditors as at 30 June 2018</b>	<b>7</b>
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# Board of Directors, Board of Statutory Auditors and External Auditors as at 30 June 2018

## Board of Directors

Fabrizio Saccomanni	Chairman
Cesare Bisoni	Deputy Vice Chairman
Jean Pierre Mustier	CEO
Mohamed Hamad Al Mehairi	Directors
Lamberto Andreotti	
Sergio Balbinot	
Martha Boeckenholt	
Vincenzo Cariello	
Isabelle de Wismes	
Stefano Micossi	
Maria Pierdicchi	
Andrea Sironi	
Francesca Tondi	
Alexander Wolfgring	
Elena Zambon	
Gianpaolo Alessandro	Company Secretary

## Board of Statutory Auditors

Pierpaolo Singer	Chairman
Antonella Bientinesi	Standing Auditors
Angelo Rocco Bonisso	
Benedetta Navarra	
Guido Paolucci	

Stefano Porro	Manager in charge with preparing the financial reports
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Deloitte & Touche S.p.A.	External Auditors
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## UniCredit S.p.A.

A joint stock company

**Registered Office and Head Office:** Piazza Gae Aulenti, 3 - Tower A - 20154 Milano

Share capital €20,940,398,466.81 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

# Note to the Consolidated First Half Financial Report

## General aspects

This Consolidated First Half Financial Report was prepared pursuant to article 154-ter, paragraph 2 of 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 accounts.

Press releases on significant events occurred during the period and the market presentation on second quarter results are also available on UniCredit's website.

Any discrepancies between data disclosed are solely due to the effect of rounding.

## General principles in the preparation

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, stated in comparison with 2017; specifically, as provided for by IAS34, the balance sheet has been compared with the figures as at 31 December 2017, while the Income statement, the Statement of comprehensive income, the Statement of changes in shareholders' equity and the Cash flow statement are compared with the corresponding figures for the first half of the previous year. As at 30 June 2018 they are in line with Banca d'Italia templates as prescribed by Circular 262 dated 22 December 2005 (5<sup>th</sup> update of 22 December 2017). It should be noted that, as a result of the first time adoption of the new accounting standard IFRS9 and the choice made by the Group not to restate the previous period, the templates prescribed by the mentioned circular have been integrated with additional items in order to allow comparisons with the previous period that has been prepared according to IAS39 standard and to Circular 262 (4<sup>th</sup> update of 15 December 2015).
- the Explanatory notes, which include not only the detailed information required by IAS34, stated according to the formats adopted in the financial statements, but also the additional information required by Consob and the information deemed useful for providing a true picture of the consolidated corporate standing. Opening balances shown in tables of Explanatory notes are the ones coming from the first time adoption of the new accounting standard IFRS9;
- the Certification of the Condensed Interim Consolidated Financial Statements pursuant to Art.81-ter of Consob Regulation No.11971/99 as amended;
- the Auditor's Report by Deloitte & Touche S.p.A., as a limited review.

To further illustrate the results for the period, the Consolidated Interim Report on Operations includes condensed accounts prepared using the same criteria of previous quarterly reports.

In addition the Consolidated Interim Report on Operations includes financial information - Highlights, Reclassified consolidated accounts and their Quarterly figures, Summary results by business segment, Group and UniCredit share historical data series - as well as a comment on Group results, accompanied by some alternative performance indicators (as Cost/income ratio, EVA, ROTE, Net bad loans to customers/Loans to customers, Net Non-Performing Loans to customers/Loans to customers, Absorbed Capital, ROAC, Cost of risk) in order to provide further information about the performance achieved by the Group.

Although some of this information, including certain alternative performance indicators, are neither extracted nor directly reconciled with Condensed Interim Consolidated Financial Statements, in the Consolidated Interim Report on Operations and in Annexes explanatory descriptions of the contents and, in case, of the calculation methods used, are reported in accordance with European Securities and Markets Authority Guidelines (ESMA/2015/1415) of 5 October 2015.

In particular in Annex 1 to the Accounts, the reconciliation of the Reclassified Consolidated Accounts to Mandatory Reporting Schedule, is included as required by Consob Notice No.6064293 of 28 July 2006.

## Reconciliation principles followed for the reclassified balance sheet and income statement

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

### Balance sheet

- 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 "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 "Financial assets at fair value through other comprehensive income" and of "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", "Provisions for risks and charges" and "Technical reserves" under "Other liabilities".

### Income statement

- 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" which are included in "Net trading income";
- the inclusion among "Net trading income" of trading, hedging, gains/losses realised on financial assets and liabilities and fair value through other comprehensive income and through profit and loss ;
- 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, which are reclassified among "Net income from investments";
- 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;
- 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".

## Scope of consolidation

During the first half of 2018 the following overall changes have been recorded in the consolidation perimeter:

- the number of fully consolidated companies, including the ones classified as non-current assets and asset disposal groups, changed from 590 at the end of 2017 to 524 at June 2018 (1 incoming and 67 exited), presenting with a decrease of 66;
- the number of companies consolidated using the equity method, including the ones classified as non-current assets and asset disposal groups, changed from 66 at the end of 2017 to 65 at June 2018, due to 1 disposal.

For further details see Explanatory notes - Part A - Accounting Policies; A.1 General, Section 3 - Consolidation procedures and scope.

# Note to the Consolidated First Half Financial Report

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

As at 30 June 2018, the main reclassified assets, based on the IFRS5 accounting principle, as non-current assets and asset disposal groups refer to:

- regarding the individual assets and liabilities held for sale and the groups of assets held for sale and associated liabilities which do not meet IFRS5 requirements for the classification as discontinued operations:
  - the subsidiaries Uni IT S.r.l., Oesterreichische Hotel-und TourismusBank Gesellschaft M.B.H., CrediFarma S.p.A., Trieste Adriatic Maritime Initiatives S.r.l. and Megapark O.O.D.;
  - the assets and liabilities relating to pledge credit business in Italy;
  - the non-performing loans relating to same sale initiatives of portfolios;
  - the real estate properties held by certain companies in the Group;
- regarding the data relating to the discontinued operations:
  - the companies of Pioneer group Baroda Pioneer Asset Management Company Ltd and Baroda Pioneer Trustee Company PVT Ltd;
  - the companies of Immobilien Holding group (Austria).

## Business segments

Segment reporting is presented and commented on the basis of the organisational structure currently used in management reporting of Group results, which consists of the following business segments:

- Commercial Banking Italy;
- Commercial Banking Germany;
- Commercial Banking Austria;
- CEE Division;
- CIB;
- Fineco;
- Non Core;
- Group Corporate Centre (including COO Services, Corporate Centre Global Functions, inter-segment adjustments and consolidation adjustments not attributable to individual segments).

The Non Core segment includes selected assets of Commercial Banking Italy and some special vehicles for securitisation operations.



# Improve asset quality.



We addressed Italian legacy issues through the sale of a € 17 billion portfolio (FINO) and proactive bad loans management. A more disciplined risk management strategy and underwriting processes are driving significant improvements in all our asset quality metrics.

# Consolidated Interim Report on Operations

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## Group highlights

### Income statement

	H1			(€ million)
	2018	2017	% CHANGE	
Operating income	10,061	10,323	- 2.5%	
of which: - net interest	5,314	5,408	- 1.7%	
- dividends and other income from equity investments	369	353	+ 4.5%	
- net fees and commissions	3,475	3,432	+ 1.3%	
Operating costs	(5,396)	(5,744)	- 6.1%	
Operating profit	4,665	4,579	+ 1.9%	
Profit (Loss) before tax	2,715	2,392	+ 13.5%	
<b>Group net profit (loss)</b>	<b>2,136</b>	<b>1,853</b>	<b>+ 15.3%</b>	

The figures in this table refer to the reclassified income statement. The amounts relating to the first half 2017 differ from the ones published at that time. For further details refer to the information at the bottom of the Reclassified consolidated income statement.

### Balance sheet

	AMOUNTS AS AT			(€ million)
	06.30.2018	12.31.2017	% CHANGE	
Total assets	823,908	836,790	- 1.5%	
Financial assets held for trading	83,262	74,686	+ 11.5%	
Loans and receivables with customers	458,787	438,895	+ 4.5%	
of which: - non-performing loans	16,660	21,112	- 21.1%	
Financial liabilities held for trading	52,454	55,784	- 6.0%	
Deposits from customers and debt securities in issue	543,661	561,498	- 3.2%	
of which: - deposits from customers	456,094	462,895	- 1.5%	
- securities in issue	87,567	98,603	- 11.2%	
<b>Group shareholders' equity</b>	<b>55,462</b>	<b>59,331</b>	<b>- 6.5%</b>	

Figures in this table refer to the reclassified balance sheet.

For more details see paragraph "Net write-downs on loans and provisions for guarantees and commitments" in this Consolidated Interim Report on Operations.

### Profitability ratios

	H1			
	2018	2017	CHANGE	
EPS <sup>(1)</sup> (€)	1.899	2.175	(0.276)	
Cost/income ratio	53.6%	55.6%	-2.01 bp	
EVA <sup>(2)</sup> (€ million)	(176)	(407)	+ 231	
ROTE	8.5%	8.2%	0.34 bp	
ROA <sup>(3)</sup>	0.55%	0.50%	0.05 bp	

#### Notes:

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

(2) Economic Value Added, equal to the difference between NOPAT (net operating profit after tax) and the cost of capital.

(3) Annualised figure. Return on assets: calculated as the Net profit (loss) attributable to the Group to Total assets pursuant to art. 90 of CRD IV.

The amounts relating to the first half 2017 differ from the ones published at that time. For further details refer to the information at the bottom of the Reclassified consolidated income statement.

### Risk ratios

	AS AT			
	06.30.2018	12.31.2017		
Net bad loans to customers/Loans to customers	1.39%	2.16%		
Net non-performing loans to customers/Loans to customers	3.63%	4.81%		

For the amounts refer to table "Loans to customers - Asset quality" in paragraph "Group Results" of this Consolidated Interim Report on Operations.

### Staff and branches

	AS AT		
	06.30.2018	12.31.2017	CHANGE
Employees <sup>(1)</sup>	88,640	91,952	-3,312
Branches <sup>(2)</sup>	3,910	4,030	-120
of which: - Italy	2,555	2,663	-108
- Other countries	1,355	1,367	-12

**Notes:**

(1) "Full time equivalent" data (FTE): number of employees counted for the rate of presence. Employees of Turkey are not included.  
 (2) Retail branches only. The branches of Turkey are not included.

Figures as at 31 December 2017 were restated accordingly to increase comparability.

### Transitional capital ratios

	AS AT	
	06.30.2018 <sup>(*)</sup>	12.31.2017 <sup>(*)</sup>
Total own funds (€ million)	59,240	64,454
Total risk-weighted assets (€ million)	360,690	356,100
<b>Common Equity Tier 1 Capital Ratio</b>	<b>12.57%</b>	<b>13.73%</b>
<b>Total Capital Ratio</b>	<b>16.42%</b>	<b>18.10%</b>

**Note:**

(\*) Transitional own funds and capital ratios including all transitional adjustments according to the yearly applicable percentages.

For more details see paragraph "Capital and value management - Capital ratios" of this Consolidated Interim Report on Operations.

### Ratings

	SHORT-TERM DEBT	MEDIUM AND LONG-TERM	OUTLOOK	STANDALONE RATING
Standard & Poor's	A-2	BBB	stable	bbb
Moody's Investors Service	P-2	Baa1	positive	ba1
Fitch Ratings	F2	BBB	stable	bbb

Data as at 3 August 2018.

# Reclassified consolidated accounts

## Reclassified consolidated balance sheet

(€ million)

ASSETS	AMOUNTS AS AT		CHANGE	
	06.30.2018	12.31.2017	AMOUNT	%
Cash and cash balances	21,238	64,493	- 43,256	- 67.1%
Financial assets held for trading	83,262	74,686	+ 8,576	+ 11.5%
Loans to banks	73,004	70,983	+ 2,021	+ 2.8%
Loans to customers	458,787	438,895	+ 19,893	+ 4.5%
Other financial assets	148,841	147,496	+ 1,345	+ 0.9%
Hedging instruments	5,700	5,676	+ 24	+ 0.4%
Property, plant and equipment	9,077	8,449	+ 627	+ 7.4%
Goodwill	1,484	1,484	-	-
Other intangible assets	1,864	1,902	- 38	- 2.0%
Tax assets	11,998	12,658	- 660	- 5.2%
Non-current assets and disposal groups classified as held for sale	915	1,111	- 196	- 17.6%
Other assets	7,740	8,958	- 1,218	- 13.6%
<b>Total assets</b>	<b>823,908</b>	<b>836,790</b>	<b>- 12,881</b>	<b>- 1.5%</b>

(€ million)

LIABILITIES AND SHAREHOLDERS' EQUITY	AMOUNTS AS AT		CHANGE	
	06.30.2018	12.31.2017	AMOUNT	%
Deposits from banks	129,747	123,244	+ 6,503	+ 5.3%
Deposits from customers	456,094	462,895	- 6,801	- 1.5%
Debt securities issued	87,567	98,603	- 11,035	- 11.2%
Financial liabilities held for trading	52,454	55,784	- 3,330	- 6.0%
Financial liabilities designated at fair value	8,524	3,011	+ 5,514	n.m.
Hedging instruments	6,254	6,610	- 356	- 5.4%
Tax liabilities	1,066	1,093	- 27	- 2.4%
Liabilities included in disposal groups classified as held for sale	79	185	- 106	- 57.5%
Other liabilities	25,825	25,141	+ 684	+ 2.7%
Minorities	837	894	- 57	- 6.4%
Group Shareholders' Equity:	55,462	59,331	- 3,869	- 6.5%
- capital and reserves	53,325	53,858	- 532	- 1.0%
- net profit (loss)	2,136	5,473	- 3,337	- 61.0%
<b>Total liabilities and shareholders' equity</b>	<b>823,908</b>	<b>836,790</b>	<b>- 12,881</b>	<b>- 1.5%</b>

The format of the Reclassified Balance Sheet is different from the one used in the previous financial year following the reclassification/aggregation of item "Provisions for risks and charges" from a separate item to "Other liabilities" and of item "Revaluation Reserves" from a separate item to item "Capital and Reserves". The item "Financial investments" has also been renamed in "Other financial assets". The comparative periods were restated accordingly.

2017 figures were also restated following the reclassification of the component relating to debt securities from items "Loans to bank" and "Loans to customers" to item "Other financial assets".

### Reclassified consolidated income statement

(€ million)

	H1		CHANGE		
	2018	2017	P&L	%	% AT CONSTANT FX <sup>(*)</sup> RATES
Net interest	5,314	5,408	- 94	- 1.7%	- 1.2%
Dividends and other income from equity investments	369	353	+ 16	+ 4.5%	+ 17.7%
Net fees and commissions	3,475	3,432	+ 43	+ 1.3%	+ 1.4%
Net trading income	809	1,053	- 244	- 23.2%	- 23.1%
Net other expenses/income	94	76	+ 17	+ 22.6%	+ 22.7%
<b>OPERATING INCOME</b>	<b>10,061</b>	<b>10,323</b>	<b>- 261</b>	<b>- 2.5%</b>	<b>- 1.7%</b>
Payroll costs	(3,246)	(3,500)	+ 253	- 7.2%	- 7.0%
Other administrative expenses	(2,101)	(2,195)	+ 94	- 4.3%	- 4.1%
Recovery of expenses	348	344	+ 4	+ 1.1%	+ 1.1%
Amortisation, depreciation and impairment losses on intangible and tangible assets	(396)	(393)	- 4	+ 0.9%	+ 1.4%
<b>Operating costs</b>	<b>(5,396)</b>	<b>(5,744)</b>	<b>+ 348</b>	<b>- 6.1%</b>	<b>- 5.8%</b>
<b>OPERATING PROFIT (LOSS)</b>	<b>4,665</b>	<b>4,579</b>	<b>+ 86</b>	<b>+ 1.9%</b>	<b>+ 3.5%</b>
Net write-downs on loans and provisions for guarantees and commitments	(1,000)	(1,427)	+ 426	- 29.9%	- 29.1%
<b>NET OPERATING PROFIT (LOSS)</b>	<b>3,665</b>	<b>3,152</b>	<b>+ 513</b>	<b>+ 16.3%</b>	<b>+ 18.2%</b>
Other charges and provisions	(1,181)	(598)	- 583	+ 97.5%	+ 97.6%
<i>of which: systemic charges</i>	(623)	(453)	- 169	+ 37.3%	+ 37.4%
Integration costs	9	(12)	+ 21	n.m.	n.m.
Net income from investments	222	(149)	+ 372	n.m.	n.m.
<b>PROFIT (LOSS) BEFORE TAX</b>	<b>2,715</b>	<b>2,392</b>	<b>+ 322</b>	<b>+ 13.5%</b>	<b>+ 16.0%</b>
Income tax for the period	(479)	(362)	- 117	+ 32.3%	+ 33.3%
<b>NET PROFIT (LOSS)</b>	<b>2,236</b>	<b>2,030</b>	<b>+ 205</b>	<b>+ 10.1%</b>	<b>+ 12.9%</b>
Profit (Loss) from non-current assets held for sale, after tax	14	29	- 15	- 52.1%	- 38.7%
<b>PROFIT (LOSS) FOR THE PERIOD</b>	<b>2,249</b>	<b>2,059</b>	<b>+ 190</b>	<b>+ 9.2%</b>	<b>+ 12.3%</b>
Minorities	(111)	(204)	+ 93	- 45.6%	- 44.7%
<b>NET PROFIT (LOSS) ATTRIBUTABLE TO THE GROUP BEFORE PPA</b>	<b>2,138</b>	<b>1,855</b>	<b>+ 283</b>	<b>+ 15.3%</b>	<b>+ 18.5%</b>
Purchase Price Allocation effect	(2)	(2)	-	- 14.1%	- 14.1%
Goodwill impairment	-	-	-	-	-
<b>NET PROFIT (LOSS) ATTRIBUTABLE TO THE GROUP</b>	<b>2,136</b>	<b>1,853</b>	<b>+ 284</b>	<b>+ 15.3%</b>	<b>+ 18.5%</b>

Note:

(\*) Foreign Exchange.

2017 figures were restated:

- starting from 30 September 2017 following the reclassifications:
  - of the consolidation effects arising from the intercompany commissions versus Bank Pekao S.A., Pioneer Global Asset Management S.p.A. and their subgroups' companies from items "Net fees and commissions" and "Income tax for the period" to item "Profit (Loss) from non-current assets held for sale, after tax";
  - of the indemnities recognised for resolution of non-performing loans management from item "Net fees and commissions" to item "Net other expenses/income".
- starting from 2018 following the reclassification of interests from item "Net write-downs on loans and provisions for guarantees and commitments" to item "Net interest" considering:
  - the component linked to the interests due to time value unwinding, determined in the valuation of non-performing financial assets;
  - the identification of interests income on the non-performing financial assets calculated on their net balance sheet exposure based on the related interest rates.

## Reclassified consolidated accounts

### Reclassified consolidated balance sheet - Quarterly figures

(€ million)

ASSETS	AMOUNTS AS AT		AMOUNTS AS AT			
	06.30.2018	03.31.2018	12.31.2017	09.30.2017	06.30.2017	03.31.2017
Cash and cash balances	21,238	49,944	64,493	48,982	48,428	32,261
Financial assets held for trading	83,262	80,324	74,686	81,493	79,529	86,191
Loans to banks	73,004	70,324	70,983	67,888	65,225	77,968
Loans to customers	458,787	441,783	438,895	441,351	440,821	443,002
Other financial assets	148,841	142,917	147,496	145,775	147,686	151,886
Hedging instruments	5,700	5,688	5,676	5,665	5,975	6,231
Property, plant and equipment	9,077	9,115	8,449	8,812	8,947	9,054
Goodwill	1,484	1,484	1,484	1,484	1,484	1,484
Other intangible assets	1,864	1,872	1,902	1,790	1,763	1,687
Tax assets	11,998	12,110	12,658	13,347	14,252	15,293
Non-current assets and disposal groups classified as held for sale	915	955	1,111	1,671	4,052	46,603
Other assets	7,740	7,461	8,958	8,841	8,966	9,424
<b>Total assets</b>	<b>823,908</b>	<b>823,978</b>	<b>836,790</b>	<b>827,099</b>	<b>827,128</b>	<b>881,085</b>

(€ million)

LIABILITIES AND SHAREHOLDERS' EQUITY	AMOUNTS AS AT		AMOUNTS AS AT			
	06.30.2018	03.31.2018	12.31.2017	09.30.2017	06.30.2017	03.31.2017
Deposits from banks	129,747	125,177	123,244	128,110	129,844	138,581
Deposits from customers	456,094	456,959	462,895	438,334	433,017	437,996
Debt securities issued	87,567	93,369	98,603	106,383	110,664	109,103
Financial liabilities held for trading	52,454	48,685	55,784	58,806	55,505	60,631
Financial liabilities designated at fair value	8,524	8,575	3,011	2,960	3,045	3,027
Hedging instruments	6,254	5,881	6,610	6,859	7,245	8,202
Tax liabilities	1,066	1,140	1,093	1,190	1,188	1,443
Liabilities included in disposal groups classified as held for sale	79	196	185	161	618	36,031
Other liabilities	25,825	26,104	25,141	25,720	30,019	29,035
Minorities	837	941	894	872	822	4,312
Group Shareholders' Equity:	55,462	56,950	59,331	57,705	55,161	52,723
- capital and reserves	53,325	55,838	53,858	53,033	53,308	51,816
- net profit (loss)	2,136	1,112	5,473	4,672	1,853	907
<b>Total liabilities and shareholders' equity</b>	<b>823,908</b>	<b>823,978</b>	<b>836,790</b>	<b>827,099</b>	<b>827,128</b>	<b>881,085</b>

The format of the Reclassified Balance Sheet is different from the one used in the previous financial year following the reclassification/aggregation of item "Provisions for risks and charges" from a separate item to "Other liabilities" and of item "Revaluation Reserves" from a separate item to item "Capital and Reserves". The item "Financial investments" has also been renamed in "Other financial assets". The comparative periods were restated accordingly.

2017 figures were also restated following the reclassification of the component relating to debt securities from items "Loans to bank" and "Loans to customers" to item "Other financial assets".

**Reclassified consolidated income statement - Quarterly figures**

(€ million)

	2018		2017			
	Q2	Q1	Q4	Q3	Q2	Q1
Net interest	2,678	2,636	2,646	2,579	2,748	2,660
Dividends and other income from equity investments	180	189	120	165	183	170
Net fees and commissions	1,725	1,750	1,683	1,592	1,730	1,703
Net trading income	331	478	384	381	462	590
Net other expenses/income	33	60	73	7	49	28
<b>OPERATING INCOME</b>	<b>4,947</b>	<b>5,114</b>	<b>4,906</b>	<b>4,725</b>	<b>5,172</b>	<b>5,150</b>
Payroll costs	(1,612)	(1,634)	(1,701)	(1,704)	(1,744)	(1,755)
Other administrative expenses	(1,032)	(1,069)	(1,124)	(1,078)	(1,081)	(1,114)
Recovery of expenses	185	163	246	171	167	176
Amortisation, depreciation and impairment losses on intangible and tangible assets	(199)	(197)	(214)	(201)	(199)	(193)
<b>Operating costs</b>	<b>(2,659)</b>	<b>(2,738)</b>	<b>(2,794)</b>	<b>(2,813)</b>	<b>(2,858)</b>	<b>(2,886)</b>
<b>OPERATING PROFIT (LOSS)</b>	<b>2,289</b>	<b>2,376</b>	<b>2,112</b>	<b>1,912</b>	<b>2,315</b>	<b>2,264</b>
Net write-downs on loans and provisions for guarantees and commitments	(504)	(496)	(835)	(677)	(661)	(766)
<b>NET OPERATING PROFIT (LOSS)</b>	<b>1,785</b>	<b>1,880</b>	<b>1,277</b>	<b>1,235</b>	<b>1,654</b>	<b>1,498</b>
Other charges and provisions	(662)	(519)	(193)	(273)	(135)	(463)
<i>of which: systemic charges</i>	(158)	(465)	14	(149)	(19)	(434)
Integration costs	(2)	11	(103)	(31)	(8)	(5)
Net income from investments	205	17	(151)	(5)	(173)	24
<b>PROFIT (LOSS) BEFORE TAX</b>	<b>1,325</b>	<b>1,389</b>	<b>830</b>	<b>926</b>	<b>1,338</b>	<b>1,054</b>
Income tax for the period	(258)	(221)	(66)	(181)	(143)	(219)
<b>NET PROFIT (LOSS)</b>	<b>1,067</b>	<b>1,169</b>	<b>764</b>	<b>745</b>	<b>1,195</b>	<b>835</b>
Profit (Loss) from non-current assets held for sale, after tax	15	(1)	96	2,126	(133)	162
<b>PROFIT (LOSS) FOR THE PERIOD</b>	<b>1,082</b>	<b>1,168</b>	<b>860</b>	<b>2,871</b>	<b>1,062</b>	<b>997</b>
Minorities	(56)	(55)	(58)	(50)	(116)	(89)
<b>NET PROFIT (LOSS) ATTRIBUTABLE TO THE GROUP BEFORE PPA</b>	<b>1,025</b>	<b>1,113</b>	<b>802</b>	<b>2,821</b>	<b>946</b>	<b>909</b>
Purchase Price Allocation effect	(1)	(1)	(1)	(1)	(1)	(1)
Goodwill impairment	-	-	-	-	-	-
<b>NET PROFIT (LOSS) ATTRIBUTABLE TO THE GROUP</b>	<b>1,024</b>	<b>1,112</b>	<b>801</b>	<b>2,820</b>	<b>945</b>	<b>907</b>

2017 figures were restated:

- starting from 30 September 2017 following the reclassifications:
  - of the consolidation effects arising from the intercompany commissions versus Bank Pekao S.A., Pioneer Global Asset Management S.p.A. and their subgroups' companies from items "Net fees and commissions" and "Income tax for the period" to item "Profit (Loss) from non-current assets held for sale, after tax";
  - of the indemnities recognised for resolution of non-performing loans management from item "Net fees and commissions" to item "Net other expenses/income".
- starting from 2018 following the reclassification of interests from item "Net write-downs on loans and provisions for guarantees and commitments" to item "Net interest" considering:
  - the component linked to the interests due to time value unwinding, determined in the valuation of non-performing financial assets;
  - the identification of interests income on the non-performing financial assets calculated on their net balance sheet exposure based on the related interest rates.

# Reclassified consolidated accounts

## Reclassified consolidated income statement - Comparison of Q2 2018/Q2 2017

(€ million)

	Q2		CHANGE		% AT CONSTANT FX <sup>(*)</sup> RATES
	2018	2017	P&L	%	
Net interest	2,678	2,748	- 70	- 2.6%	- 1.9%
Dividends and other income from equity investments	180	183	- 3	- 1.8%	+ 13.2%
Net fees and commissions	1,725	1,730	- 4	- 0.3%	-
Net trading income	331	462	- 132	- 28.5%	- 28.5%
Net other expenses/income	33	49	- 15	- 31.5%	- 31.2%
<b>OPERATING INCOME</b>	<b>4,947</b>	<b>5,172</b>	<b>- 225</b>	<b>- 4.3%</b>	<b>- 3.3%</b>
Payroll costs	(1,612)	(1,744)	+ 132	- 7.6%	- 7.3%
Other administrative expenses	(1,032)	(1,081)	+ 49	- 4.5%	- 4.3%
Recovery of expenses	185	167	+ 18	+ 10.5%	+ 10.5%
Amortisation, depreciation and impairment losses on intangible and tangible assets	(199)	(199)	-	+ 0.1%	+ 0.6%
<b>Operating costs</b>	<b>(2,659)</b>	<b>(2,858)</b>	<b>+ 199</b>	<b>- 7.0%</b>	<b>- 6.6%</b>
<b>OPERATING PROFIT (LOSS)</b>	<b>2,289</b>	<b>2,315</b>	<b>- 26</b>	<b>- 1.1%</b>	<b>+ 0.7%</b>
Net write-downs on loans and provisions for guarantees and commitments	(504)	(661)	+ 157	- 23.7%	- 22.6%
<b>NET OPERATING PROFIT (LOSS)</b>	<b>1,785</b>	<b>1,654</b>	<b>+ 131</b>	<b>+ 7.9%</b>	<b>+ 10.0%</b>
Other charges and provisions	(662)	(135)	- 527	n.m.	n.m.
<i>of which: systemic charges</i>	(158)	(19)	- 138	n.m.	n.m.
Integration costs	(2)	(8)	+ 5	- 72.3%	- 71.7%
Net income from investments	205	(173)	+ 378	n.m.	n.m.
<b>PROFIT (LOSS) BEFORE TAX</b>	<b>1,325</b>	<b>1,338</b>	<b>- 13</b>	<b>- 0.9%</b>	<b>+ 1.6%</b>
Income tax for the period	(258)	(143)	- 116	+ 81.0%	+ 82.5%
<b>NET PROFIT (LOSS)</b>	<b>1,067</b>	<b>1,195</b>	<b>- 128</b>	<b>- 10.7%</b>	<b>- 100.0%</b>
Profit (Loss) from non-current assets held for sale, after tax	15	(133)	+ 148	n.m.	n.m.
<b>PROFIT (LOSS) FOR THE PERIOD</b>	<b>1,082</b>	<b>1,062</b>	<b>+ 20</b>	<b>+ 1.9%</b>	<b>+ 5.3%</b>
Minorities	(56)	(116)	+ 59	- 51.2%	- 50.1%
<b>NET PROFIT (LOSS) ATTRIBUTABLE TO THE GROUP BEFORE PPA</b>	<b>1,025</b>	<b>946</b>	<b>+ 79</b>	<b>+ 8.3%</b>	<b>+ 11.9%</b>
Purchase Price Allocation effect	(1)	(1)	-	+ 2.0%	+ 2.0%
Goodwill impairment	-	-	-	-	-
<b>NET PROFIT (LOSS) ATTRIBUTABLE TO THE GROUP</b>	<b>1,024</b>	<b>945</b>	<b>+ 79</b>	<b>+ 8.3%</b>	<b>+ 11.9%</b>

Note:

(\*) Foreign Exchange.

2017 figures were restated:

- starting from 30 September 2017 following the reclassifications:
  - of the consolidation effects arising from the intercompany commissions versus Bank Pekao S.A., Pioneer Global Asset Management S.p.A. and their subgroups' companies from items "Net fees and commissions" and "Income tax for the period" to item "Profit (Loss) from non-current assets held for sale, after tax";
  - of the indemnities recognised for resolution of non-performing loans management from item "Net fees and commissions" to item "Net other expenses/income".
- starting from 2018 following the reclassification of interests from item "Net write-downs on loans and provisions for guarantees and commitments" to item "Net interest" considering:
  - the component linked to the interests due to time value unwinding, determined in the valuation of non-performing financial assets;
  - the identification of interests income on the non-performing financial assets calculated on their net balance sheet exposure based on the related interest rates.

# Summary results by business segment

## Key figures by business segment

(€ million)

	COMMERCIAL BANKING ITALY	COMMERCIAL BANKING GERMANY	COMMERCIAL BANKING AUSTRIA	CEE DIVISION	CIB	FINECO	GROUP CORPORATE CENTRE <sup>(1)</sup>	NON CORE	CONSOLIDATED GROUP TOTAL
<b>Income statement</b>									
<b>OPERATING INCOME</b>									
H1 2018	3,751	1,257	784	2,155	1,957	311	(126)	(28)	10,061
H1 2017	3,808	1,432	785	2,141	2,196	282	(361)	40	10,323
<b>OPERATING COSTS</b>									
H1 2018	(2,091)	(877)	(522)	(766)	(780)	(125)	(186)	(50)	(5,396)
H1 2017	(2,241)	(932)	(556)	(765)	(841)	(121)	(227)	(62)	(5,744)
<b>OPERATING PROFIT</b>									
H1 2018	1,660	380	262	1,390	1,178	187	(312)	(78)	4,665
H1 2017	1,567	499	229	1,376	1,355	161	(588)	(22)	4,579
<b>PROFIT BEFORE TAX</b>									
H1 2018	1,071	271	219	1,046	935	187	(401)	(614)	2,715
H1 2017	934	367	230	964	1,128	156	(740)	(646)	2,392
<b>Balance sheet</b>									
<b>CUSTOMERS LOANS (NET REPOS AND IC)</b>									
as at 30 June 2018	141,443	83,174	44,561	61,759	76,334	2,431	3,157	10,088	422,946
as at 31 December 2017	137,437	80,899	44,336	59,966	71,497	1,927	2,732	14,219	413,014
<b>CUSTOMERS DEPOS (NET REPOS AND IC)</b>									
as at 30 June, 2018	145,029	89,176	47,595	62,387	44,388	21,074	3,109	1,001	413,759
as at 31 December 2017	140,935	91,582	46,272	62,406	47,990	20,059	3,504	1,044	413,791
<b>TOTAL RISK WEIGHTED ASSETS</b>									
as at 30 June 2018	87,802	34,777	21,399	87,122	80,521	2,309	31,393	15,367	360,690
as at 31 December 2017	85,592	33,999	20,963	85,996	75,639	2,332	29,985	21,595	356,100
<b>EVA</b>									
H1 2018	162	(80)	84	261	124	36	(210)	(552)	(176)
H1 2017	94	139	140	189	315	30	(362)	(590)	(46)
<b>Cost/income ratio</b>									
H1 2018	55.7%	69.8%	66.6%	35.5%	39.8%	40.1%	n.m.	n.m.	53.6%
H1 2017	58.9%	65.1%	70.8%	35.7%	38.3%	42.9%	n.m.	n.m.	55.6%
<b>Employees</b>									
as at 30 June 2018	30,912	9,244	4,939	23,992	3,331	1,095	14,712	414	88,640
as at 31 December 2017	32,339	9,962	5,092	24,089	3,310	1,082	15,614	464	91,952

**Note:**

(1) COO Services, Corporate Centre Global Functions, inter-segment adjustments and consolidation adjustments not attributable to individual segments.

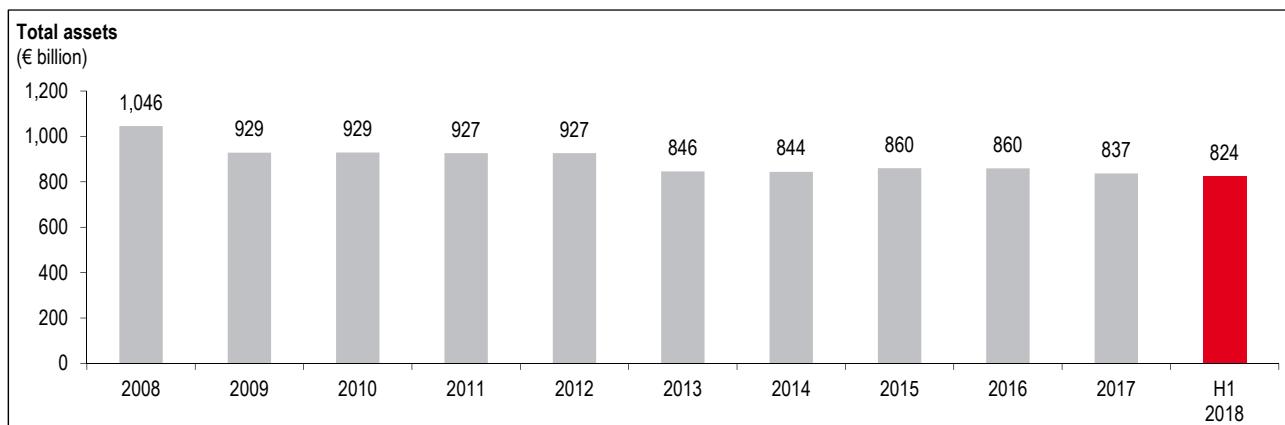
Figures were recasted, where necessary, on a like-to-like basis to consider changes in scope of business segment and methodological rules.

# Group and UniCredit share historical data series

## Group figures 2008 - 2018

	IAS/IFRS										
	H1 2018	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
<b>Income Statement (€ million)</b>											
Operating income	10,061	19,619	18,801	22,405	22,513	23,973	25,049	25,200	26,347	27,572	26,866
Operating costs	(5,396)	(11,350)	(12,453)	(13,618)	(13,838)	(14,801)	(14,979)	(15,460)	(15,483)	(15,324)	(16,692)
Operating profit (loss)	4,665	8,268	6,348	8,787	8,675	9,172	10,070	9,740	10,864	12,248	10,174
Profit (loss) before income tax	2,715	4,148	(10,978)	2,671	4,091	(4,888)	317	2,060	2,517	3,300	5,458
Net profit (loss) for the period	2,249	5,790	(11,061)	2,239	2,669	(3,920)	1,687	644	1,876	2,291	4,831
Net profit (loss) attributable to the Group	2,136	5,473	(11,790)	1,694	2,008	(13,965)	865	(9,206)	1,323	1,702	4,012
<b>Balance Sheet (€ million)</b>											
Total assets	823,908	836,790	859,533	860,433	844,217	845,838	926,827	926,769	929,488	928,760	1,045,612
Loans and receivables with customers	458,787	447,727	444,607	473,999	470,569	503,142	547,144	559,553	555,653	564,986	612,480
of which: non-performing loans	6,371	9,499	10,945	19,924	19,701	18,058	19,360	18,118	16,344	12,692	10,464
Deposits from customers and debt securities in issue	543,661	561,498	567,855	584,268	560,688	571,024	579,965	561,370	583,239	596,396	591,290
Shareholders' equity	55,462	59,331	39,336	50,087	49,390	46,841	62,784	51,479	64,224	59,689	54,999
<b>Profitability ratios (%)</b>											
Operating profit (loss)/Total assets	0.57	0.99	0.74	1.02	1.03	1.08	1.09	1.05	1.17	1.32	0.97
Cost/income ratio	53.6	57.9	66.2	60.8	61.5	61.7	59.8	61.4	58.8	55.6	62.1

The information in the table are "historical figures". They don't allow comparison because they are not recasted or adjusted following to the new accounting principles or perimeter changes.



## Share information

	H1 2018	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
<b>Share price (€)<sup>(1)</sup></b>											
- maximum	18.212	18.350	25.733	32.824	34.427	28.213	22.440	65.912	76.243	87.212	151.942
- minimum	13.600	12.160	8.785	24.605	25.583	16.227	11.456	21.157	49.212	19.283	40.138
- average	16.673	15.801	13.820	29.509	30.015	22.067	16.520	42.923	63.702	59.078	99.949
- end of period	14.296	15.580	13.701	25.733	26.735	26.961	18.572	21.190	51.093	73.819	46.507
<b>Number of outstanding shares (million)</b>											
- at period end <sup>(2)</sup>	2,230	2,226	618	5,970	5,866	5,792	5,789	1,930	19,297.6	16,779.3	13,368.1
- shares cum dividend	2,220	2,216	608	5,873	5,769	5,695	5,693	1,833	18,330.5	18,329.5	13,372.7
of which: savings shares	-	0.25	0.25	2.48	2.45	2.42	2.42	2.42	24.2	24.2	21.7
- average <sup>(2)</sup>	2,228	1,957	611	5,927	5,837	5,791	5,473	1,930	19,101.8	16,637.8	13,204.6
<b>Dividend<sup>(3)</sup></b>											
- total dividends (€ million)		726	-	706	697	570	512	(**)	550	550	(*)
- dividend per ordinary share		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) Following extraordinary corporate operations, which involve the detachment of rights, stock splitting or grouping, demerger operations and distribution of extraordinary dividends, the price of the shares can fluctuate so much that they are no longer comparable. Thus, the time series hereby published are adjusted accordingly to restore the continuity of historical price series.

(2) The number of shares is net of treasury shares and included 9,676 million of shares held under a contract of usufruct.

(3) The amount of the dividend corresponds to the resolution approved by the Shareholders' Meeting.

(\*) 2008 dividend was paid with cash to savings shareholders (€0.025 per share, for a total amount of €0.5 million), and with newly issued shares (so-called "scrip dividend").

(\*\*) As per Banca d'Italia's communication dated 2 March 2012, based on the decision of UniCredit S.p.A.'s Board of Directors and in line with the intention announced to the Shareholders' Meeting in 2012, UniCredit S.p.A. paid no dividends with respect to its 2011 financial results.

In 2011 the following operations were carried out:

- the €2.5 billion free capital increase, through the allocation to capital of an equivalent amount transferred from the "Issue-premium reserve";
- the reverse stock split of ordinary and savings shares based on a ratio of 1 new ordinary or savings share for every 10 existing ordinary or savings shares;
- the elimination of the per-share nominal value of ordinary and savings shares.

In the first quarter of 2012 the capital increase of €7.5 billion equal to 3,859,602,938 issued shares was fully subscribed for.

Figures relating to the 2013 dividend are shown according to the specific Board of Directors' reports on the distribution to Shareholders.

The Shareholders' Meeting of 13 May 2014 approved a "scrip dividend" scheme under which the holders of ordinary shares and the holders of savings shares will be allocated one new share for every sixty shares held and one new share for every eighty-four shares held, respectively. The new shares were allocated through a free share capital increase, without prejudice to the shareholders' right to opt for a cash payout (€0.10 for each ordinary and savings share) in lieu of the allocation of the new shares.

The Shareholders' Meeting of 13 May 2015 approved the payment of dividends in the form of a "scrip dividend", with the assignment to shareholders who hold ordinary shares of one new share per fifty shares held, and to holders of savings shares one new share per seventy-two shares held. The assignment of the new shares occurred following a free share-capital increase, without affecting the shareholders' right to request payment of the dividend in cash (€0.12 per ordinary and savings share), in place of assignment of shares.

The Shareholders' Meeting also approved the partial distribution of 2014 and previous year profits, with payment of €0.945 per savings share, as preferred dividend.

The Shareholders' Meeting of 14 April 2016, approved the payment of dividends in the form of "scrip dividend", with the assignment to shareholders who hold ordinary shares of one new share per twenty-three shares held, and to holders of savings shares one new share per fifty-four shares held. The assignment of the new shares occurred following a free share-capital increase, without affecting the shareholders' right to request payment of the dividend in cash (€0.12 per ordinary and savings share), in place of assignment of shares.

In 2017 the following operations were carried out:

- the reverse stock split of ordinary and savings shares based on a ratio of 1 new ordinary or savings share for every 10 existing ordinary or savings shares;
- the €13,000 million fully subscribed capital increase, of which €16 million as share capital and €12,984 million as share premium, through the issuance of No.1,606,876,817 new ordinary shares.

# Group and UniCredit share historical data series

Shareholders' Meeting held on 4 December 2017 resolved mandatory conversion of the existing No.252,489 savings shares into ordinary shares with a conversion ratio of No.3.82 ordinary shares each 1 savings share subject to the conversion, assigning newly issued shares and/or treasury shares and in any case without variation of the share capital value. The conversion will become effective at the end of the period for exercising the withdrawal rights.

The Shareholders' Meeting of 12 April 2018 approved the payment of dividends to the holders of ordinary shares a dividend of €0.32 for each share outstanding and entitled to dividend payment date, for a maximum amount of €726 million, from allocation of 2017 net profit.

## Earnings ratios

	IAS/IFRS										
	H1 2018	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Shareholders' equity (€ million)	55,462	59,331	39,336	50,087	49,390	46,841	62,784	51,479	64,224	59,689	54,999
Group portion of net profit (loss) (€ million)	2,136	5,473	(11,790)	1,694	2,008	(13,965)	865	(9,206)	1,323	1,702	4,012
Shareholders' equity per share (€)	24.87	26.65	6.36	8.39	8.42	8.09	10.85	26.67	3.33	3.56	4.11
Price/Book value	0.57	0.58	4.30	0.61	0.63	0.67	0.34	0.16	3.06	4.14	2.37
Earnings per share <sup>(1)</sup> (€)	1.899	2.794	(1.982)	0.27	0.34	(2.47)	0.15	(5.12)	0.06	0.10	0.30
Payout ratio (%)		13.3	-	41.7	34.7	-4.1	59.2	-	41.6	32.3	(*)
Dividend yield on average price per ordinary share (%)		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.

(\*) 2008 dividend was paid with cash to savings shareholders (€0.025 per share, for a total amount of €0.5 million), and with newly issued shares (so-called "scrip dividend").

The figures reported in the table are "historical figures" and they must be read with reference to each single period.

The 2008 EPS figure published in the consolidated report as at 31 December 2008 was €0.30 and has now been amended to €0.26 due to the increase in the number of shares following the capital increase (IAS33 paragraph 28). From 2009 for the purposes of calculating EPS, due to disbursements made in connection with the foreseen use of treasury shares agreed under the 'cashes' transaction, and charged to equity, net profit for the period was reduced by the following amounts: €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 and €30 million for the first half 2018.



## IAS/IFRS

(1) Annualised figure.

# Group results

## Macroeconomic situation, banking and financial markets

### International situation

#### USA/Eurozone

In the first half of 2018, the global recovery lost some momentum, but kept expanding at a pace of about 4%. The main source of uncertainty was represented by a deceleration in global trade amid rising protectionism tensions, while monetary policies in the largest economies continued to be supportive. In the United States, the fiscal stimulus provided a significant boost to the economy, despite the cycle being mature. Japan, instead, registered the first quarter-on-quarter fall in GDP in two years, whereas growth in the United Kingdom moderated. In China, economic activity remained robust despite rising protectionist threats from the United States.

In the euro area, growth moderated in the first quarter of 2018, but remained solid and broad-based across euro area countries. The latest economic indicators, particularly business surveys, remain elevated, albeit on a declining path. Annualised real GDP growth was likely about 2% in the first two quarters of the year. Domestic demand (notably private consumption and fixed investment spending) continued to be the main engine of growth in the first quarter of 2018. Also employment is on the mend, as a result of an overall improving macroeconomic environment.

The narrowing of the output gap has started to spill over to underlying price pressure. So far, this is mainly visible in wage formation, which showed signs of strengthening at the beginning of the year. In the first quarter, the European Central Bank gauge of negotiated wages increased by 1.8% year on year, the fastest rate in four years, while employee compensation rose 2% year on year, a six-year high. Following the noise induced by the early timing of Easter, core inflation climbed back to just above 1% in May, and it is likely to remain on a shallow upward trajectory through 2019. The jump in oil prices has pushed headline inflation sharply higher, at around 2%. The Governing Council of the European Central Bank also confirmed that it will taper the Quantitative Easing in the last quarter of 2018 and stop it in December and announced that interest rates will remain unchanged through summer 2019.

The United States is currently enjoying one of the longest recoveries on record and the economy is on track to grow an annualised 3% through the remainder of the year. Household disposable income continued to be lifted by the combination of a strong labor market and the boost from lower taxes, while positive wealth effects continued to push the savings rate lower. Business fixed investment expanded in the first quarter of 2018 at its strongest pace since 2014. Given the buoyant macroeconomic performance, the Fed has raised its policy rates twice the year.

### Banking and financial markets

The credit recovery in the euro area consolidated in the first half of 2018. The rate of growth of loans to non-financial corporations showed further acceleration, in line with the strengthening of the investment recovery and, in May (latest available data), the annual growth rate stood at 3.6%, compared to 3.1% at the end of 2017. The expansion of loans to households continued, particularly in loans for house purchases, with an increase of 3% on an annual basis. The improvement underway in the credit aggregates characterised all three countries of reference for the Group. In Italy, in particular, loans to non-financial corporations seem to have undertaken a clearer improvement, posting annual growth of about 2%, which probably bringing the weakness of the last six years to an end. On the other hand, the growth in loans to households stabilised at around 3%, in line with the eurozone average. In Germany and in Austria, the increase in both loans to households and loans to corporates consolidated further in the first half of 2018, with annual growth rates well above the eurozone average. The growth of the credit aggregates in these two countries continues to reflect the solid recovery in private consumption, amid the marked improvement in the labor market, and in fixed investment.

As for bank funding at a system level, in the first few months of 2018, bank deposits maintained a sustained growth trend in all the three reference countries, both in terms of household deposits and deposits of non-financial corporations. The persistently low interest rates continued to support the increase in sight deposits, to the detriment of medium and long-term funding, and there is currently no sign of this trend reversing. The approach of gradually raising policy interest rates that is likely to be adopted by the European Central Bank could further postpone a change in the allocation between different types of deposits in terms of maturity and remuneration.

Bank interest rates broadly stabilised at the level observed at the end of 2017 in all the three reference countries for the Group and, in particular, interest rates on sight deposits remained at levels close to zero. The bank interest rate spread (i.e. the difference between the average interest rate on loans and the average interest rate on deposits) continued to show a gradual decline over the first months of the year.

## Group results

In the first half of 2018, financial markets in the euro area saw a return to rising volatility, on the back of greater uncertainty regarding growth prospects in the area, which was related to the intensification of protectionist pressure. This fueled an ongoing deterioration in the performance of the stock markets, which intensified in Italy starting from May due to the increase in domestic political uncertainty. The Italian stock exchange, after having grown by around 10% up to mid-May, closed the first half down by 1%, compared to December 2017. The performance of both the German stock exchange and the Austrian stock exchange was characterised by major weakness throughout the entire six-month period, with a decline, in both cases, of about 5%, compared to December 2017.

### CEE countries

Economic growth remained solid in the first half of 2018, but it is likely to slow for several reasons: weaker growth in the eurozone, high commodity prices, especially oil, the threat of trade barriers turning CEE manufacturers more bearish and politics blurring the outlook for domestic policies. With external headwinds intensifying, domestic demand took over as the main growth driver. The importance of resilient domestic demand will become more evident in the coming quarters, with the late-cycle recovery in investment being the focus point while private consumption slows amid lower real income growth and tightening financial conditions.

In the EU-CEE<sup>1</sup>, growth remained well above potential, driven both by consumption and investment. The former benefited from fast income growth amid tightening labor market conditions. Labor shortages reached the highest levels on record, especially in the Czech Republic, where vacancies exceeded unemployment, and in Hungary, where more than 60% of companies reported difficulties in finding workers. These shortages are unlikely to be solved if countries do not foster economic immigration in a similar fashion to Poland, which expanded the scope and the duration of work contracts for non-EU citizens from the former Soviet Union and South-East Asia. As a result of tighter labor market conditions, wage growth continues to outpace productivity in most EU-CEE countries. In addition, governments increased wages in the public sector before several rounds of elections, especially in Hungary and Romania.

Investment is rebounding as well, with EU fund inflows picking up, especially in Hungary and Poland. Absorption is expected to pick up in other countries like Bulgaria and Croatia. Private investment is dominated by real estate projects, with demand moving from home buyers to investors, especially in capital cities and other economic centres. Productive investment is recovering in most countries, with large foreign investment projects announced in Slovenia and underway in car-producing countries like Hungary and Slovakia. At the same time, some companies postponed a stronger capex expansion due to labor shortages and external risks. In Romania, tighter monetary conditions and an uncertain tax outlook may have affected corporate borrowing.

Outside the EU, growth stabilised around 1.5% in Russia. The economy received a muted boost ahead of the Football World Cup, whose impact on growth could be at most 0.2% of GDP. Higher oil prices increased the C/A surplus despite larger imports. However, real export growth was outpaced by import growth. Economic policies are calibrated to ensure macroeconomic and financial stability, rather than to boost potential growth. This means that potential growth is unlikely to rise from very low levels in Vladimir Putin's fourth presidential mandate.

In Turkey, the credit-led growth model seems to be running out of steam, despite good growth in the first quarter of 2018. The sharp rise in funding costs forced private and foreign banks to slow lending sharply. Despite subsidies offered by state-owned banks to mortgage buyers and the second phase of the Credit Guarantee Fund scheme, the credit impulse probably turned negative in the second quarter of 2018 and will continue to weigh on growth for the remainder of the year. This sets the stage for a narrowing in the non-energy C/A deficit in the coming quarters. After winning the 24 June elections, President Recep Tayyip Erdogan and the AKP-MHP coalition that supported him set their sights on local elections, expected in March 2019. As a result, fiscal policy is unlikely to tighten this year, leaving Turkey vulnerable to changes in risk appetite.

Food and fuel prices lowered inflation in the first quarter of 2018 in all the countries but Turkey, but base effects turned inflationary in the second quarter of 2018 and will continue to push both headline and core inflation higher. In addition, fast income growth will support core inflation, with unanchored expectations adding to the pressure in Turkey. The FX pass-through became a concern throughout CEE as currencies were hit by poor investor appetite and renewed sanctions in Russia's case. As a result, inflation rose faster than central banks expected, this upside surprise being reflected in monetary policy decisions. The extreme case is Turkey, where inflation reached 15-year highs and may continue to rise as the FX pass-through has not run its course.

<sup>1</sup> Bulgaria, Croatia, the Czech Republic, Hungary, Poland, Romania, Slovakia and Slovenia.

Anticipating record-high inflation, the Central Bank of the Republic of Turkey hiked interest rates to their highest real levels since the introduction of inflation targeting. However, these hikes came very late and could not return USD-TRY below the 4.50 level that now looks like a floor for the pair. In addition, hikes may not be sufficient if macroeconomic policies remain loose and/or politicians undermine the CBRT's independence. The Czech National Bank increased the benchmark repo rate to 1% in June and may have to hike again if the CZK fails to appreciate significantly against the EUR. The National Bank of Romania hiked as well and tightened liquidity through FX interventions, pushing ROBOR rates above 3%, the highest levels in more than four years. The National Banks of Hungary and Poland remained on hold at the expense of weaker currencies. While inflation will stay below regional levels in Poland, it threatens to exit the target range in Hungary later this year if EUR-HUF remains well above 320. However, none of the central banks is likely to hike unless the ECB tightens or inflation exits the target range due to a combination on domestic and external factors. The Central Bank of Russia probably postponed rate cuts for the rest of 2018 due to rising fuel prices and the 2pp rise in VAT announced for the beginning of 2019. Even with such supply-side shocks, inflation is unlikely to deviate significantly from the 4% target, both this year and next.

## Main results and performance for the period<sup>2</sup>

### Introduction

2018 is the second 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 of the plan's founding goals, achieving the following tangible results:

- **Strengthen and optimise capital**

After having successfully completed the Capital increase, the sale of subsidiaries (Pekao and Pioneer) and considering the net profit and balance sheets dynamics of the reference period in June 2018 the Group shows a strong capital position with the CET1 ratio (fully loaded) at 12.51%.

- **Improve the asset quality**

During the semester the proactive risk reduction measures have continued, leading the Non-Performing Exposure (NPE) ratio to 8.74% at the end of June, in comparison to the 9.80% of 1 January 2018 (following the IFRS9 principles adoption), with a coverage ratio increased to 60.9%, compared to 59.3% of the beginning of 2018.

- **Transform the operating model**

Also in the first half of 2018 the Group continued to carry out a strict cost control, obtaining results in advance compared to the plan's timing. The commercial network rationalisation has been furtherly developed. Branch closures have reached 790 units (of which 108 in the first half of 2018) starting from 2015, corresponding to 84% of the 944 closures forecasted by 2019 in the strategic plan.

In the semester the staff has been reduced by 3,313 FTEs, bringing the overall reduction to about 12,300 FTEs starting from the end of 2015 and equivalent to 87% of the 14,000 exits forecasted by 2019.

- **Maximise commercial bank value**

In the whole Group, commercial initiatives are ongoing, bringing tangible results. In particular during the first half of 2018 the following initiatives have been mainly carried out:

- strengthening of the offer of mobile payments through the new partnership with Samsung activated in Italy. The new app Samsung Pay has been added to Apple Pay and Alipay already previously activated;
- UniCredit was one of the founding partners of we.trade consortium, the first blockchain trade platform able to offer cross-border instant payments;
- strengthening of the Group digital offer through the new partnership with Meniga, firstly implemented in Italy and Serbia;
- continuation of the end-to-end processes optimisation, that after the redesign of 11 products (among which current accounts, mortgages, receivable financing, credit and debit card, asset under management) have been extended to two additional products (checks and asset under custody);
- extension of the end-to-end products redesign program also to Germany, with a new in-branch account opening process for private banking customers already activated and the redesign of residential mortgages process under development;
- release in Italy of the new product "Easy Export", supporting the Italian companies internationalisation, leveraging on the new partnership with Alibaba;
- increase of the remote sales (ATM, on line, mobile, call centre), that in Italy reached 23.5% of total sales of the bank's products that have a direct selling process;
- increase of the mobile user penetration in the CEE division, that reached 36% of the total clients.

<sup>2</sup> The amounts related to 2017 differ from the ones published at that time. For further details refer to the information at the bottom of the reclassified income statement.

## Group results

### • Adopt a lean but strong steering Group Corporate Centre

Following the resolutions of the Shareholders' Meeting of UniCredit S.p.A. held on 12 April 2018 the new corporate governance structure was implemented, in line with best in class European peers, the Board of Directors list has been approved and Fabrizio Saccomanni was elected as new Chairman.

Referring to the Group Corporate Centre rationalisation, in the first half of 2018 its weight on total costs was equal to the 3.4%, decreasing by 0.5% in comparison to the first half of last year. The target of 3.6% set for the 2019 remains confirmed.

These initiatives allowed the Group to reach in the first half of 2018 a net profit of €2,136 million, growing by 15.3% in comparison to the first half of 2017.

It is worth reminding that the first half of 2017 was affected by the extraordinary impact of the reclassification through profit and loss of Bank Pekao negative exchange effects, as a result of the dismissal, amounting to -€310 million.

It should also be noted that according to the IFRS5 accounting principle, Pioneer and Bank Pekao, subject to disposal to third parties, have been classified already since 2016 until the sale in 2017, as dismissal legal entities and their economic results have been accounted to item "Profit (Loss) from non-current assets held for sale, after tax", while their assets and liabilities have been respectively recognised under item "Non-current assets and disposal groups classified as held for sale" and item "Liabilities included in disposal groups classified as held for sale".

Always according to the IFRS5 accounting principle the positions involved by the "FINO Project" have been classified in 2016 and until the sale took place in July 2017 as "Non-current assets and disposal groups classified as held for sale".

## Operating income

In the first half of 2018 Group's revenues were €10,061 million, decreasing by 2.5% over the same period of 2017 (down by 1.7% at constant exchange rates).

The decrease was mainly due to the lower net trading income and to the decline of the net interest.

In particular, net interest was equal to €5,314 million, decreasing by 1.7% compared to the first half of 2017 (down by 1.2% at constant exchange rates).

It is worth remembering that the first half of 2017 benefitted from a release of interests on fiscal related accruals in Germany with regards to the years 2005-2008, that proved to be in excess, for an amount of €90 million. Net of this extraordinary component net interest would have remained stable compared to the first half of 2017.

During the first half of 2018, net interest was characterised by the reduction of interests income on lending to customers, as well as by the time value component decline. These effects have been only partially balanced by the decrease of the average cost of funding from customer and of the bonds issues, as well as by the benefit recognised on the outstanding TLTRO (Targeted Long Term Refinancing Operation) loan amount with ECB.

During the semester the reduction of credit spreads has continued, notwithstanding the stabilisation of the market rates, remained anyway in a negative territory (average 3 months Euribor in the first half of 2018 was equal to -0.33% stable in comparison to the first half of 2017).

Net interests result has took place in an overall upturning loans dynamic (€458.8 billion as at 30 June 2018, up by €18 billion or up by 4.1% over the first half last year), more than balancing the €6 billion reduction of the Non Core component, affected by the initiatives aimed to reduce the Non-Performing Exposure (NPE).

A positive trend was also observed with reference to the stock of loans to customers net of repos, that highlighted a growth of 2.9% compared to the first half of last year, or up by 4.5% net of the Non Core component.

At geographic level the growth was widespread among the different areas in which the Group is operating, with Italy that shows a growth of 5.0%, net of Non Core Division contribution, compared to the first half of 2017, Germany up by 4.7% and Austria up 3.5%. A positive trend has been recorded also in the CEE Division's countries (up by 5.4% at constant exchange rates), mainly driven by Serbia (up by 21.5% at constant exchange rates), Hungary (up by 16.4% at constant exchange rates), Bosnia (up by 10.4% at constant exchange rates), Russia (up by 10.0% at constant exchange rates), Romania (up by 9.4% at constant exchange rates) and Czech Republic (up by 2.3% at constant exchange rates).

Non Core Division recorded a further reduction of customers loans net of repos from €16.1 billion at the end of June 2017 to €10.1 billion at the end of June 2018 (down by 37.4%).

Deposits from customers, equal to €456.1 billion, have been growing by 5.3% (up by 5.6% at constant exchange rates) compared to the first half of 2017. The increase has been confirmed also by the deposits from customers net of repos: up by 4.8% (up by 5.1% at constant exchange rates).

More specifically, the deposits from customers net of repos grew in Italy up by 6.5% (net of Non Core Division), Germany up by 2.5% and Austria up by 3.9%. The CEE Division grew by 4.5% (up by 6.8% at constant exchange rates) compared to the first half of 2017, mainly generated by Romania (up by 21.4% at constant exchange rates), Serbia (up by 19.3% at constant exchange rates), Bosnia (up by 17.8% at constant exchange rates), Hungary (up by 8.6% at constant exchange rates), Slovenia (up by 6.7%), Bulgaria (up by 5.0% at constant exchange rates) and Russia (up by 4.6% at constant exchange rates, but down by 3.4% at current exchange).

Dividends (which include the profits of the companies accounted at equity method) in the first half of 2018 amounted to €369 million, increasing by 4.5% (up by 17.7% at constant exchange rates) compared with the same period of 2017. In particular the contribution from Yapi Kredi group has grown by 3.3% (up by 28.8% at constant exchange rates), thanks to the good commercial performance recorded.

The net fees and commissions in the first half of 2018 amounted to €3,475 million, growing by 1.3% (up by 1.4% at constant exchange rates) over the same period of the previous year.

The growth has been determined by the transactional services fees (up by 9.5% in comparison to the first half of 2017), thanks to the good performance of the current account fees and credit and debit cards fees.

The investment services fees were slightly down after the growths of the previous periods, recording a decrease of 0.6% compared to the first half of 2017.

Financing services were decreasing too, resulting down by 5.7% compared to the first half of 2017, mainly as an effect of the lower commissions for "Money supply" and guarantees.

The net trading income in the first half of 2018 was decreasing, moving from €1,053 million of the first half 2017 to €809 million of the current semester (down by 23.2% or down by 23.1% at constant exchange rate), also due to the lower client activity in an unfavourable market environment affected by the spread widening, as well as to some relevant operations with clients accounted in the first half of 2017.

Finally, in the first half of 2018 the net other expenses/income amounted to €94 million, up by €17 million over the same period of 2017.

### Operating income

(€ million)

	H1		% CHANGE	2018 Q2	% CHANGE ON Q1 2018
	2017	2018			
Net interest	5,408	5,314	- 1.7%	2,678	+ 1.6%
Dividends and other income from equity investments	353	369	+ 4.5%	180	- 5.1%
Net fees and commissions	3,432	3,475	+ 1.3%	1,725	- 1.4%
Net trading income	1,053	809	- 23.2%	331	- 30.8%
Net other expenses/income	76	94	+ 22.6%	33	- 44.7%
<b>Operating income</b>	<b>10,323</b>	<b>10,061</b>	<b>- 2.5%</b>	<b>4,947</b>	<b>- 3.3%</b>

### Operating costs

Group's operating costs in the first half of 2018 were equal to €5,396 million, decreasing by 6.1% compared with the same period of 2017 (down by 5.8% at constant exchange rates), thanks to the initiatives of staff resizing and the administrative expenses control actions.

In detail, the staff expenses of the first half of 2018 were €3,246 million, decreasing by 7.2% over the first half of 2017 (down by 7.0% at constant exchange rates).

This result was achieved mainly thanks to the resolute dynamic of employees reduction, characterised by a drop of 6,649 FTEs compared to the same period of 2017, equal to a decrease of 7.0%.

The other administrative expenses, in the first half of 2018 amounted to €2,101 million, decreasing by 4.3% in comparison to the first half of 2017 (down by 4.1% at constant exchange rates). Lower costs have been recorded mainly among the real estate expenses, mainly relating to the branch network rationalisation, the communication and marketing expenses and the consulting expenses.

The expenses recovery in the first half of 2018 amounted to €348 million, in comparison to €344 million of the first half of last year.

Finally, the write-downs on tangible and intangible assets in the first half of 2018 amounted to €396 million, up by 0.9% (up by 1.4% at constant exchange rates) compared to the first half of 2017.

### Operating costs

(€ million)

	H1		% CHANGE	2018 Q2	% CHANGE ON Q1 2018
	2017	2018			
Payroll costs	(3,500)	(3,246)	- 7.2%	(1,612)	- 1.4%
Other administrative expenses	(2,195)	(2,101)	- 4.3%	(1,032)	- 3.4%
Recovery of expenses	344	348	+ 1.1%	185	+ 13.7%
Write downs of tangible and intangible assets	(393)	(396)	+ 0.9%	(199)	+ 1.3%
<b>Operating costs</b>	<b>(5,744)</b>	<b>(5,396)</b>	<b>- 6.1%</b>	<b>(2,659)</b>	<b>- 2.9%</b>

# Group results

The good result achieved in terms of cost reduction deeply balanced the revenues decline, generating a Group gross operating profit of €4,665, up by 1.9% compared to the first half of 2017 (up by 3.5% at constant exchange rates).

The cost income ratio of the first half of 2018 amounted to 53.6%, improving by 2 percentage points over the same period of 2017.

## 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 2018 were €1,000 million, compared to €1,427 million of the first half 2017 (down by 29.9% or down by 29.1% at constant exchange rates).

The cost of risk was equal to 45 basis points, in comparison to 65 basis points of the first half of 2017.

The improvement was widespread also on geographical basis, with Italy recording a cost of risk of 93 basis points (in comparison to 107 basis points of the first half of 2017), Germany of -15 basis points, Austria of -29 basis points, having benefited from some accrual releases, CEE Division of 67 basis points (compared to 89 basis points of the first half of 2017).

The Group gross impaired loans at 30 June 2018 were decreasing by €3.1 billion compared to 1 January 2018 (post IFRS9 adoption), thanks to the continuous proactive risk reduction measures carried out.

Thanks to this decrease, the gross impaired loans on total loans ratio improved, moving from 9.80% of the beginning of January 2018 to 8.74% of June 2018. Gross non-performing loans stock was at €24.1 billion, decreasing by €1.3 billion over the beginning of January 2018.

The Group coverage ratio as at 30 June 2018 was furtherly improved by 164 basis points, reaching 60.89% in comparison to 59.25% as at the beginning of January 2018.

### Loans to customers - Asset Quality

(€ million)

	BAD EXPOSURES	UNLIKELY TO PAY	NON-PERFORMING PAST-DUE	TOTAL <sup>(*)</sup> NON-PERFORMING	PERFORMING	TOTAL LOANS
<b>As at 06.30.2018</b>						
Gross exposure as a percentage of total loans	24,075 4.94%	17,522 3.60%	1,002 0.21%	42,599 8.74%	444,652 91.26%	487,251
Writedowns as a percentage of face value	17,704 73.54%	7,895 45.05%	340 33.98%	25,939 60.89%	2,524 0.57%	28,464
Carrying value as a percentage of total loans	6,371 1.39%	9,628 2.10%	661 0.14%	16,660 3.63%	442,127 96.37%	458,787
<b>As at 01.01.2018<sup>(**)</sup></b>						
Gross exposure as a percentage of total loans	25,360 5.44%	19,338 4.15%	1,014 0.22%	45,711 9.80%	420,810 90.20%	466,521
Writedowns as a percentage of face value	18,289 72.12%	8,436 43.62%	359 35.44%	27,085 59.25%	2,732 0.65%	29,817
Carrying value as a percentage of total loans	7,070 1.62%	10,902 2.50%	654 0.15%	18,626 4.27%	418,078 95.73%	436,704
<b>As at 12.31.2017<sup>(**)</sup></b>						
Gross exposure as a percentage of total loans	27,775 5.93%	19,470 4.16%	1,105 0.24%	48,349 10.33%	419,797 89.67%	468,146
Writedowns as a percentage of face value	18,306 65.91%	8,491 43.61%	441 39.89%	27,237 56.33%	2,015 0.48%	29,252
Carrying value as a percentage of total loans	9,469 2.16%	10,979 2.50%	664 0.15%	21,112 4.81%	417,782 95.19%	438,895

Notes:

(\*) The perimeter of non-performing loans is equivalent to the perimeter of EBA NPE exposures.

(\*\*) The figures as at 1 January 2018 differ from the ones as at 31 December 2017 as a result of IFRS9 accounting principle adoption and of the exclusion of "Interessi di mora" components. The latter are excluded from Gross exposures and Writedowns in accordance with the 5<sup>th</sup> update of Banca d'Italia Circular 262 issued on 22 December 2017.

(\*\*\*) The figures as at 31 December 2017 differ from the ones published at the reference date due to the exclusion of the debt securities.

Any discrepancy in the data shown in this table is solely due to roundings.

## From net operating profit to profit before tax

The joint improvements of the gross operating profit (€4,665 million as at 30 June 2018) and net write-downs on loans (-€1,000 million as at 30 June 2018), allowed to reach in the first half of 2018 a Group's net operating profit amounting to €3,665 million, improving by €513 million (up by 16.3%).

Group's provisions for risk and charges were -€1,181 million, compared to -€598 million of the first half of 2017.

This item includes legal cases and estimated liabilities of various nature totalling -€559 million, in addition to the systemic charges, amounting to -€623 million. The latter include the contributions to the Single Resolution Fund (SRF), the harmonised guarantee schemes charges (i.e Deposits Guarantee Scheme - DGS) and the non-harmonised ones, as well as the Bank Levies.

Integration costs in the first half of 2018 were positive for €9 million, mainly thanks to releases on write-downs and works on properties undergoing disposal, accounted in the first quarter in Austria, in comparison to -€12 million recorded in the first half of 2017.

Finally, net income from investments in the first half of 2018 was €222 million, mainly thanks to some companies and real estate dismissals, as well as the evaluation of this last, carried out in Germany and Austria, versus -€149 million of the first half of 2017, referred to Atlante stake carrying value impairment for -€135 million.

As an effect of the items mentioned above, in the first half of 2018 the Group registered a profit before tax of €2,715 million, compared to €2,392 million of the first half of 2017 (up by 13.5% or up by 16.0% at constant exchange rates).

### 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 2017	2018
Commercial Banking Italy	3,751	(2,091)	(431)	1,229	934	1,071
Commercial Banking Germany	1,257	(877)	(62)	318	367	271
Commercial Banking Austria	784	(522)	55	316	230	219
Central Eastern Europe	2,155	(766)	(206)	1,184	964	1,046
Corporate & Investment Banking	1,957	(780)	161	1,339	1,128	935
Fineco	311	(125)	(1)	185	156	187
Group Corporate Centre	(126)	(186)	(3)	(315)	(740)	(401)
Non Core	(28)	(50)	(514)	(592)	(646)	(614)
<b>Group total</b>	<b>10,061</b>	<b>(5,396)</b>	<b>(1,000)</b>	<b>3,665</b>	<b>2,392</b>	<b>2,715</b>

# Group results

## Profit (Loss) attributable to the Group

In the first half of 2018 Group's income taxes amounted to -€479 million, in comparison to -€362 million of the first half of 2017. It is worth remembering that the tax of the first half of 2017 benefitted from a release of fiscal accruals relating to the years 2005-2008 in Germany, for a net amount of €80 million.

Profit from discontinued operations net of taxes in the first half of 2018 was €14 million in comparison to €29 million of the same period of last year.

The profit for the period of the first half of 2018 was €2,249 million, in comparison to €2,059 million recorded in the same period of last year.

Minorities were -€111 million, against -€204 million of the first half of 2017.

Purchase price allocation was -€2 million, stable in comparison to the first half of 2017.

Consequently, in the first half of 2018 a net profit attributable to the Group amounts to €2,136 million, compared to €1,853 million of the first half of 2017, with a growth of 15.3% (up by 18.5% at constant exchange rates).

Profit (Loss) attributable to the Group		(€ million)				
	H1	2017	2018	% CHANGE	2018 Q2	% CHANGE ON Q1 2018
<b>Operating income</b>	10,323	10,061		- 2.5%	4,947	- 3.3%
Operating costs	(5,744)	(5,396)		- 6.1%	(2,659)	- 2.9%
<b>Operating profit (loss)</b>	<b>4,579</b>	<b>4,665</b>		<b>+ 1.9%</b>	<b>2,289</b>	<b>- 3.7%</b>
Net write-downs on loans and provisions for guarantees and commitments	(1,427)	(1,000)		- 29.9%	(504)	+ 1.5%
<b>Net operating profit (loss)</b>	<b>3,152</b>	<b>3,665</b>		<b>+ 16.3%</b>	<b>1,785</b>	<b>- 5.1%</b>
Other charges and provisions	(598)	(1,181)		+ 97.5%	(662)	+ 27.5%
Integration costs	(12)	9		n.m.	(2)	n.m.
Net income from investment	(149)	222		n.m.	205	n.m.
<b>Profit (Loss) before tax</b>	<b>2,392</b>	<b>2,715</b>		<b>+ 13.5%</b>	<b>1,325</b>	<b>- 4.6%</b>
Income tax for the period	(362)	(479)		+ 32.3%	(258)	+ 17.1%
Profit (Loss) from non-current assets held for sale, after tax	29	14		- 52.1%	15	n.m.
<b>Profit (Loss) for the period</b>	<b>2,059</b>	<b>2,249</b>		<b>+ 9.2%</b>	<b>1,082</b>	<b>- 7.4%</b>
Minorities	(204)	(111)		- 45.6%	(56)	+ 3.2%
<b>Net profit (loss) attributable to the Group before PPA</b>	<b>1,855</b>	<b>2,138</b>		<b>+ 15.3%</b>	<b>1,025</b>	<b>- 7.9%</b>
Purchase Price Allocation effects	(2)	(2)		- 14.1%	(1)	- 2.4%
Goodwill impairment	-	-		n.m.	-	n.m.
<b>Net profit (loss) attributable to the Group</b>	<b>1,853</b>	<b>2,136</b>		<b>+ 15.3%</b>	<b>1,024</b>	<b>- 7.9%</b>

# Capital and value management

## Principles of value creation and capital allocation

In order to create value for the shareholders, the Group's strategic guidelines are aimed 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 related to TSR (Total Shareholder Return). Capital Allocated to Business Segment is quantified applying internal capitalisation targets to regulatory capital requirements (Regulatory Capital), with the exception of the capital allocated to Fineco which is determined as the highest between the Regulatory Capital and Internal Capital, i.e. the capital needed to cover, with an high level of confidence, the risks faced by the Group measured according to internal models.

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

- formulation of the proposed propensity for risk 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 and dividend policy.

## Capital ratios

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 model, 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 loan quality of the portfolio in view of the macroeconomic scenario (the so-called pro-cyclical effect).

### Transitional own funds and capital ratios

(€ million)

	AS AT	
	06.30.2018 <sup>(*)</sup>	12.31.2017 <sup>(*)</sup>
Common Equity Tier 1 Capital	45,330	48,880
Tier 1 Capital	50,923	54,703
Total own funds	59,240	64,454
Total RWA	360,690	356,100
<b>Common Equity Tier 1 Capital Ratio</b>	<b>12.57%</b>	<b>13.73%</b>
<b>Tier 1 Capital Ratio</b>	<b>14.12%</b>	<b>15.36%</b>
<b>Total Capital Ratio</b>	<b>16.42%</b>	<b>18.10%</b>

Note:

(\*) Transitional own funds and capital ratios including all transitional adjustments according to the yearly applicable percentages.

The economic and financial crisis, which began in 2007, has raised an intense debate on the need to promote a stronger financial system, more resilient to external shocks.

Therefore, over the last years, global regulators introduced a series of new regulatory requirements that have contributed greatly to re-shape the financial markets landscape. In particular, in December 2010, the Basel Committee for Banking Supervision (BCBS) published an additional series of significant changes relating to the global standard requirements for banking institutions on capital and liquidity, also known as "Basel 3". The regulatory changes introduced by the Basel 3 framework define more stringent rules for capital requirements levels and introduce for the first time liquidity and leverage limits. According to the Basel 3 framework, the new rules are introduced gradually in order to allow the banking system to comply with the new requirements and contain the impact on the real economy. In Europe, the Basel 3 framework has been translated into law by means of two separate legislative instruments applied from 1 January 2014: Directive 213/36/EU (CRD) and Regulation 575/2013/EU (CRR). In addition, in December 2013 Banca d'Italia published Circular 285, which updated and adjusted to the new international regulation framework the rules applicable to Italian banks and banking groups.

In addition, Council Regulation 1024/2013/EU of 15 October 2013 (Regulation "SSM" - Single Supervisory Mechanism) conferred specific tasks on the European Central Bank concerning policies relating to the prudential supervision of credit institutions.

Over the years, several regulations delegated by the Commission and regulations of the European Central Bank were published with the aim of disciplining specific regulatory issues.

## Group results

Pursuant to article 92 of CRR, the following minimum capital requirements should be met: Common Equity Tier 1 (CET1) ratio at 4.5%, Tier 1 ratio at 6% and Total Capital ratio at 8%.

Additionally to these minimum requirements, also the combined buffer requirement should be met, as defined in article 128(6) of Directive 2013/36/EU. Failure to comply with such combined buffer requirement triggers restrictions on distributions, requiring to apply the calculation of the Maximum Distributable Amount (MDA), and the need to adopt a capital conservation plan.

The combined buffer requirement applicable to UniCredit at consolidated level includes the following reserves:

- a Capital Conservation Buffer (CCB) set at 1.875% according to article 129<sup>3</sup> of CRDIV;
- an institution specific Countercyclical Capital Buffer (CCyB) to be applied in periods of excessive credit growth, for UniCredit group equal to 0.03%<sup>4</sup> as at 30 June 2018, according to article 160 of CRDIV (paragraphs from 1 to 4). This buffer is calculated on a quarterly basis<sup>5</sup>, depending on the geographical distribution of the relevant Group's credit exposures and on the national authorities' decisions which define country-specific buffers. As at 30 June 2018 only the national authorities of Sweden, Iceland, Norway, Czech Republic, Slovakia, Hong Kong and UK have defined countercyclical capital buffers different from 0% (respectively 2%, 1.25%, 2%, 0.5%, 0.5%, 1.875%, and 0.5%);
- a Global Systemically Important Institutions ("G-SII") capital buffer; for UniCredit group, identified by Banca d'Italia as G-SII authorised to operate in Italy<sup>6</sup>, the requirement is equal to 0.75% for 2018. This buffer will have to increase annually by 0.25% per year, in order to reach 1% from 1 January 2019. UniCredit group is classified in the first subcategory of the Systemically Important Institutions according to the transitional provisions as defined by Directive 2013/36/EU (Capital Requirements Directive IV - CRD IV);
- an Other Systemically Important Institutions ("O-SII") buffer, equal to 0.25% for 2018. Banca d'Italia identified UniCredit group, Intesa Sanpaolo and Monte dei Paschi di Siena banking groups as O-SIIs authorised to operate in Italy. This "O-SII buffer" for UniCredit will be increased by 0.25% from 1 January 2018 annually in order to reach 1% no later than 1 January 2021<sup>7</sup>. However, it should be considered that article 131, paragraph 14 of CRD IV requires that the highest buffer between G-SII and O-SII is applied. Therefore UniCredit group will have to comply with the requirement linked to the G-SII capital reserve, equal to 0.75% for 2018;
- a capital reserve against systemic risk (Systemic Risk Buffer) aimed at preventing and mitigating the systemic or macro-prudential non-cyclical risk in the long run, not included in CRR (not applicable at 30 June 2018).

Additionally, UniCredit group is required to satisfy the capital requirements that are defined on a yearly basis, following the results of the Supervisory Review and Evaluation Process (SREP) performed by the European Central Bank, in application of article 16(2) of SSM Regulation.

Following the results of SREP 2017, the ECB has set a Pillar 2 Requirement (P2R) for UniCredit group equal to 2.00%. As a consequence, from 1 January 2018, based on the application of Directive EBA/GL/2014/13 (European Banking Authority), the following Total SREP Capital Requirements (TSCR), which encompass the minimum capital requirements and Pillar 2 Requirements, apply to UniCredit on a consolidated basis:

- 6.5% CET 1 ratio;
- 8.0% Tier 1 ratio;
- 10.0% Total Capital ratio.

Similarly, the following Overall Capital Requirements (OCR), which encompass both the TSCR and the Combined Buffer Requirement, apply to UniCredit on a consolidated basis:

- 9.16% CET 1 ratio;
- 10.66% Tier 1 ratio;
- 12.66% Total Capital ratio.

3 On 6 October 2016, Banca d'Italia 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 buffer is 1.875% for 2018, and from 1 January 2019 will be 2.50%.

4 Amount rounded to two decimal numbers. With reference to 30 June 2018: (I) countercyclical capital rates have generally been set at 0%, except for the countries mentioned above; (II) with reference to the exposures towards Italian counterparties, Banca d'Italia has set the rate equal to 0%.

5 In coherence with the transitional regime granted by Banca d'Italia, for 2018 institution-specific countercyclical capital buffer consists of CET1 capped to 1.875% of the total RWA of the institution.

6 To be increased by 0.25% per year till the target of 1.00% in 2019. The decision was taken pursuant to Circular 285 of Banca d'Italia on prudential regulations for banks. The Circular implements the CRD IV rules in Italy and specifies the criteria on which the G-SIIs identification methodology is based. This methodology applied to identify and classify the G-SIIs among the various subcategories is defined in the delegated Regulation No.1222/2014 of the European Commission. The regulation contains provisions consistent with the rules set by the Basel Committee on Banking Supervision and the Financial Stability Board (FSB), in order to ensure that each year the banks identified as G-SIIs correspond to the European banks included on the FSB list, also published annually.

7 The decision to identify the three banking groups as O-SIIs was taken pursuant to Banca d'Italia Circular 285 on prudential regulations for banks, which implements Directive 2013/36/EU (Capital Requirements Directive, CRD IV) in Italy and specifies the criteria on which the O-SIIs identification methodology is based.

The assessment was carried out following the European Banking Authority Guidelines (EBA/GL/2014/10), which set out the criteria and the data required to identify the O-SIIs in the European Union jurisdictions. The Guidelines are consistent with the rules set by the Basel Committee on Banking Supervision to identify systemically important banks at national level, the goal being uniformity in the identification process at international level.

The abovementioned requirements are the ones which are relevant for MDA purposes for UniCredit group as at 30 June 2018.

As at 30 June 2018, UniCredit group's ratios are compliant with all the above requirements.

For the first half 2018, the Board of Directors, for the purpose of calculating the consolidated Own Funds at 30 June, approved a share of 20% of the Net Profit of the first half potentially allocated to dividend.

## Capital strengthening

With the €13 billion fully subscribed capital increase approved and finalised in the first few months of 2017 which involved the issue of No.1,606,876,817 new ordinary shares, one of the fundamental pillars of the 2016-2019 Strategic Plan was successfully completed with a significant strengthening of the Group's capital ratios.

On 7 February 2018 UniCredit's Board of Directors, pursuant to the powers conferred by the Extraordinary Shareholders' Meeting of 11 May 2013, the Extraordinary Shareholders' Meeting of 13 May 2014, the Extraordinary Shareholders' Meeting of 13 May 2015 and the Extraordinary Shareholders' Meeting of 14 April 2016, resolved to increase the share capital by €59,848,665.00 by issuing No.3,519,352 ordinary shares to be granted to the employees of UniCredit and of Group banks and companies; the resolution to increase the share capital has been registered with the Company Register on 9 April 2018 and the fully subscribed and paid-up share capital of UniCredit S.p.A. currently amounts to €20,940,398,466.81 and is divided into No.2,230,176,665 ordinary shares with no nominal value.

On 12 March 2018, the mandatory conversion of savings shares into ordinary shares, approved by the Extraordinary Shareholders' Meeting and by the Special Meeting of Savings Shareholders on 4 December 2017, became effective under the plan to strengthen corporate governance and simplify the share capital structure of the Bank's share capital. The conversion of all savings shares issued and outstanding (No.252,489), based on the conversion ratio approved by the Shareholders' Meeting, involved: i) the issue of No.964,508 new ordinary shares with regular economic rights according to the conversion ratio of 3.82 ordinary shares for each savings share converted and ii) the payment in cash of the premium to the holders of savings shares in the amount of €27.25 for each share converted.

As regards the equity instruments (Additional Tier 1) that contribute to strengthening the Tier 1 Ratio of UniCredit S.p.A. during the first half of 2018 no new issues were made.

## Shareholders' equity attributable to the Group

The Shareholders' equity of the Group, including the net profit of the period equal to €2,136 million, amounted to €55,462 million as at 30 June 2018, compared to €59,331 million as at 31 December 2017.

The statement of changes in shareholders' equity is included in the consolidated accounts.

The following table shows the main changes occurred in 2018.

Shareholders' equity attributable to the Group	(€ million)
<b>Shareholders' equity as at 31 December 2017</b>	<b>59,331</b>
Change in opening balance <sup>(*)</sup>	(3,327)
Change in the valuation reserve relating to the financial assets and liabilities at fair value	(1,136)
Dividends and other allocations	(715)
Forex translation reserve <sup>(**)</sup>	(213)
Change in the valuation reserve of the companies accounted for using the equity method <sup>(***)</sup>	(323)
Change in the valuation reserve related coupon on AT1 instruments	(120)
Others <sup>(****)</sup>	(171)
Net profit (loss) for the period	2,136
<b>Shareholders' equity as at 30 June 2018</b>	<b>55,462</b>

**Notes:**

(\*) This impact includes the re-measurement effects resulting from the first time adoption of IFRS9 and connected Yapı valuation.

(\*\*) This effect is mainly due to the negative impact of the Ruble for €137 million.

(\*\*\*) The negative change in the valuation reserve of the companies accounted for using the equity method is mainly due to the depreciation of the items in Turkish Lira.

(\*\*\*\*) This includes mainly:

- the negative change in the reserves relating to the actuarial gains/losses on defined benefit plans of €54 million;
- the negative change of the reserve related to cash flow hedge for €98 million.

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

# Group results

## Business segments reporting

### Commercial Banking Italy

Commercial Banking Italy is composed by UniCredit S.p.A. commercial network, except for CIB clients, Leasing and Factoring and local Corporate Centre with supporting functions for the Italian business. In relation to individual clients (Households and clients of specialised network Private Banking), 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 thanks to new technologies. In relation to corporate customers, Commercial Banking Italy operates trying to guarantee both the support to the economic and entrepreneurial system and the profitability and quality of its portfolio.

#### Income statement, key ratios and indicators

COMMERCIAL BANKING ITALY	H1		% CHANGE	2018 Q2	% CHANGE ON Q1 2018
	2017	2018			
Operating income	3,808	3,751	- 1.5%	1,867	- 1.0%
Operating costs	(2,241)	(2,091)	- 6.7%	(1,037)	- 1.6%
Net write-downs on loans	(489)	(431)	- 11.8%	(211)	- 3.8%
Net operating profit	1,078	1,229	+ 14.0%	618	+ 1.1%
Profit before tax	934	1,071	+ 14.7%	539	+ 1.3%
Customers loans (net Repos and IC)	137,252	141,443	+ 3.1%	141,443	+ 2.9%
Customer depos (net Repos and IC)	133,658	145,029	+ 8.5%	145,029	+ 1.7%
Total RWA Eop	81,482	87,802	+ 7.8%	87,802	+ 3.7%
EVA (€ million)	94	162	+ 72.8%	74	- 16.1%
Absorbed Capital (€ million)	10,031	10,723	+ 6.9%	10,791	+ 1.3%
ROAC	+ 12.7%	+ 14.0%	+ 1.2 p.p.	+ 13.7%	- 0.6 p.p.
Cost/Income	+ 58.9%	+ 55.7%	- 3.1 p.p.	+ 55.6%	- 0.3 p.p.
Cost of Risk	72 bps	62 bps	- 10 bps	61 bps	- 3 bps
Full Time Equivalent (eop)	34,226	30,912	- 9.7%	30,912	- 2.9%

### Commercial Banking Germany

Commercial Banking Germany provides all German customers, except for CIB clients, with a complete range of banking products and services. Commercial Banking Germany holds large market shares and a strategic market position in retail banking, private banking and especially in business with local corporate customers (including factoring and leasing). The segment also includes the local Corporate Centre, which performs tasks as sub-holding towards other sub-group legal entities.

#### Income statement, key ratios and indicators

COMMERCIAL BANKING GERMANY	H1		% CHANGE	2018 Q2	% CHANGE ON Q1 2018
	2017	2018			
Operating income	1,432	1,257	- 12.2%	621	- 2.2%
Operating costs	(932)	(877)	- 5.9%	(430)	- 3.7%
Net write-downs on loans	(62)	(62)	+ 0.6%	(35)	+ 25.7%
Net operating profit	438	318	- 27.4%	157	- 2.9%
Profit before tax	367	271	- 26.0%	148	+ 20.3%
Customers loans (net Repos and IC)	82,443	83,174	+ 0.9%	83,174	+ 1.0%
Customer depos (net Repos and IC)	83,822	89,176	+ 6.4%	89,176	+ 0.2%
Total RWA Eop	34,662	34,777	+ 0.3%	34,777	+ 0.1%
EVA (€ million)	139	(80)	n.m.	(64)	n.m.
Absorbed Capital (€ million)	4,422	4,361	- 1.4%	4,404	+ 2.0%
ROAC	+ 15.1%	+ 6.2%	- 8.9 p.p.	+ 4.9%	- 2.6 p.p.
Cost/Income	+ 65.1%	+ 69.8%	+ 4.7 p.p.	+ 69.2%	- 1.1 p.p.
Cost of Risk	15 bps	15 bps	-	17 bps	3 bps
Full Time Equivalent (eop)	10,207	9,244	- 9.4%	9,244	- 3.3%

## Commercial Banking Austria

Commercial Banking Austria provides all Austrian customers, except CIB clients, with a complete range of banking products and services. The goal of Commercial Banking Austria is to strengthen regional responsibility, to increase synergies, effectiveness and to improve time-to-market; therefore customer service teams can now adjust more quickly to local market changes.

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		% CHANGE	2018 Q2	% CHANGE ON Q1 2018
	2017	2018			
Operating income	785	784	- 0.2%	403	+ 6.1%
Operating costs	(556)	(522)	- 6.1%	(256)	- 3.9%
Net write-downs on loans	74	55	- 26.0%	16	- 57.8%
Net operating profit	303	316	+ 4.3%	164	+ 7.4%
Profit before tax	230	219	- 4.8%	155	n.m.
Customers loans (net Repos and IC)	44,626	44,561	- 0.1%	44,561	+ 1.2%
Customer depos (net Repos and IC)	46,375	47,595	+ 2.6%	47,595	+ 1.8%
Total RWA Eop	21,983	21,399	- 2.7%	21,399	+ 2.1%
EVA (€ million)	140	84	- 40.2%	98	n.m.
Absorbed Capital (€ million)	2,855	2,638	- 7.6%	2,623	- 1.1%
ROAC	+ 19.0%	+ 15.5%	- 3.6 p.p.	+ 23.9%	+ 16.8 p.p.
Cost/Income	+ 70.8%	+ 66.6%	- 4.2 p.p.	+ 63.4%	- 6.6 p.p.
Cost of Risk	- 31 bps	- 24 bps	7 bps	- 14 bps	19 bps
Full Time Equivalent (eop)	5,385	4,939	- 8.3%	4,939	- 0.9%

## 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		% CHANGE	2018 Q2	% CHANGE ON Q1 2018
	2017	2018			
Operating income	2,141	2,155	+ 0.7%	1,060	- 3.2%
Operating costs	(765)	(766)	+ 0.1%	(385)	+ 1.2%
Net write-downs on loans	(269)	(206)	- 23.7%	(100)	- 4.5%
Net operating profit	1,107	1,184	+ 7.0%	575	- 5.7%
Profit before tax	964	1,046	+ 8.5%	561	+ 15.5%
Customers loans (net Repos and IC)	59,629	61,759	+ 3.6%	61,759	+ 1.8%
Customer depos (net Repos and IC)	59,677	62,387	+ 4.5%	62,387	+ 1.0%
Total RWA Eop	87,390	87,122	- 0.3%	87,122	- 0.6%
EVA (€ million)	189	261	+ 38.1%	158	+ 53.9%
Absorbed Capital (€ million)	11,100	10,696	- 3.6%	10,729	+ 0.6%
ROAC	+ 14.3%	+ 16.0%	+ 1.8 p.p.	+ 17.0%	+ 2.0 p.p.
Cost/Income	+ 35.7%	+ 35.5%	- 0.2 p.p.	+ 36.3%	+ 1.6 p.p.
Cost of Risk	89 bps	67 bps	- 22 bps	65 bps	- 4 bps
Full Time Equivalent (eop)	24,254	23,992	- 1.1%	23,992	- 0.2%

## Group results

### CIB

Corporate & Investment Banking (CIB) is dedicated to Multinational and Large Corporate clients with highly sophisticated financial profile and needs for investment banking services, as well as institutional clients of UniCredit group. In addition 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. The organisational structure of CIB is based on a matrix that integrates market coverage (carried out through an extensive network in Western, Central and Eastern 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

	H1		% CHANGE	2018 Q2	% CHANGE ON Q1 2018
CORPORATE & INVESTMENT BANKING	2017	2018			
Operating income	2,196	1,957	- 10.9%	858	- 21.9%
Operating costs	(841)	(780)	- 7.3%	(381)	- 4.4%
Net write-downs on loans	(85)	161	n.m.	210	n.m.
Net operating profit	1,270	1,339	+ 5.5%	687	+ 5.5%
Profit before tax	1,128	935	- 17.1%	379	- 31.9%
Customers loans (net Repos and IC)	67,622	76,334	+ 12.9%	76,334	+ 2.5%
Customer depos (net Repos and IC)	47,284	44,388	- 6.1%	44,388	- 5.3%
Total RWA Eop	71,159	80,521	+ 13.2%	80,521	+ 6.2%
EVA (€ million)	315	124	- 60.7%	(37)	n.m.
Absorbed Capital (€ million)	9,364	9,766	+ 4.3%	9,904	+ 2.9%
ROAC	+ 16.1%	+ 11.4%	- 4.6 p.p.	+ 7.3%	- 8.4 p.p.
Cost/Income	+ 38.3%	+ 39.8%	+ 1.5 p.p.	+ 44.4%	+ 8.1 p.p.
Cost of Risk	17 bps	- 30 bps	- 47 bps	- 77 bps	- 96 bps
Full Time Equivalent (eop)	3,440	3,331	- 3.2%	3,331	+ 2.2%

### Fineco

FinecoBank S.p.A. is UniCredit group's direct multichannel bank. It has one of the largest financial advisors' network in Italy and it is the leading bank in Italy for equity trades. FinecoBank S.p.A. offers an integrated business model combining direct banking and financial advice

#### Income statement, key ratios and indicators

	H1		% CHANGE	2018 Q2	% CHANGE ON Q1 2018
FINECO	2017	2018			
Operating income	282	311	+ 10.2%	156	+ 0.7%
Operating costs	(121)	(125)	+ 2.9%	(61)	- 4.1%
Net write-downs on loans	(2)	(1)	- 29.9%	-	- 77.7%
Net operating profit	160	185	+ 16.2%	95	+ 4.8%
Profit before tax	156	187	+ 19.8%	98	+ 11.1%
Customers loans (net Repos and IC)	1,303	2,431	+ 86.6%	2,431	+ 15.4%
Customer depos (net Repos and IC)	19,281	21,074	+ 9.3%	21,074	+ 1.5%
Total RWA Eop	2,063	2,309	+ 11.9%	2,309	- 3.6%
TFAs Outstanding Stock (eop)	63,627	69,830	+ 9.8%	69,830	+ 2.6%
TFAs Net Sales	2,892	3,596	+ 24.3%	1,937	+ 16.8%
EVA (€ million)	30	36	+ 19.4%	19	+ 8.2%
Absorbed Capital (€ million)	111	158	+ 42.4%	169	+ 15.0%
ROAC	+ 64.9%	+ 55.0%	- 10.0 p.p.	+ 53.7%	- 2.8 p.p.
Cost/Income	+ 42.9%	+ 40.1%	- 2.9 p.p.	+ 39.1%	- 2.0 p.p.
Full Time Equivalent (eop)	1,067	1,095	+ 2.7%	1,095	+ 1.4%

## 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		% CHANGE	2018 Q2	% CHANGE ON Q1 2018
	2017	2018			
Operating income	40	(28)	n.m.	(10)	- 44.3%
Operating costs	(62)	(50)	- 18.5%	(18)	- 43.7%
Net write-downs on loans	(590)	(514)	- 12.9%	(388)	n.m.
Net operating profit	(612)	(592)	- 3.3%	(416)	n.m.
Profit before tax	(646)	(614)	- 5.0%	(409)	+ 99.1%
Customers loans (net Repos and IC)	16,107	10,088	- 37.4%	10,088	- 9.0%
Net Impaired Loans (percentage of total net loans Non Core)	78.06%	78.04%	- 2.2 bp	78.04%	- 3.9 bp
Total RWA Eop	22,500	15,367	- 31.7%	15,367	- 10.3%
EVA (€ million)	(590)	(552)	- 6.4%	(341)	+ 61.5%
Absorbed Capital (€ million)	3,078	2,229	- 27.6%	2,035	- 16.0%
ROAC	- 27.5%	- 38.6%	- 11.1 p.p.	- 56.1%	- 32.3 p.p.
Cost/Income	+ 154.1%	n.m.	n.m.	n.m.	n.m.
Cost of Risk	662 bps	863 bps	201 bps	n.m.	n.m.
Full Time Equivalent (eop)	500	414	- 17.2%	414	- 4.0%

## Other information

### Group activities development operations and other corporate transactions

#### Transactions and initiatives involving shareholdings

##### **Constitution of UniCredit myAgents S.r.l.**

In February 2018 UniCredit myAgents S.r.l., a company wholly owned by UniCredit S.p.A., was set up to carry out the activity of an agency in financial activities, mainly acting as an accelerator for the recruiting and training of collaborators for the expansion of its distribution network agency, in order to contribute to the development of the Italian commercial bank business. The company, after having completed the fulfillment of the administrative requirements and the inclusion in the list of Agents in financial activities, has started its operations since April 2018.

##### **Yapi Kredi rights issue**

In April 2018, Yapı ve Kredi Bankası A.Ş. ("Yapi Kredi") announced its capital strengthening plan and, in particular, the increase of the bank's capital via a rights issue of ca. 4.1 billion Turkish Lira.

UniCredit S.p.A. has participated in such rights issue via Koç Financial Services, joint venture between UniCredit S.p.A. and Koç Group, which is the controlling shareholder of Yapı Kredi. Koç Financial Services has actually subscribed the rights issue of Yapı Kredi, slightly increasing its shareholding to 81.9% from previous 81.8%. UniCredit S.p.A. has supported Koç Financial Services in such transaction, subscribing proportionally Koç Financial Services's rights issue together with the other shareholder (50% each).

##### **Sale of the investment in i-Faber S.p.A.**

On 30 April 2018, UniCredit S.p.A. concluded the disposal of its 100% shareholding in i-Faber S.p.A. to Accenture Managed Services S.p.A.

The investment was classified among assets held for sale (IFRS5) as at 31 December 2017 while in April 2018 UniCredit reached 100% shareholding in the company, acquiring the remaining shares from previous minorities shareholders.

##### **Start of operations of Asset Management Company**

With reference to the project promoted by the subsidiary FinecoBank, aimed at establishing an investment company under the Irish law (Asset Management Company) dedicated to the management of UCITS (Collective Investment Savings Bodies) and already described in the consolidated financial statements as at 31 December 2017, in May 2018 the investment company (called Fineco Asset Management - FAM) received from the Central Bank of Ireland the authorisation to perform the asset management business.

FAM's mission will be to manage Funds of Funds, using strategic partnerships with the best international managers.

##### **UniCredit group increases to 10.3% its strategic stake in Kepler Cheuvreux**

In June 2018, UniCredit group signed a binding agreement to increase its strategic stake in Kepler Cheuvreux, the leading Pan European equity house, from 5.2% to 10.3%. The potential increase, within the context of the reorganisation of Kepler Cheuvreux' shareholding structure, is subject to regulatory approval.

##### **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.

##### **Zagrebacka banka sells non performing credit portfolio to B2 KAPITAL**

On 15 June 2018 UniCredit reached an agreement with B2 Kapital d.o.o., part of group B2 Holding ASA, Norway, in relation to the disposal on a non-recourse basis (pro-soluto) of a portfolio composed of non-performing exposures towards corporate and private individual customers. The portfolio consists entirely of Croatian loans with gross book value of about €245.7 million. For further details refer to "Subsequent events" of this Consolidated Report on Operations.

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

On 20 June 2018 UniCredit 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, in Italy. The portfolio consists entirely of Italian unsecured consumer credits with a gross book value of approximately €124 million.

UniCredit and MBCS have also reached an agreement for the disposal of up to €80 million of Italian unsecured consumer loans of the same nature, originated from the second quarter of 2018 to the end of the year.

## Other information on Group activities

### **Agreement with the Italian trade unions - "Youth Plan"**

On 1 February 2018 UniCredit signed a "Youth Plan" with Italian trade unions to employ roughly 550 young people with permanent contracts or apprenticeships. The "Youth Plan" foresees 1:1 re-hiring for any exit. These positions will be part of a generational turnover to meet operational and development needs, primarily in the Bank's commercial network.

### **Erg S.p.A.**

In April 2018, through an accelerated book-building, UniCredit S.p.A. completed the sale of a 4% stake held in Erg S.p.A for a total consideration of €111.84 million, with a consolidated gain of €17.5 million. With this transaction, UniCredit S.p.A. completes the path launched with the investment in ERG Renew S.p.A. in 2014.

### **FINO Project**

During the 2018 first half Phase 2 of the FINO Project was completed, aimed to the progressive sale to third party investors of the ABS securities linked to the respective securitisation transactions of the receivables, in order to bring the total value of securities subscribed to by UniCredit below the 20% threshold. This Phase, already initiated in the last months of 2017, was completed at the end of January 2018 with the settlement and transfer to the purchasing investors of the ABS securities. The sales transactions resulted in a negative financial out-turn of around €5 million, attributable entirely to the transaction costs incurred, and documented in the UniCredit 2018 income statement. As at 30 June 2018, following the redemptions made, the Notes relating to the FINO Project owned by UniCredit amounted to a total of €319 million (€255 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 €64 million recorded under item "20. c) other financial assets mandatorily at fair value" in connection with the remaining Mezzanine securities and all the Junior Notes).

### **Strategic Bancassurance partnerships**

In June 2018 UniCredit S.p.A. has announced that it has signed two exclusive strategic partnership agreements with Allianz and Generali respectively for the distribution of insurance products for individuals and small-businesses in Bosnia and Herzegovina, Bulgaria, Croatia, Czech Republic, Hungary, Romania, Serbia, Slovakia and Slovenia.

The long-term partnerships will gradually be implemented, in compliance with the all local regulations, in the second half of 2018, predominantly focused on the Life and Non-Life products with Allianz and on the CPI (Credit Protection Insurance) products with Generali.

## Other information

### Organisational model

#### Significant organisational changes in the first half of 2018

On 22 January 2018, the Board of Directors approved the reorganisation of "Group Institutional & Regulatory Affairs" through the creation of two separate structures, reporting directly to the CEO: "Group Regulatory Affairs" and "Group Institutional Affairs and Sustainability".

### Organisational structure

UniCredit group organisation reflects an organisational and business model that maintains a divisional structure for the governance of the Corporate Investment Banking business/products and the business in the CEE Countries, as well as overall control over the COO functions, by ensuring the autonomy of the Countries/Banks for specific activities, in order to guarantee a higher proximity to the client and faster decision-making processes. Specifically:

- the **Chief Executive Officer (CEO)** maintains a direct supervision on the definition of Group Strategy, Risks Compliance, Human Resources, on the optimisation of structure costs and on the main operating activities;
- the **General Manager (GM)** is responsible for all the business activities (Retail, Corporate, Global CIB, Asset Gathering (Fineco) and relevant Countries where the Group is present) focusing on the ongoing development of clients services aiming to maximise the cross selling and leading the Group digital strategies, as well as defining the new service model of the Bank;
- the **Chief Operating Office (COO)**, position covered by two co-Heads (co-Chief Operating Officers) who lead the oversight of the operational structure with a specific focus on Costs and on IT & Operations; in particular the two co-Heads are respectively responsible for Finance & Cost Management and for IT & Operations, Security and Internal Controls;
- the **CIB Division**, position covered by two co-Heads directly reporting to General Manager, has a coverage role for the multinational customers ("Multinational"), for selected "Large corporate" clients with a strong potential demand for investment banking products, for the Financial and Institutional Groups (FIG) customers, "Global Family Office" and for the Global Lines "Global Transaction Banking (GTB)", "Global Financing & Advisory (F&A)", "Markets" and for internationalisation activities;
- the **CEE Division** coordinates the Group's activities in the countries of Central and Eastern Europe, aligning them to a single comprehensive business vision in the area;
- **Group Institutional Affairs and Sustainability** is responsible for developing the relations with institutional counterparts of interest for Group activities;
- **Group Regulatory Affairs** is responsible for managing the relationship with European Banking Supervisory Authorities (e.g. EBA, ECB) and Banca d'Italia;
- as far as the Italian perimeter is concerned, the **co-Heads Italy**, directly reporting to the General Manager, 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, Legal, Compliance, Lending Identity & Communications, Human Capital) oversee the guidance, coordination and control of UniCredit's activities and manage the related risks.

## Conversion of DTAs into tax credits

In respect of financial year 2017, 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 of 29 December 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 of 3 May 2016 No.59 (so-called "Banks Decree", converted into Law 30 June 2016 No.119), introduced 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 31 December 2007, for IRES tax, and as at 31 December 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 2018 has been paid on 27 June 2018 for an overall amount of €115.8 million relating to the whole Italian Tax Group, out of which €111 million for UniCredit S.p.A., €4.5 million for UniCredit Leasing S.p.A. and €0.3 million for UniCredit Factoring S.p.A.

For further details refer to the Explanatory notes - Part C - Section 12.

## Certifications and other communications

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 for the management of transactions with persons in conflict of interest" adopted by the Board of Directors of UniCredit S.p.A. on 5 March 2018, and published on the website [www.unicreditgroup.eu](http://www.unicreditgroup.eu), in the first half of 2018 the Bank's Presidio Unico received no reports of transactions of greater importance ended in the period;
- b) in the first half of 2018, 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 2018, 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 the Explanatory notes - Part H of this document.

## Subsequent events and outlook

### Subsequent events<sup>8</sup>

On 1 July 2018, UniCredit S.p.A. completed the disposal of its Italian pawn credit business to Dorotheum, after obtaining the relevant regulatory approvals.

The transaction will generate a positive impact for UniCredit over €100 million in the consolidated income statement in the third quarter of 2018, while at 30 June 2018 the business is classified among assets held for sale (IFRS5).

On 18 July 2018 UniCredit reached an agreement with IFIS NPL (Banca IFIS Group) in relation to the disposal on a non-recourse basis (pro-soluto) of a legacy non-performing unsecured and secured portfolio towards SME and Private Individuals ("the Portfolio"). The Portfolio is composed by non-performing exposures owned partially by UniCredit S.p.A. and partially by Arena NPL One S.r.l. (a securitisation vehicle transferee of the securitised loans originated by UniCredit, of which the latter holds all the issued Asset Backed Securities).

The Portfolio consists entirely of Italian credits with an aggregate claim value of approximately €537 million (of which gross book value of approximately €348 million) as at 31 December 2017. As at 30 June 2018 credits belonging to the Portfolio were classified under item "Non-current assets and disposal groups classified as held for sale". The agreement is part of UniCredit's on-going strategy to reduce non-performing exposures.

During July 2018 was also completed a disposal on a non-recourse basis (pro-soluto) of a portfolio composed of non-performing exposures of Zagrebacka Banka. As at 30 June 2018 credits belonging to the Portfolio were classified under item "Non-current assets and disposal groups classified as held for sale". For futher details refer to paragraph "Sale initiatives of non-performing portfolios".

On 20 July 2018 UniCredit communicated to welcome the decision of EBA not to open an investigation based on the request made by Caius Capital and to confirm its 2012 position on the Cashes treatment. This validates UniCredit's previous statement that the treatment of the Cashes has been reviewed and affirmed by all the relevant authorities and that UniCredit ordinary shares are to be qualified as CET1 capital.

UniCredit notified the competent market authorities of Caius Capital's actions in light of possible market abuse. Afterwards UniCredit has filed a complaint against Caius Capital and the Caius funds in the Court of Milan seeking compensation of damages in the amount of approximately €90 million stemming from Caius Capital's and the funds' actions against the Bank over the course of the last months with respect to the Cashes.

<sup>8</sup> Up to the date of approval of this Consolidated First Half Financial Report by the Board of Directors' Meeting of 6 August 2018.

## Outlook

In the first half of 2018, the global recovery lost some momentum, but kept (and should continue) expanding at a pace of about 4%. The main source of uncertainty was represented by a deceleration in global trade due to the rising protectionism tensions, while monetary policies in the largest economies continued to be supportive to the growth. In the United States, the fiscal stimulus provided a significant boost to the economy, despite the cycle being mature. Japan, instead, registered the first quarter-on-quarter fall in GDP in two years, whereas growth in the United Kingdom moderated. In China, economic activity remained robust despite rising protectionist threats from the United States.

In the euro area, growth remained solid in the first part of 2018 and broad-based across euro area countries. The latest economic indicators, particularly trust surveys at enterprises, remain high, albeit declining. Annualised real GDP growth was likely about 2% in the first semester of the year. Domestic demand (notably private consumption and fixed investment spending) continued to be the main engine of growth in the first months of 2018. Employment is also looking up, as a result of an overall improvement in the macroeconomic environment. The economic recovery is expected to continue in 2018, with a slowdown expected for 2019. Forecasts are for eurozone GDP growth at 2.2% in 2018 and 1.9% in 2019 respectively. The slowdown in global trade growth has subdued growth prospects in Italy, where the economic activity is expected to expand at an annualised growth rate of around 1.2% in the first half of the year and to maintain a similar pace of growth for the rest of the year and throughout 2019. Exports and fixed investment experienced setbacks in the first months of 2018, with a quarterly contraction, but growth is expected to return over the course of the year. Exports are expected to benefit from a more moderate appreciation of the euro against the Eurozone's main trading partners than had earlier been expected. Fixed investment will also continue to benefit from the improvement in the financial situation of corporates. However, the risk of a slowdown in global growth, mainly as a result of the intensification of protectionist pressure, as well as the possible negative effects of an increase in domestic uncertainty, are currently weighing on Italian growth prospects. Rising uncertainty about the country's future prospects could reduce the willingness of firms to invest and increase the propensity of households to save. The continuation of the economic recovery will keep to support the ongoing credit growth in Italy. In particular, loans to non-financial corporations seem to have started a clearer improvement trend, probably marking the end to the weakness experienced over the last six years.

The narrowing of the output gap has started to spill over to price formation. So far, this is mainly visible in wage formation, which showed signs of strengthening since the beginning of the year. Following the early timing of Easter, core inflation climbed back to just above 1% in May and it is likely to remain on a shallow upward trajectory through 2019. In addition, the jump in oil prices has pushed headline inflation sharply higher, at around 2%. The Governing Council of the European Central Bank also confirmed that it will taper the Quantitative Easing in the last quarter of the year and stop it in December and announced that interest rates will remain unchanged through the summer 2019.

The economic growth in the CEE countries remained robust in the first half of 2018, but a slowdown is likely to occur for various reasons: a weaker growth in the euro area, an increase in raw material and, in particular, oil prices, the threat of trade barriers which lead the CEE manufacturers to be more pessimistic and the political uncertainty which confuse the internal policy perspectives. With the intensification of risks at international level the main stimulus to growth was driven by the domestic demand. The importance of a resilient domestic demand will be more clear in the next quarters with the recovery of investments, which usually follow in the economic cycle, and which have a central role, while private consumption will probably slow down following a lower real income growth and a worsening of financial conditions.

In the CEE-EU countries growth stood well beyond its potential, led both by private consumptions and investments. The former benefitted from an accelerated income growth, following the strengthening of labour market recovery.

Outside the EU growth stabilised at around 1.5% in Russia.

In Turkey, the credit-led growth model seems to be running out of steam, in spite of a good growth in the first part of 2018. The strong increase of loan costs forced private and foreign banks to suddenly slow down the loan offer.

The transmission from the foreign exchange market has become a concern in the whole CEE area, since currencies were penalised by the low risk appetite of investors and, in Russia, by new sanctions. Consequently, inflation increased more rapidly compared to what central banks had expected and this surprise reflected on their monetary policy decisions.

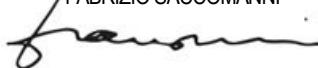
In 2018, Group results should be supported by a moderate economic recovery, albeit uncertainty factors remain, *inter alia* the increasing protectionist tensions. The level of interest rates is expected to remain low throughout 2018 with implications on the dynamic of the net interest income. The trading income and the revaluation reserves could be affected by a high Italian Sovereign spread as well as by the volatility of some currencies.

After having successfully completed the Capital increase and the sale of subsidiaries (Pekao and Pioneer) to fulfil the first Pillar of Transform 2019 ("Strengthen and optimise Capital"), the Group confirms its commitment in pursuing the actions envisaged in the Strategic Plan, with particular attention to cost reduction and to de-risking and risk-monitoring.

In addition, Group results will continue to benefit from wide cross-selling synergies as well as geographical and product diversification.

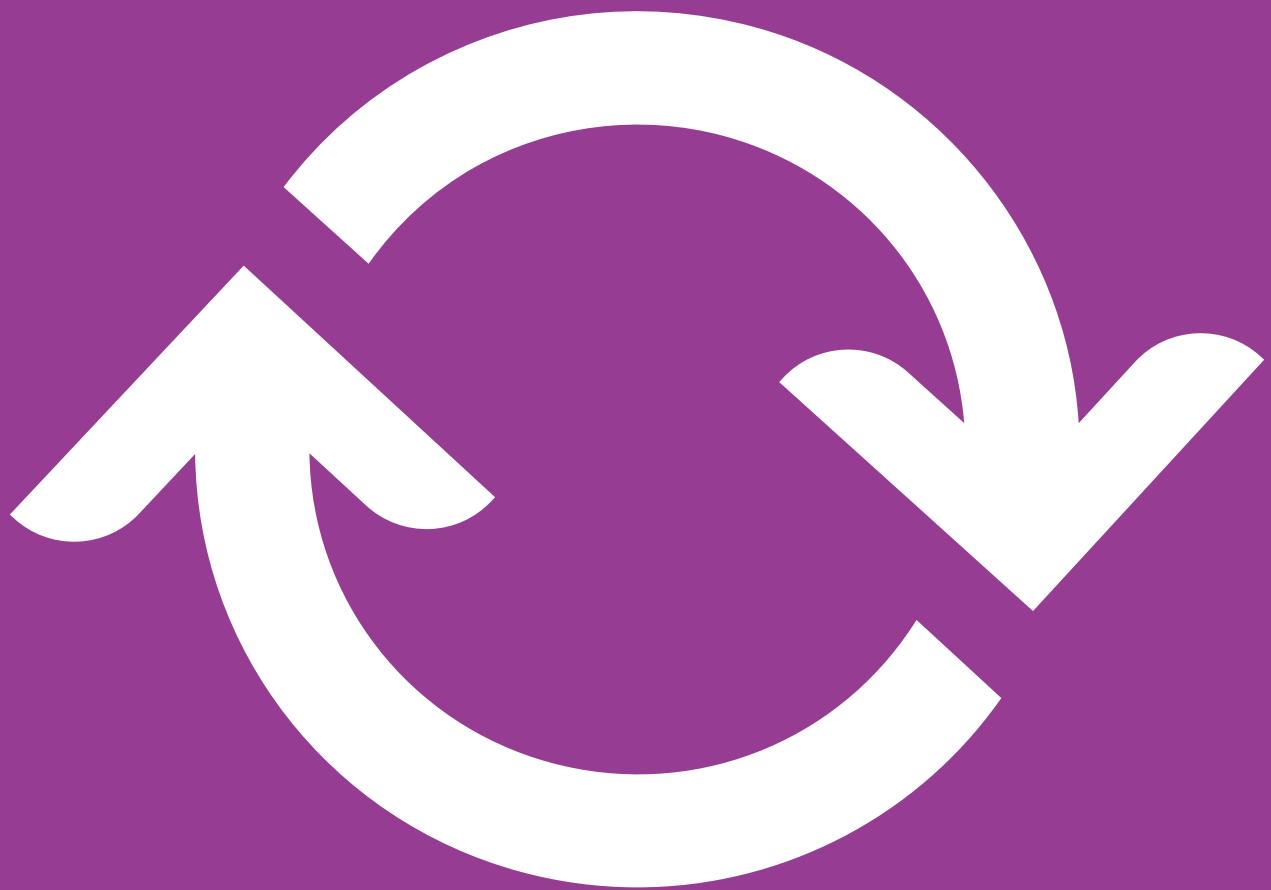
Milan - 6 August 2018

THE BOARD OF DIRECTORS

CHAIRMAN  
FABRIZIO SACCOMANNI  


  
CEO  
JEAN-PIERRE MUSTIER

# Transform operating model.



The transformation of our operating model is fully on track, including cost discipline and efficiency measures to reduce the cost income ratio. Our FTE and branch reductions are ahead of schedule – as we further improve on customer focus, services and products. The digital and IT transformation is fully on track, investments supporting the business transformation with digitalization as a key enabler.

# Condensed Interim Consolidated Financial Statements

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It should be noted that, as a result of the first time adoption of the new accounting standard IFRS9 and the choice taken by the Group not to restate the previous period, the templates prescribed by the Circular 262 dated 22 December 2005 (5<sup>th</sup> update of 22 December 2017) have been integrated with additional items in order to allow comparisons with the previous period that has been prepared according to IAS39 standard and to Circular 262 (4<sup>th</sup> update of 15 December 2015). See section Explanatory notes - Part A of this document for further details.



# Consolidated accounts

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# Consolidated accounts

## Consolidated balance sheet

	AMOUNTS AS AT	
	06.30.2018	12.31.2017
<b>ASSETS</b>		
10. Cash and cash balances	21,237,636	64,493,411
20. Financial assets at fair value through profit or loss:	105,773,507	
a) financial assets held for trading	83,261,559	
b) financial assets designated at fair value	106	
c) other financial assets mandatorily at fair value	22,511,842	
<i>Financial assets held for trading (ex IAS39 Item 20)</i>		74,685,890
<i>Financial assets at fair value through profit or loss (ex IAS39 Item 30)</i>		22,073,343
30. Financial assets at fair value through other comprehensive income	99,917,417	
<i>Available-for-sale financial assets (ex IAS39 Item 40)</i>		104,101,031
40. Financial assets at amortised cost:	551,650,642	
a) loans and advances to banks	75,395,402	
b) loans and advances to customers	476,255,240	
<i>Held-to-maturity investments (ex IAS39 Item 50)</i>		6,277,022
<i>Loans and receivables with banks (ex IAS39 Item 60)</i>		70,982,743
<i>Loans and receivables with customers (ex IAS39 Item 70)</i>		447,726,913
50. Hedging derivatives	3,287,084	3,431,070
60. Changes in fair value of portfolio hedged items (+/-)	2,412,885	2,244,685
70. Equity investments	6,552,293	6,212,142
80. Insurance reserves charged to reinsurers	-	-
90. Property, plant and equipment	9,076,666	8,449,288
100. Intangible assets	3,347,616	3,385,310
of which: goodwill	1,483,721	1,483,721
110. Tax assets:	11,997,999	12,658,279
a) current	1,047,374	2,039,696
b) deferred	10,950,625	10,618,583
120. Non-current assets and disposal groups classified as held for sale	914,894	1,110,960
130. Other assets	7,739,603	8,957,637
<b>Total assets</b>	<b>823,908,242</b>	<b>836,789,724</b>

continued: Consolidated balance sheet

	(€ '000)	
	AMOUNTS AS AT	
	06.30.2018	12.31.2017
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
10. Financial liabilities at amortised cost:		
a) deposits from banks	673,408,092	129,746,693
b) deposits from customers	456,094,237	87,567,162
c) debt securities in issue	123,244,080	98,602,632
<i>Deposits from banks (ex IAS39 Item 10)</i>	462,895,261	
<i>Deposits from customers (ex IAS39 Item 20)</i>	55,783,725	
<i>Debt securities in issue (ex IAS39 Item 30)</i>	3,010,529	
20. Financial liabilities held for trading	52,453,646	
<i>Financial liabilities held for trading (ex IAS39 Item 40)</i>	3,567,845	
30. Financial liabilities designated at fair value	8,524,495	
<i>Financial liabilities at fair value through profit or loss (ex IAS39 Item 50)</i>	2,868,226	
40. Hedging derivatives	1,066,176	
50. Value adjustment of hedged financial liabilities (+/-)	714,867	
60. Tax liabilities:	351,309	
a) current	78,528	
b) deferred	15,048,025	
70. Liabilities associated with assets classified as held for sale	1,039,586	
80. Other liabilities	795,741	
90. Provision for employee severance pay	9,981,002	
100. Provisions for risks and charges:	4,550,497	
a) commitments and guarantees given	4,390,919	
b) post-retirement benefit obligations	4,128,280	
110. Technical reserves	(4,327,092)	
120. Valuation reserves	-	
130. Redeemable shares	(6,474,365)	
140. Equity instruments	-	
150. Reserves	4,610,073	
160. Share premium	20,859,733	
170. Share capital	13,392,918	
180. Treasury shares (-)	20,940,398	
190. Minority shareholders' equity (+/-)	(3,284)	
200. Profit (Loss) for the period (+/-)	836,715	
<b>Total liabilities and shareholders' equity</b>	<b>823,908,242</b>	<b>836,789,724</b>

# Consolidated accounts

## Consolidated income statement

ITEMS	AS AT	
	06.30.2018	06.30.2017
10. Interest income and similar revenues	7,482,330	7,491,414
<i>of which: interest income calculated with the effective interest method</i>	6,361,508	
20. Interest expenses and similar charges	(2,170,152)	(2,275,836)
<b>30. Net interest margin</b>	<b>5,312,178</b>	<b>5,215,578</b>
40. Fees and commissions income	4,149,617	3,679,737
50. Fees and commissions expenses	(621,389)	(619,944)
<b>60. Net fees and commissions</b>	<b>3,528,228</b>	<b>3,059,793</b>
70. Dividend income and similar revenues	315,892	247,938
80. Net gains (losses) on trading	284,161	
<i>Gains (Losses) on financial assets and liabilities held for trading (ex IAS39 Item 80)</i>		666,703
90. Net gains (losses) on hedge accounting	15,680	51,823
100. Gains (Losses) on disposal and repurchase of:	130,300	
a) financial assets at amortised cost	1,752	
b) financial assets at fair value through other comprehensive income	130,828	
c) financial liabilities	(2,280)	
<i>Gains (Losses) on disposal and repurchase of: (ex IAS39 Item 100)</i>		248,399
a) loans		15,662
b) available-for-sale financial assets		221,768
c) held-to-maturity investments		-
d) financial liabilities		10,969
110. Net gains (losses) on other financial assets/liabilities at fair value through profit or loss:	102,976	
a) financial assets/liabilities designated at fair value	167,082	
b) other financial assets mandatorily at fair value	(64,106)	
<i>Gains (Losses) on financial assets/liabilities at fair value through profit or loss (ex IAS39 Item 110)</i>		(115,872)
<b>120. Operating income</b>	<b>9,689,415</b>	<b>9,374,362</b>
130. Net losses/recoveries on credit impairment relating to:	(1,069,729)	
a) financial assets at amortised cost	(1,062,626)	
b) financial assets at fair value through other comprehensive income	(7,103)	
<i>Net losses/recoveries on impairment: (ex IAS39 Item 130)</i>		(1,409,652)
a) loans		(1,414,389)
b) available-for-sale financial assets		(189,410)
c) held-to-maturity investments		5,758
d) other financial assets		188,389
140. Gains/Losses from contractual changes with no cancellations	(1,668)	
<b>150. Net profit from financial activities</b>	<b>8,618,018</b>	<b>7,964,710</b>
160. Net premiums	-	-
170. Other net insurance income/expenses	-	-
<b>180. Net profit from financial and insurance activities</b>	<b>8,618,018</b>	<b>7,964,710</b>

continued: Consolidated income statement

ITEMS	AS AT	
	06.30.2018	06.30.2017
190. Administrative expenses:		
a) staff costs	(6,002,944)	(6,225,094)
b) other administrative expenses	(3,260,487)	(3,512,579)
200. Net provisions for risks and charges:		
a) commitments and financial guarantees given	(2,742,457)	(2,712,515)
b) other net provisions	(466,407)	(148,211)
210. Net value adjustments/write-backs on property, plant and equipment	93,602	
220. Net value adjustments/write-backs on intangible assets	(560,009)	(1,372)
230. Other operating expenses/income	541,004	516,372
<b>240. Operating costs</b>	<b>(6,377,736)</b>	<b>(6,395,212)</b>
250. Gains (Losses) of equity investments	325,945	303,894
260. Net gains (losses) on property, plant and equipment and intangible assets measured at fair value	(391)	(1,372)
270. Goodwill impairment	-	-
280. Gains (Losses) on disposals on investments	153,179	72,342
<b>290. Profit (Loss) before tax from continuing operations</b>	<b>2,719,015</b>	<b>1,944,362</b>
300. Tax expenses (income) for the period from continuing operations	(485,486)	(347,678)
<b>310. Profit (Loss) after tax from continuing operations</b>	<b>2,233,529</b>	<b>1,596,684</b>
320. Profit (Loss) after tax from discontinued operations	13,947	460,306
<b>330. Profit (Loss) for the period</b>	<b>2,247,476</b>	<b>2,056,990</b>
340. Minority profit (loss) for the period	(111,227)	(204,345)
<b>350. Parent Company's profit (loss) for the period</b>	<b>2,136,249</b>	<b>1,852,645</b>
Earnings per share (€)	0.949	1.087
Diluted earnings per share (€)	0.945	1.082

### Consolidated statement of comprehensive income

ITEMS	AS AT	
	06.30.2018	06.30.2017
<b>10. Profit (Loss) for the period</b>	<b>2,247,476</b>	<b>2,056,990</b>
<b>Other comprehensive income after tax not reclassified to profit or loss</b>		
20. Equity instruments designated at fair value through other comprehensive income	(2,155)	
30. Financial liabilities designated at fair value through profit or loss (own creditworthiness changes)	73,260	
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	(53,939)	222,744
80. Non-current assets and disposal groups classified as held for sale	-	(49)
90. Portion of valuation reserves from investments valued at equity method	(2,083)	380
<b>Other comprehensive income after tax reclassified to profit or loss</b>		
100. Foreign investments hedging	-	-
110. Foreign exchange differences	(210,239)	344,717
120. Cash flow hedging	(97,601)	(42,883)
130. Hedging instruments (non-designated items)	-	
140. Financial assets (different from equity instruments) at fair value through other comprehensive income	(1,213,267)	
Available-for-sale financial assets:(ex IAS39 Item 100)		(69,677)
150. Non-current assets and disposal groups classified as held for sale	(12)	42,344
160. Part of valuation reserves from investments valued at equity method	(299,991)	(185,422)
<b>170. Total other comprehensive income after tax</b>	<b>(1,806,027)</b>	<b>312,154</b>
<b>180. Comprehensive income (Item 10+170)</b>	<b>441,449</b>	<b>2,369,144</b>
190. Minority consolidated comprehensive income	(107,706)	(416,783)
<b>200. Parent Company's consolidated comprehensive income</b>	<b>333,743</b>	<b>1,952,361</b>

# Consolidated accounts

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

	BALANCE AS AT 12.31.2017	CHANGE IN OPENING BALANCE	BALANCE AS AT 01.01.2018	PREVIOUS YEAR PROFIT (LOSS) ALLOCATION	
				RESERVES	DIVIDENDS AND OTHER ALLOCATIONS
Share capital:					
- ordinary shares	21,200,353	-	21,200,353	-	-
- other shares	2,368	-	2,368	-	-
Share premium	13,488,060	-	13,488,060	-	-
Reserves:					
- from profits	11,519,736	(3,011,723)	8,508,013	4,924,413	-
- other	7,950,530	-	7,950,530	-	-
Valuation reserves	(4,329,035)	(325,404)	(4,654,439)	-	-
Advanced dividends	-	-	-	-	-
Equity instruments	4,610,073	-	4,610,073	-	-
Treasury shares	(2,961)	-	(2,961)	-	-
Profit (Loss) for the period	5,785,576	-	5,785,576	(4,924,413)	(861,163)
<b>Total shareholders' equity</b>	<b>60,224,700</b>	<b>(3,337,127)</b>	<b>56,887,573</b>	<b>-</b>	<b>(861,163)</b>
Group shareholders' equity	59,330,617	(3,327,358)	56,003,259	-	(714,559)
Minority shareholders' equity	894,083	(9,769)	884,314	-	(146,604)

The column change in opening balances includes the reclassification and remeasurement effects resulting from the first time adoption of 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. Refer to "Transition to 'IFRS9: Financial Instruments' of UniCredit group", Part A - Accounting policies, A.1 - General, Section 5 - Other matters, for further details.

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

This change includes furthermore the negative effect of exchange differences reserve for €210 million, mainly related to negative effect of Ruble for €137 million and the negative 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 coupon on AT1 equity instruments for €120 million.

The increase of €60 million in share capital 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.

For further details about the Shareholders' equity changes see Part B - Liabilities, Section 13 of the Explanatory notes.

Any discrepancies in this table and between data shown are solely due to the effect of rounding.

CHANGES IN THE PERIOD										(€ '000)		
CHANGES IN RESERVES	SHAREHOLDERS' EQUITY TRANSACTIONS								TOTAL SHAREHOLDERS' EQUITY AS AT 06.30.2018	GROUP SHAREHOLDERS' EQUITY AS AT 06.30.2018	MINORITY SHAREHOLDERS' EQUITY AS AT 06.30.2018	
	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				
(3,803)	62,216	-	-	-	-	-	-	-	21,258,766	20,940,398	318,368	
-	-	(2,368)	-	-	-	-	-	-	-	-	-	
(5,262)	-	-	-	-	-	-	-	-	13,482,797	13,392,918	89,879	
53,409	(59,849)	-	-	-	-	-	-	-	13,425,986	13,227,995	197,991	
(224,937)	-	-	-	-	-	-	33,017	-	7,758,609	7,631,738	126,871	
(20,996)	-	-	-	-	-	-	-	(1,806,027)	(6,481,462)	(6,474,365)	(7,097)	
-	-	-	-	-	-	-	-	-	-	-	-	
-	-	-	-	-	-	-	-	-	4,610,073	4,610,073	-	
(847)	-	-	-	-	-	-	-	-	(3,808)	(3,284)	(524)	
-	-	-	-	-	-	-	-	2,247,476	2,247,476	2,136,249	111,227	
(202,437)	2,368	(2,368)	-	-	-	33,017	-	441,449	56,298,438	55,461,723	836,715	
(193,736)	2,368	(2,368)	-	-	-	33,017	-	333,743	55,461,723			
(8,701)	-	-	-	-	-	-	-	107,706	836,715			

# Consolidated accounts

## Statement of changes in the consolidated shareholders' equity as at 30 June 2017

	BALANCE AS AT 12.31.2016	CHANGE IN OPENING BALANCE	BALANCE AS AT 01.01.2017	PREVIOUS YEAR PROFIT (LOSS) ALLOCATION	
				RESERVES	DIVIDENDS AND OTHER ALLOCATIONS
Share capital:					
- ordinary shares	21,371,076	-	21,371,076	-	-
- other shares	8,517	-	8,517	-	-
Share premium	15,833,467	-	15,833,467	(11,460,133)	-
Reserves:					
- from profits	13,648,993	-	13,648,993	(65,554)	-
- other	5,531,632	-	5,531,632	-	-
Valuation reserves	(4,255,598)	-	(4,255,598)	-	-
Advanced dividends	-	-	-	-	-
Equity instruments	2,383,463	-	2,383,463	-	-
Treasury shares	(6,935)	-	(6,935)	-	-
Profit (Loss) for the period	(11,326,313)	-	(11,326,313)	11,525,687	(199,374)
<b>Total shareholders' equity</b>	<b>43,188,302</b>	-	<b>43,188,302</b>	-	<b>(199,374)</b>
Group shareholders' equity	39,335,550	-	39,335,550	-	(2,000)
Minority shareholders' equity	3,852,752	-	3,852,752	-	(197,374)

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 change of revaluation reserve includes the positive effect for €222 million of actuarial gain (losses) from the measurement of the actuarial liabilities (defined benefit plans), the negative effect of €70 million of the reserve on AFS financial assets, the negative effects of the cash flow hedges reserve for €43 million and the positive effects of the reserve on non-current assets classified as held for sale for €55 million. This change includes furthermore the positive effect of exchange differences reserve for €345 million, mainly related to negative effect of Ruble for €145 million and the reduction for €487 million of the exchange differences reserve of Zloty, related to polish subsidiary due to the loss of control occurred in 7 June 2017. This positive effect is partially net of the negative change in the valuation reserve of the companies accounted for using the equity method for €188 million, mainly due to the depreciation of the items in Turkish Lira for €169 million.

The column "Changes in reserves" for items "Reserves", "Issued Capital" and "Share premiums" represent the coverage of the loss included in "Reserves - other" through the use of Share Premium reserve for €2,509 million. The reduction of "Issued Capital", "Share premiums" and "Reserves from profit" related to minorities refers to the sale of the polish subsidiary for €3,462 million.

The changes in shareholdings relate to the effects of the disposal of Pekao SA' share (1.04%) due to the early redemption of mandatorily settled equity-linked certificate occurred in the the first quarter 2017.

Any discrepancies in this table and between data shown are solely due to the effect of rounding.

CHANGES IN THE PERIOD										(€ '000)		
CHANGES IN RESERVES	SHAREHOLDERS' EQUITY TRANSACTIONS							TOTAL SHAREHOLDERS' EQUITY AS AT 06.30.2017	GROUP SHAREHOLDERS' EQUITY AS AT 06.30.2017	MINORITY SHAREHOLDERS' EQUITY AS AT 06.30.2017		
	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	COMPREHENSIVE INCOME FIRST HALF 2017			
(202,113)	39,805	-	-	-	-	-	-	3,307	-	21,212,076	20,878,182	333,894
-	(6,149)	-	-	-	-	-	-	-	-	2,368	2,368	-
(3,891,339)	12,983,565	-	-	-	-	-	-	22,586	-	13,488,146	13,399,799	88,347
(2,110,676)	(17,588)	-	-	-	-	-	-	60,821	-	11,515,996	11,443,636	72,360
2,460,465	-	-	-	-	-	-	36,499	-	-	8,028,596	7,901,725	126,871
9,228	-	-	-	-	-	-	-	312,154	(3,934,216)	(3,933,839)	(377)	
-	-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	1,236,999	-	-	-	-	3,620,463	3,620,463	-
(170)	-	-	-	-	-	-	-	-	-	(7,105)	(4,162)	(2,943)
-	-	-	-	-	-	-	-	2,056,990	2,056,990	1,852,645	1,852,645	204,345
(3,734,606)	12,999,633	-	-	-	1,236,999	-	36,499	86,714	2,369,144	55,983,314	55,160,817	822,497
(427,220)	12,999,633	-	-	-	1,236,999	-	36,499	28,992	1,952,361	55,160,817		
(3,307,386)	-	-	-	-	-	-	-	57,722	416,783	822,497		

# Consolidated accounts

## Consolidated cash flow statement (indirect method)

	AS AT	
	06.30.2018	06.30.2017
<b>A. OPERATING ACTIVITIES</b>		
<b>1. Operations:</b>	<b>4,445,218</b>	<b>6,788,712</b>
- profit (loss) for the period (+/-)	2,136,249	1,852,645
- gains/losses on financial assets held for trading and on other financial assets/liabilities at fair value through profit or loss (-/+)	(840,527)	
- capital gains/losses on financial assets/liabilities held for trading and on assets/liabilities designated at fair value through profit and loss (+/-) (ex IAS39)		886,656
- gains (losses) on hedge accounting (-/+)	(15,680)	(51,823)
- net losses/recoveries on impairment (+/-)	1,931,622	
- net losses/recoveries on impairment (+/-) (ex IAS39)		2,500,003
- net value adjustments/write-backs on property, plant and equipment and intangible assets (+/-)	449,780	539,651
- net provisions for risks and charges and other expenses/income (+/-)	306,173	
- provisions and other incomes/expenses (+/-) (ex IAS39)		1,461
- uncollected net premiums (-)	-	-
- other uncollected insurance income/expenses (-/+)	-	-
- unpaid duties, taxes and tax credits (+/-)	386,796	275,776
- impairment/write-backs after tax on discontinued operations (+/-)	(18,863)	571,939
- other adjustments (+/-)	109,668	212,404
<b>2. Liquidity generated/absorbed by financial assets:</b>	<b>(39,347,044)</b>	<b>19,252,574</b>
- financial assets held for trading	(8,091,375)	
- financial assets held for trading (ex IAS39)		7,162,876
- financial assets designated at fair value	(134)	
- other financial assets mandatorily at fair value	4,584,212	
- financial assets at fair value (ex IAS39)		3,864,660
- financial assets at fair value through other comprehensive income	(1,128,779)	
- available-for-sale financial assets (ex IAS39)		7,424,097
- financial assets at amortised cost	(35,371,750)	
- loans and receivables with banks (ex IAS39)		9,584,918
- loans and receivables with customers (ex IAS39)		(8,281,540)
- other assets	660,782	(502,437)
<b>3. Liquidity generated/absorbed by financial liabilities:</b>	<b>(6,469,083)</b>	<b>(6,909,597)</b>
- financial liabilities at amortised cost	(9,014,646)	
- deposits from banks (ex IAS39)		26,217,879
- deposits from customers (ex IAS39)		(19,202,969)
- debt certificates including bonds (ex IAS39)		(4,831,179)
- financial liabilities held for trading	1,526,356	
- financial liabilities held for trading (ex IAS39)		(12,856,608)
- financial liabilities designated at fair value	487,661	
- financial liabilities designated at fair value (ex IAS39)		548,216
- other liabilities	531,546	3,215,064
<b>Net liquidity generated/absorbed by operating activities</b>	<b>(41,370,909)</b>	<b>19,131,689</b>
<b>B. INVESTMENT ACTIVITIES</b>		
<b>Liquidity generated/absorbed by:</b>		
- equity investments	(375,968)	(18,877)
- collected dividends on equity investments	127,494	97,345
- property, plant and equipment	(486,571)	(256,905)
- intangible assets	(178,674)	(254,221)
- purchases/sales of subsidiaries and business units	105,251	3,186,007
- financial assets held to maturity (ex IAS39)		(818,688)
<b>Net liquidity generated/absorbed by investment activities</b>	<b>(808,468)</b>	<b>1,934,661</b>
<b>C. FUNDING ACTIVITIES</b>		
- issue/purchase of treasury shares	-	12,590,851
- issue/purchase of equity instruments	-	1,236,999
- dividend distribution and other	(1,067,331)	(331,789)
- sale/purchase of minority control	-	
<b>Net liquidity generated/absorbed by funding activities</b>	<b>(1,067,331)</b>	<b>13,496,061</b>
<b>NET LIQUIDITY GENERATED/ABSORBED IN THE PERIOD</b>	<b>(43,246,708)</b>	<b>34,562,411</b>

## Reconciliation

ITEMS	AS AT	
	06.30.2018	06.30.2017
<b>Cash and cash balances at the beginning of the period</b>	<b>64,493,411</b>	<b>13,857,831</b>
Net liquidity generated/absorbed in the period	(43,246,708)	34,562,411
Cash and cash balances: foreign exchange effect	(9,067)	7,380
<b>Cash and cash balances at the end of the period</b>	<b>21,237,636</b>	<b>48,427,622</b>

For the purposes of determining the liquidity generated/absorbed by financial assets and liabilities, the balance sheet figures as at 30 June 2018, including the effects of the application of IFRS9, are compared with those as at 1 January 2018. With regard to reconciliation between the data as at 31 December 2017 and those resulting as at 1 January 2018 from the First Time Adoption of the new standards, refer to the section "Transition to 'IFRS9: Financial Instruments' of UniCredit group" in Part A - Accounting policies, A.1 - General, Section 5 - Other matters of this document.

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 No.262, 22 December 2005).

The information related to the significant restrictions are provided in Part A - Accounting Policies - A.1 - General - Section 3 - Consolidation scope and methods.



# Explanatory notes

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# Part A - Accounting policies

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## Part A - Accounting policies

### A.1 - General

#### Section 1 - Statement of compliance with IFRSs

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 2018, 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 Interim Report on Operations and the Attestation 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 a limited audit of the accounts 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 2018 are in line with Banca d'Italia templates as prescribed by Circular 262 dated 22 December 2005 (5<sup>th</sup> update of 22 December 2017), and they present comparative figures, as at 31 December 2017 for the Balance sheet and as at 30 June 2017 for the Profit and loss account, the Comprehensive income statement, the Statement of changes in equity and the Cash-flow statement.

It should be noted that, as a result of the first time adoption of the new accounting standard IFRS9 and the choice taken by the Group not to restate the previous period, the templates prescribed by the mentioned circular have been integrated with additional items in order to allow comparisons with the previous period that has been prepared according to IAS39 standard and to Circular 262 (4<sup>th</sup> update of 15 December 2015).

Figures in the schedules and Explanatory notes are given in **thousands of euros**, unless otherwise specified.

In their joint Document No.4 of 3 March 2010, Banca d'Italia, Consob and Ivass 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 2018 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. 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 the Consolidated Accounts as at 30 June 2018, 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 there have not been adverse changes (trigger events) in key assumptions compared with the ones in use for Consolidated Financial Statements as at 31 December 2017.

The processes adopted support the carrying values as at 30 June 2018.

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 (Italy) and other employee benefits;
- provisions for risks and charges and contingent assets (for more information on legal risks see Part E - Paragraph 1.5 Operational risks);
- goodwill and other intangible assets;
- assets and liabilities relating to insurance contracts;
- 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 Bank'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 initial 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. Further details are available in Part E - Information on risks and hedging policies - Section 2 - Paragraph 1.1 Credit Risk.

It should be noted, finally, 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 - Paragraph 1.6 Other risks - Top and emerging risks.

Similarly, risks and uncertainties associated with a macroeconomic scenario involving tensions in international trade, an increase in rates and spreads, with specific reference to certain geographical areas and the expected contractions of quantitative easing measures so far implemented by Central Banks, were considered in the valuation of assets. In this regard, refer to the Outlook.

Future cash flow projections used in the valuation of goodwill, other intangible assets and deferred tax assets have been conducted by assessing that there have not been adverse changes in key assumptions compared with the ones in use for Consolidated Financial Statements as at 31 December 2017; if, in specific cases, adverse changes have emerged, a detailed impairment test has been executed.

## Part A - Accounting policies

It should be noted that the parameters and information used are significantly influenced by the macro-economic market situation, which may change unpredictably. For additional information see Part B - Consolidated Balance Sheet - Section 10 - Intangible assets.

With specific 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 2018 are described below.

#### Consolidated accounts

For the preparation of the Consolidated First Half Financial Report as at 30 June 2018 the following sources have been used:

- UniCredit S.p.A. first half accounts as at 30 June 2018;
- 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;
- 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 IAS/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 it 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 relationships 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 arising 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.

### **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 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 Joint Venture. These equity investments are recognised using the equity method.

The 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 VIU and 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 should be noted 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 higher 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 same 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 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	HOLDING %
<b>A. LINE BY LINE METHOD</b>					
1 UNICREDIT SPA	ROME	MILAN	HOLDING		
Issued capital EUR 20,940,398,466.81					
2 A&T-PROJEKTENTWICKLUNGS GMBH & CO. POTSDAMER PLATZ BERLIN KG	MUNICH	MUNICH	1	GRUNDSTUCKSAKTIENGESELLSCHAFT AM POTSDAMER PLATZ (HAUS VATERLAND)	100.00
Issued capital EUR 613,550					
3 ACIS IMMOBILIEN- UND PROJEKTENTWICKLUNGS GMBH & CO. OBERBAUM CITY KG	GRUNWALD	GRUNWALD	1	ACIS IMMOBILIEN- UND PROJEKTENTWICKLUNGS GMBH	.. 1.89
Issued capital EUR 26,000				SIRIUS IMMOBILIEN- UND PROJEKTENTWICKLUNGS GMBH	100.00 98.11
4 ACIS IMMOBILIEN- UND PROJEKTENTWICKLUNGS GMBH & CO. PARKKOLONNADEN KG	GRUNWALD	GRUNWALD	1	A&T-PROJEKTENTWICKLUNGS GMBH & CO. POTSDAMER PLATZ BERLIN KG	100.00 98.11
Issued capital EUR 26,000				ACIS IMMOBILIEN- UND PROJEKTENTWICKLUNGS GMBH	.. 1.89
5 ACIS IMMOBILIEN- UND PROJEKTENTWICKLUNGS GMBH & CO. STUTTGART KRONPRINZSTRASSE KG	GRUNWALD	GRUNWALD	1	ACIS IMMOBILIEN- UND PROJEKTENTWICKLUNGS GMBH	.. 1.89
Issued capital EUR 26,000				HVB GESELLSCHAFT FUR GEBAUDE MBH & CO KG	100.00 98.11
6 AGROB IMMOBILIEN AG	ISMANING	ISMANING	1	HVB GESELLSCHAFT FUR GEBAUDE MBH & CO	52.72 75.02
Issued capital EUR 11,689,200				KG	
7 AI BETEILIGUNGS GMBH	VIENNA	VIENNA	1	UNICREDIT BANK AUSTRIA AG	100.00
Issued capital EUR 35,000					
8 ALLEGRO 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
9 ALLIB LEASING S.R.O.	PRAGUE	PRAGUE	1	UNICREDIT LEASING CZ, A.S.	100.00
Issued capital CZK 100,000					
10 ALLIB NEKRETNINE D.O.O. ZA POSLOVANJE NEKRETNINAMA	ZAGREB	ZAGREB	1	LOCAT CROATIA DOO	100.00
Issued capital HRK 20,000					
11 ALMS LEASING GMBH.	VIENNA	SALZBURG	1	UNICREDIT LEASING (AUSTRIA) GMBH	100.00
Issued capital EUR 36,000					
12 ALPINE CAYMAN ISLANDS LTD.	GRAND CAYMAN	GEORGE TOWN	1	UNICREDIT BANK AUSTRIA AG	100.00
Issued capital EUR 798					
13 ALTUS ALPHA PLC	DUBLIN	DUBLIN	4	UNICREDIT BANK AG	.. (3)
14 ALV 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
15 AMBASSADOR PARC DEDINJE D.O.O. BEOGRAD	BELGRADE	BELGRADE	1	UCTAM D.O.O. BEOGRAD	100.00
Issued capital RSD 98,672,974					
16 ANTARES 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
17 ANTHEMIS EVO LLP	LONDON	LONDON	4	UNICREDIT SPA	.. (3)
Issued capital EUR 30,904,702					
18 AO LOCAT LEASING RUSSIA	MOSCOW	MOSCOW	1	OOO UNICREDIT LEASING	100.00
Issued capital RUR 106,998,000					
19 AO UNICREDIT BANK	MOSCOW	MOSCOW	1	UNICREDIT SPA	100.00
Issued capital RUR 41,787,805,174					

COMPANY NAME	MAIN OFFICE	ADMINISTRATIVE OFFICE	TYPE OF RELATIONSHIP (1)	OWNERSHIP RELATIONSHIP		
				HELD BY	HOLDING %	VOTING RIGHTS % (2)
20 ARABELLA FINANCE DAC	DUBLIN	DUBLIN	4	UNICREDIT BANK AG	..	(3)
21 ARENA NPL ONE S.R.L. (CARTOLARIZZAZIONE 2014)	VERONA	VERONA	4	UNICREDIT SPA	..	(3)
22 ARGENTAUROUS IMMOBILIEN-VERMIETUNGS- UND VERWALTUNGS GMBH	MUNICH	MUNICH	1	HVB PROJEKT GMBH	100.00	
Issued capital EUR 511,300						
23 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	
24 ATLANTERRA IMMOBILIENVERWALTUNGS GMBH	MUNICH	MUNICH	1	HVB PROJEKT GMBH	90.00	
Issued capital EUR 1,023,000						
25 AUSTRIA LEASING GMBH	VIENNA	VIENNA	1	BETEILIGUNGSVERWALTUNGSESELLSCHAFT 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	
26 BA ALPINE HOLDINGS, INC.	WILMINGTON	WILMINGTON	1	UNICREDIT BANK AUSTRIA AG	100.00	
Issued capital USD 74,435,918						
27 BA BETRIEBSOBJEKTE GMBH	VIENNA	VIENNA	1	UNICREDIT BANK AUSTRIA AG	100.00	
Issued capital EUR 5,630,000						
28 BA BETRIEBSOBJEKTE GMBH & CO BETA VERMIETUNGS OG	VIENNA	VIENNA	1	BA BETRIEBSOBJEKTE GMBH	94.00	
Issued capital EUR 1,000				MY DREI HANDELS GMBH	6.00	
29 BA CA LEASING (DEUTSCHLAND) GMBH	HAMBURG	HAMBURG	1	UNICREDIT LEASING SPA	94.90	
Issued capital EUR 153,388				THROUGH A TRUST COMPANY OUTSIDETHE GROUP	5.10	(4)
30 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	
31 BA EUROLEASE BETEILIGUNGSESELLSCHAFT M.B.H.	VIENNA	VIENNA	1	UNICREDIT ZEGA LEASING-GESELLSCHAFT M.B.H.	100.00	
Issued capital EUR 363,364						
32 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	
				PATRIA UNTERNEHMENSBETEILIGUNGEN GMBH	1.00	
33 BA GVG-HOLDING GMBH	VIENNA	VIENNA	1	UNICREDIT BANK AUSTRIA AG	100.00	
Issued capital EUR 18,168						
34 BA IMMO GEWINNSCHEIN FONDS1	VIENNA	VIENNA	4	UNICREDIT BANK AUSTRIA AG	..	(3)
35 BA-CA ANDANTE LEASING GMBH	VIENNA	VIENNA	1	UNICREDIT LEASING (AUSTRIA) GMBH	100.00	
Issued capital EUR 36,500						
36 BA-CA FINANCE (CAYMAN) II LIMITED	GEORGE TOWN	GEORGE TOWN	1	ALPINE CAYMAN ISLANDS LTD.	100.00	
Issued capital EUR 15,000						
37 BA-CA FINANCE (CAYMAN) LIMITED	GEORGE TOWN	GEORGE TOWN	1	ALPINE CAYMAN ISLANDS LTD.	100.00	
Issued capital EUR 15,000						
38 BA-CA LEASING DREI GARAGEN GMBH	VIENNA	VIENNA	1	BETEILIGUNGSVERWALTUNGSESELLSCHAFT DER BANK AUSTRIA CREDITANSTALT LEASING GMBH	99.80	
Issued capital EUR 35,000				UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	

## Part A - Accounting policies

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

COMPANY NAME	MAIN OFFICE	ADMINISTRATIVE OFFICE	TYPE OF RELATIONSHIP (1)	OWNERSHIP RELATIONSHIP		
				HELD BY	HOLDING %	VOTING RIGHTS % (2)
58 BANK AUSTRIA CREDITANSTALT LEASING IMMOBILIENANLAGEN GMBH Issued capital EUR 36,500	VIENNA	VIENNA	1	GALA GRUNDSTUECKVERWALTUNG GESELLSCHAFT M.B.H. UCLA IMMO-BEITELIGUNGSHOLDUNG GMBH & CO KG	99.80 0.20	
59 BANK AUSTRIA FINANZSERVICE GMBH Issued capital EUR 490,542	VIENNA	VIENNA	1	UNICREDIT BANK AUSTRIA AG	100.00	
60 BANK AUSTRIA HUNGARIA BETA LEASING KORLATOLT FELELOSSEGUE TARSASAG Issued capital HUF 3,000,000	BUDAPEST	BUDAPEST	1	UNIVERSALE INTERNATIONAL REALITAETEN GMBH	100.00	
61 BANK AUSTRIA LEASING ARGO IMMOBILIEN LEASING GMBH Issued capital EUR 36,500	VIENNA	VIENNA	1	UCLA IMMO-BEITELIGUNGSHOLDUNG GMBH & CO KG WOEM GRUNDSTUECKSVERWALTUNGS-GESELLSCHAFT M.B.H.	0.20 99.80	
62 BANK AUSTRIA LEASING HERA IMMOBILIEN LEASING GMBH Issued capital EUR 36,337	VIENNA	VIENNA	1	UCLA IMMO-BEITELIGUNGSHOLDUNG GMBH & CO KG UNICREDIT GARAGEN ERRICHTUNG UND VERWERTUNG GMBH	0.20 99.80	
63 BANK AUSTRIA LEASING IKARUS IMMOBILIEN LEASING GESELLSCHAFT M.B.H. Issued capital EUR 36,500	VIENNA	VIENNA	1	UCLA IMMO-BEITELIGUNGSHOLDUNG GMBH & CO KG UNICREDIT LEASING (AUSTRIA) GMBH	0.20 99.80	
64 BANK AUSTRIA LEASING MEDEA IMMOBILIEN LEASING GMBH Issued capital EUR 36,500	VIENNA	VIENNA	1	UCLA IMMO-BEITELIGUNGSHOLDUNG GMBH & CO KG UNICREDIT LEASING (AUSTRIA) GMBH	0.20 99.80	
65 BANK AUSTRIA REAL INVEST CLIENT INVESTMENT GMBH Issued capital EUR 145,500	VIENNA	VIENNA	1	BANK AUSTRIA REAL INVEST IMMOBILIEN-MANAGEMENT GMBH	100.00	
66 BANK AUSTRIA REAL INVEST IMMOBILIEN-KAPITALANLAGE GMBH Issued capital EUR 5,000,000	VIENNA	VIENNA	1	BANK AUSTRIA REAL INVEST IMMOBILIEN-MANAGEMENT GMBH	100.00	
67 BANK AUSTRIA REAL INVEST IMMOBILIEN-MANAGEMENT GMBH Issued capital EUR 10,900,500	VIENNA	VIENNA	1	UNICREDIT BANK AUSTRIA AG	94.95	
68 BANK AUSTRIA WOHNBAUBANK AG Issued capital EUR 18,765,944	VIENNA	VIENNA	1	UNICREDIT BANK AUSTRIA AG	100.00	
69 BARD ENGINEERING GMBH	EMDEN	EMDEN	4	BARD HOLDING GMBH	..	(3)
70 BARD HOLDING GMBH	EMDEN	EMDEN	4	UNICREDIT BANK AG	..	(3)
71 BARODA PIONEER ASSET MANAGEMENT COMPANY LTD Issued capital INR 949,440,640	MUMBAI	MUMBAI	1	UNICREDIT SPA	51.00	
72 BARODA PIONEER TRUSTEE COMPANY PVT LTD Issued capital INR 500,000	MUMBAI	MUMBAI	1	UNICREDIT SPA	51.00	
73 BAULANDENTWICKLUNG GDST 1682/8 GMBH & CO OEG Issued capital EUR 58,000	VIENNA	VIENNA	1	CALG ANLAGEN LEASING GMBH CALG IMMOBILIEN LEASING GMBH	1.00 99.00	
74 BAVARIA SERVICOS DE REPRESENTACAO COMERCIAL LTDA. Issued capital BRL 351,531	SAO PAULO	SAO PAULO	1	UNICREDIT (U.K.) TRUST SERVICES LTD UNICREDIT SPA	0.47 99.53	
75 BERTRAM PROJEKT UNODECIMA TECHNIKZENTRUM GMBH & CO. KG Issued capital EUR 10,000	HANNOVER	HANNOVER	1	ROLIN GRUNDSTUCCSPLANUNGS- UND -VERWALTUNGSGESELLSCHAFT MBH WEALTHCAP IMMOBILIEN 2 GMBH & CO. KG WEALTHCAP MANAGEMENT SERVICES GMBH	87.00 6.00 1.00	
76 BETEILIGUNGSVERWALTUNGSGESELLSCHAFT DER BANK AUSTRIA CREDITANSTALT LEASING GMBH Issued capital EUR 36,500	VIENNA	VIENNA	1	UNICREDIT LEASING (AUSTRIA) GMBH	100.00	

## Part A - Accounting policies

COMPANY NAME	MAIN OFFICE	ADMINISTRATIVE OFFICE	TYPE OF RELATIONSHIP <sup>(1)</sup>	OWNERSHIP RELATIONSHIP		
				HELD BY	HOLDING %	VOTING RIGHTS % <sup>(2)</sup>
77 BF NINE HOLDING GMBH Issued capital EUR 35,000	VIENNA	VIENNA	1	ALLEGRO LEASING GESELLSCHAFT M.B.H.	100.00	
78 BIL LEASING-FONDS GMBH & CO VELUM KG Issued capital EUR 2,556	GRUNWALD	GRUNWALD	1	BIL LEASING-FONDS VERWALTUNGS-GMBH UNICREDIT BANK AG	.. 100.00	33.33 33.33
79 BIL LEASING-FONDS VERWALTUNGS-GMBH Issued capital EUR 26,000	GRUNWALD	GRUNWALD	1	WEALTHCAP PEIA MANAGEMENT GMBH	100.00	
80 BORGO DI PEROLLA SRL Issued capital EUR 2,043,952	MASSA MARITTIMA	MASSA MARITTIMA	1	FONDIARIA LASA SPA	100.00	
81 BREWO GRUNDSTUECKSVERWALTUNGS-GESELLSCHAFT M.B.H. Issued capital EUR 36,337	VIENNA	VIENNA	1	UNICREDIT PEGASUS LEASING GMBH	100.00	
82 BUITENGAATS HOLDING B.V. EEMSHAVEN	EEMSHAVEN	EEMSHAVEN	4	BARD ENGINEERING GMBH	..	(3)
83 BV GRUNDSTUCKSENTWICKLUNGS-GMBH & CO. VERWALTUNGS-KG Issued capital EUR 511,292	MUNICH	MUNICH	1	UNICREDIT BANK AG	100.00	
84 C.E.CO S. COMPLETAMENTO EDILIZIO CORSO SICILIA SPA Issued capital EUR 103,300	CATANIA	CATANIA	1	ISTITUTO IMMOBILIARE DI CATANIA SPA	100.00	
85 CA-LEASING OVUS S.R.O. Issued capital CZK 100,000	PRAGUE	PRAGUE	1	UNICREDIT LEASING CZ, A.S.	100.00	
86 CA-LEASING SENIOREN PARK GMBH Issued capital EUR 36,500	VIENNA	VIENNA	1	BETEILIGUNGSVERWALTUNGSGESELLSCHAFT DER BANK AUSTRIA CREDITANSTALT LEASING GMBH UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	99.80 0.20	
87 CA-ZETA REAL ESTATE DEVELOPMENT LIMITED LIABILITY COMPANY Issued capital HUF 3,000,000	BUDAPEST	BUDAPEST	1	UNIVERSALE INTERNATIONAL REALITAETEN GMBH	100.00	
88 CABET-HOLDING GMBH Issued capital EUR 290,909	VIENNA	VIENNA	1	UNICREDIT BANK AUSTRIA AG	100.00	
89 CABO BETEILIGUNGSGESELLSCHAFT M.B.H. Issued capital EUR 35,000	VIENNA	VIENNA	1	CABET-HOLDING GMBH	100.00	
90 CALG 307 MOBILIEN LEASING GMBH Issued capital EUR 18,286	VIENNA	VIENNA	1	UNICREDIT ZEGA LEASING-GESELLSCHAFT M.B.H.	100.00	
91 CALG 443 GRUNDSTUECKVERWALTUNG GMBH Issued capital EUR 36,336	VIENNA	VIENNA	1	BETEILIGUNGSVERWALTUNGSGESELLSCHAFT DER BANK AUSTRIA CREDITANSTALT LEASING GMBH CALG IMMOBILIEN LEASING GMBH UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	98.80 1.00 0.20	
92 CALG 445 GRUNDSTUECKVERWALTUNG GMBH Issued capital EUR 18,168	VIENNA	VIENNA	1	CALG IMMOBILIEN LEASING GMBH UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	99.60 0.40	
93 CALG 451 GRUNDSTUECKVERWALTUNG GMBH Issued capital EUR 36,500	VIENNA	VIENNA	1	CALG DELTA GRUNDSTUECKVERWALTUNG GMBH UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	99.80 0.20	
94 CALG ALPHA GRUNDSTUECKVERWALTUNG GMBH Issued capital EUR 36,500	VIENNA	VIENNA	1	CALG DELTA GRUNDSTUECKVERWALTUNG GMBH UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	99.80 0.20	

COMPANY NAME	MAIN OFFICE	ADMINISTRATIVE OFFICE	TYPE OF RELATIONSHIP (1)	OWNERSHIP RELATIONSHIP		
				HELD BY	HOLDING %	VOTING RIGHTS % (2)
95 CALG ANLAGEN LEASING GMBH Issued capital EUR 36,500	VIENNA	VIENNA	1	UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG UNICREDIT LEASING (AUSTRIA) GMBH	0.20 99.80	
96 CALG ANLAGEN LEASING GMBH & CO GRUNDSTUECKVERMIETUNG UND - VERWALTUNG KG Issued capital EUR 2,326,378	MUNICH	MUNICH	1	CALG ANLAGEN LEASING GMBH	99.90	
97 CALG DELTA GRUNDSTUECKVERWALTUNG GMBH Issued capital EUR 36,336	VIENNA	VIENNA	1	CALG ANLAGEN LEASING GMBH UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	99.80 0.20	
98 CALG GAMMA GRUNDSTUECKVERWALTUNG GMBH Issued capital EUR 36,337	VIENNA	VIENNA	1	CALG IMMOBILIEN LEASING GMBH UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	99.80 0.20	
99 CALG GRUNDSTUECKVERWALTUNG GMBH Issued capital EUR 36,500	VIENNA	VIENNA	1	CALG IMMOBILIEN LEASING GMBH UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG UNICREDIT LEASING (AUSTRIA) GMBH	74.80 0.20 25.00	
100 CALG IMMOBILIEN LEASING GMBH Issued capital EUR 254,355	VIENNA	VIENNA	1	CALG ANLAGEN LEASING GMBH UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	99.80 0.20	
101 CALG MINAL GRUNDSTUECKVERWALTUNG GMBH Issued capital EUR 18,286	VIENNA	VIENNA	1	CALG ANLAGEN LEASING GMBH UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	99.80 0.20	
102 CAPITAL DEV SPA Issued capital EUR 272,000	ROME	ROME	1	UNICREDIT SPA	100.00	
103 CAPITAL MORTGAGE SRL (CARTOLARIZZAZIONE: BIPCA CORDUSIO RMBS)	VERONA	VERONA	4	UNICREDIT SPA	..	(3)
104 CAPITAL MORTGAGE SRL (CARTOLARIZZAZIONE: CAPITAL MORTGAGE 2007 - 1)	VERONA	VERONA	4	UNICREDIT SPA	..	(3)
105 CARD COMPLETE SERVICE BANK AG Issued capital EUR 6,000,000	VIENNA	VIENNA	1	UNICREDIT BANK AUSTRIA AG	50.10	
106 CARDS & SYSTEMS EDV-DIENSTLEISTUNGS GMBH Issued capital EUR 75,000	VIENNA	VIENNA	1	CARD COMPLETE SERVICE BANK AG DC BANK AG UNICREDIT BANK AUSTRIA AG	5.00 1.00 52.00	
107 CASTELLANI LEASING GMBH Issued capital EUR 1,800,000	VIENNA	VIENNA	1	UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG UNICREDIT ZEGA LEASING-GESELLSCHAFT M.B.H.	10.00 90.00	
108 CAVE NUOVE SPA Issued capital EUR 140,000	ROME	ROME	1	CAPITAL DEV SPA	100.00	
109 CHARADE LEASING GESELLSCHAFT M.B.H. Issued capital EUR 36,500	VIENNA	VIENNA	1	BETEILIGUNGSVERWALTUNGSGESELLSCHAFT DER BANK AUSTRIA CREDITANSTALT LEASING GMBH UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG UNICREDIT LEASING (AUSTRIA) GMBH	74.80 0.20 25.00	
110 CHEFREN LEASING GMBH Issued capital EUR 36,500	VIENNA	VIENNA	1	UNICREDIT LEASING (AUSTRIA) GMBH	100.00	
111 CIVITAS IMMOBILIEN LEASING GESELLSCHAFT M.B.H. Issued capital EUR 36,500	VIENNA	VIENNA	1	UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG UNICREDIT LEASING (AUSTRIA) GMBH	0.20 99.80	

## Part A - Accounting policies

COMPANY NAME	MAIN OFFICE	ADMINISTRATIVE OFFICE	TYPE OF RELATIONSHIP <sup>(1)</sup>	OWNERSHIP RELATIONSHIP		
				HELD BY	HOLDING %	VOTING RIGHTS % <sup>(2)</sup>
112 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-BEITELIGUNGSHOLDUNG GMBH & CO KG	0.20	
113 COMPAGNIA FONDIARIA ROMANA - SOCIETA' A RESPONDABILITA' LIMITATA	ROME	ROME	1	NUOVA COMPAGNIA DI PARTECIPAZIONI SPA	100.00	
Issued capital EUR 103,400						
114 CONSUMER THREE SRL (CARTOLARIZZAZIONE: CONSUMER THREE )	VERONA	VERONA	4	UNICREDIT SPA	..	<sup>(3)</sup>
115 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-BEITELIGUNGSHOLDUNG GMBH & CO KG	0.20	
116 CORDUSIO RMBS - UCFIN SRL (CARTOLARIZZAZIONE: CORDUSIO RMBS UCFIN - SERIE 2006)	VERONA	VERONA	4	UNICREDIT SPA	..	<sup>(3)</sup>
117 CORDUSIO RMBS SECURITISATION SRL (CARTOLARIZZAZIONE: CORDUSIO RMBS SECURITISATION - SERIE 2006)	VERONA	VERONA	4	UNICREDIT SPA	..	<sup>(3)</sup>
118 CORDUSIO RMBS SECURITISATION SRL (CARTOLARIZZAZIONE: CORDUSIO RMBS SECURITISATION - SERIE 2007)	VERONA	VERONA	4	UNICREDIT SPA	..	<sup>(3)</sup>
119 CORDUSIO SIM SPA	MILAN	MILAN	1	UNICREDIT SPA	96.10	<sup>(5)</sup>
Issued capital EUR 56,282,051						
120 CORDUSIO SOCIETA' FIDUCIARIA PER AZIONI	MILAN	MILAN	1	UNICREDIT SPA	100.00	
Issued capital EUR 520,000						
121 CORIT - CONCESSIONARIA RISCOSSIONE TRIBUTI S.P.A. IN LIQUIDAZIONE	ROME	ROME	1	UNICREDIT SPA	60.00	
Issued capital EUR 1,243,732						
122 CRIVELLI SRL	MILAN	MILAN	1	UNICREDIT SPA	100.00	
Issued capital EUR 10,000						
123 DBC SP.Z.O.O. W LIKWIDACJI	WARSAW	WARSAW	1	UNIVERSALE INTERNATIONAL REALITAETEN GMBH	100.00	
Issued capital PLN 50,000						
124 DC BANK AG	VIENNA	VIENNA	1	CARD COMPLETE SERVICE BANK AG	99.94	
Issued capital EUR 5,000,000						
125 DC ELEKTRONISCHE ZAHLUNGSSYSTEME GMBH	VIENNA	VIENNA	1	KSG KARTEN-VERRECHNUNGS- UND SERVICEGESELLSCHAFT M.B.H.	100.00	
Issued capital EUR 35,000						
126 DEBO LEASING IFN S.A.	BUCHAREST	BUCHAREST	1	UNICREDIT CONSUMER FINANCING IFN S.A.	0.01	
Issued capital RON 724,400				UNICREDIT LEASING CORPORATION IFN S.A.	99.99	
127 DELPHA IMMOBILIEN- UND PROJEKTENTWICKLUNGS GMBH & CO. GROSSKUGEL BAUABSCHNITT ALPHA MANAGEMENT KG	MUNICH	MUNICH	1	HVB PROJEKT GMBH	100.00	
Issued capital EUR 255,650						
128 DELPHA IMMOBILIEN- UND PROJEKTENTWICKLUNGS GMBH & CO. GROSSKUGEL BAUABSCHNITT BETA MANAGEMENT KG	MUNICH	MUNICH	1	HVB PROJEKT GMBH	100.00	
Issued capital EUR 255,650						

COMPANY NAME	MAIN OFFICE	ADMINISTRATIVE OFFICE	TYPE OF RELATIONSHIP (1)	OWNERSHIP RELATIONSHIP		
				HELD BY	HOLDING %	VOTING RIGHTS % (2)
129 DELPHA IMMOBILIEN- UND PROJEKTENTWICKLUNGS GMBH & CO. GROSSKUGEL BAUABSCHNITT GAMMA MANAGEMENT KG Issued capital EUR 255,650	MUNICH	MUNICH	1	HVB PROJEKT GMBH	100.00	
130 DINERS CLUB CS, S.R.O. Issued capital EUR 995,000	BRATISLAVA	BRATISLAVA	1	DC BANK AG	100.00	
131 DINERS CLUB POLSKA SP.Z.O.O. Issued capital PLN 7,500,000	WARSAW	WARSAW	1	DC BANK AG	100.00	
132 DIRANA LIEGENSCHAFTSVERWERTUNGSGESELLSCHAFT M.B.H. Issued capital EUR 17,500	VIENNA	VIENNA	1	UNIVERSALE INTERNATIONAL REALITAETEN GMBH	100.00	
133 DLV IMMOBILIEN LEASING GESELLSCHAFT M.B.H. Issued capital EUR 36,500	VIENNA	VIENNA	1	UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG UNICREDIT LEASING (AUSTRIA) GMBH	0.20 99.80	
134 DUODEC Z IMMOBILIEN LEASING GESELLSCHAFT M.B.H. Issued capital EUR 36,500	VIENNA	VIENNA	1	UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG UNICREDIT LEASING (AUSTRIA) GMBH	0.20 99.80	
135 ELEKTRA PURCHASE NO. 28 DAC	DUBLIN	DUBLIN	4	UNICREDIT BANK AG	..	(3)
136 ELEKTRA PURCHASE NO. 31 DAC	DUBLIN	DUBLIN	4	UNICREDIT BANK AG	..	(3)
137 ELEKTRA PURCHASE NO. 32 S.A.	LUXEMBOURG	LUXEMBOURG	4	UNICREDIT BANK AG	..	(3)
138 ELEKTRA PURCHASE NO. 32 S.A. - COMPARTEMENT 2	LUXEMBOURG	LUXEMBOURG	4	UNICREDIT BANK AG	..	(3)
139 ELEKTRA PURCHASE NO. 33 DAC	DUBLIN	DUBLIN	4	UNICREDIT BANK AG	..	(3)
140 ELEKTRA PURCHASE NO. 34 DAC	DUBLIN	DUBLIN	4	UNICREDIT BANK AG	..	(3)
141 ELEKTRA PURCHASE NO. 36 DAC	DUBLIN	DUBLIN	4	UNICREDIT BANK AG	..	(3)
142 ELEKTRA PURCHASE NO. 37 DAC	DUBLIN	DUBLIN	4	UNICREDIT BANK AG	..	(3)
143 ELEKTRA PURCHASE NO. 38 DAC	DUBLIN	DUBLIN	4	UNICREDIT BANK AG	..	(3)
144 ELEKTRA PURCHASE NO. 39 DAC	DUBLIN	DUBLIN	4	UNICREDIT BANK AG	..	(3)
145 ELEKTRA PURCHASE NO. 41 DAC	DUBLIN	DUBLIN	4	UNICREDIT BANK AG	..	(3)
146 ELEKTRA PURCHASE NO. 42 DAC	DUBLIN	DUBLIN	4	UNICREDIT BANK AG	..	(3)
147 ELEKTRA PURCHASE NO. 43 DAC	DUBLIN	DUBLIN	4	UNICREDIT BANK AG	..	(3)
148 ELEKTRA PURCHASE NO. 44 DAC	DUBLIN	DUBLIN	4	UNICREDIT BANK AG	..	(3)
149 ELEKTRA PURCHASE NO. 46 DAC	DUBLIN	DUBLIN	4	UNICREDIT BANK AG	..	(3)
150 ELEKTRA PURCHASE NO. 47 DAC	DUBLIN	DUBLIN	4	UNICREDIT BANK AG	..	(3)
151 ELEKTRA PURCHASE NO. 48 DAC	DUBLIN	DUBLIN	4	UNICREDIT BANK AG	..	(3)
152 ELEKTRA PURCHASE NO. 54 DAC	DUBLIN	DUBLIN	4	UNICREDIT BANK AG	..	(3)
153 ELEKTRA PURCHASE NO. 55 DAC	DUBLIN	DUBLIN	4	UNICREDIT BANK AG	..	(3)
154 ELEKTRA PURCHASE NO. 56 DAC	DUBLIN	DUBLIN	4	UNICREDIT BANK AG	..	(3)
155 ELEKTRA PURCHASE NO. 57 DAC	DUBLIN	DUBLIN	4	UNICREDIT BANK AG	..	(3)
156 ELEKTRA PURCHASE NO. 58 DAC	DUBLIN	DUBLIN	4	UNICREDIT BANK AG	..	(3)
157 ELEKTRA PURCHASE NO. 718 DAC	DUBLIN	DUBLIN	4	UNICREDIT BANK AG	..	(3)
158 ELEKTRA PURCHASE NO. 911 LTD	ST. HELIER	ST. HELIER	4	UNICREDIT BANK AG	..	(3)
159 EUROLEASE AMUN IMMOBILIEN LEASING GESELLSCHAFT M.B.H. Issued capital EUR 36,500	VIENNA	VIENNA	1	UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG UNICREDIT LEASING (AUSTRIA) GMBH	0.20 99.80	
160 EUROLEASE ANUBIS IMMOBILIEN LEASING GESELLSCHAFT M.B.H. Issued capital EUR 36,500	VIENNA	VIENNA	1	UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG UNICREDIT LEASING (AUSTRIA) GMBH	0.20 99.80	

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COMPANY NAME	MAIN OFFICE	ADMINISTRATIVE OFFICE	TYPE OF RELATIONSHIP <sup>(1)</sup>	OWNERSHIP RELATIONSHIP		
				HELD BY	HOLDING %	VOTING RIGHTS % <sup>(2)</sup>
161 EUROLEASE ISIS IMMOBILIEN LEASING GESELLSCHAFT M.B.H. Issued capital EUR 36,500	VIENNA	VIENNA	1	UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG UNICREDIT LEASING (AUSTRIA) GMBH	0.20 99.80	
162 EUROLEASE MARDUK IMMOBILIEN LEASING GESELLSCHAFT M.B.H. Issued capital EUR 36,500	VIENNA	VIENNA	1	UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG UNICREDIT LEASING (AUSTRIA) GMBH	0.20 99.80	
163 EUROLEASE RA IMMOBILIEN LEASING GESELLSCHAFT M.B.H. Issued capital EUR 36,500	VIENNA	VIENNA	1	UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG UNICREDIT GARAGEN ERRICHTUNG UND VERWERTUNG GMBH	0.20 99.80	
164 EUROLEASE RAMSES IMMOBILIEN LEASING GESELLSCHAFT M.B.H. Issued capital EUR 36,336	VIENNA	VIENNA	1	UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG UNICREDIT LEASING (AUSTRIA) GMBH	0.20 99.80	
165 EUROPA BEFEKTETESI ALAPEKEZELOE ZRT (EUROPA INVESTMENT FUND MANAGEMENT LTD.) Issued capital HUF 100,000,000	BUDAPEST	BUDAPEST	1	UNICREDIT TURN-AROUND MANAGEMENT CEE GMBH	100.00	
166 EUROPA INGATLANBEFEKTETESI ALAP (EUROPE REAL-ESTATE INVESTMENT FUND)	BUDAPEST	BUDAPEST	4	UNICREDIT BANK HUNGARY ZRT.	..	(3)
167 EUROPEAN-OFFICE-FONDS	MUNICH	MUNICH	4	UNICREDIT BANK AG	..	(3)
168 EUROVENTURES-AUSTRIA-CA-MANAGEMENT GESMBH Issued capital EUR 36,336	VIENNA	VIENNA	1	CABET-HOLDING GMBH	100.00	
169 EXPANDA IMMOBILIEN LEASING GESELLSCHAFT M.B.H. Issued capital EUR 36,500	VIENNA	VIENNA	1	UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG UNICREDIT LEASING (AUSTRIA) GMBH	0.20 99.80	
170 F-E MORTGAGES SRL (CARTOLARIZZAZIONE: F-E MORTGAGES 2005)	VERONA	VERONA	4	UNICREDIT SPA	..	(3)
171 F-E MORTGAGES SRL (CARTOLARIZZAZIONE: F-E MORTGAGES SERIES 1 - 2003)	VERONA	VERONA	4	UNICREDIT SPA	..	(3)
172 FACTORBANK AKTIENGESELLSCHAFT Issued capital EUR 3,000,000	VIENNA	VIENNA	1	UNICREDIT BANK AUSTRIA AG	100.00	
173 FINECO ASSET MANAGEMENT DESIGNATED ACTIVITY COMPANY Issued capital EUR 3,000,000	DUBLIN	DUBLIN	1	FINECOBANK SPA	100.00	
174 FINECO VERWALTUNG AG Issued capital EUR 50,000	MUNICH	MUNICH	1	UNICREDIT SPA	100.00	
175 FINECOBANK SPA Issued capital EUR 200,773,450	MILAN	REGGIO EMILIA	1	UNICREDIT SPA	35.35	
176 FINN ARSENAL LEASING GMBH Issued capital EUR 36,500	VIENNA	VIENNA	1	BETEILIGUNGSVERWALTUNGSESELLSCHAFT DER BANK AUSTRIA CREDITANSTALT LEASING GMBH UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG UNICREDIT LEASING (AUSTRIA) GMBH	99.60 0.20 0.20	
177 FMC LEASING INGATLANHASZNOSITO KORLATOLT FELELOESSEG TARSASAG Issued capital HUF 3,000,000	BUDAPEST	BUDAPEST	1	UNIVERSALE INTERNATIONAL REALITAETEN GMBH	100.00	
178 FMZ SAVARIA SZOLGALTATO KORLATOLT FELELOESSEG TARSASAG Issued capital HUF 3,000,000	BUDAPEST	BUDAPEST	1	UNICREDIT LEASING KFT	75.00	
179 FMZ SIGMA PROJEKTENTWICKLUNGS GMBH Issued capital EUR 35,000	VIENNA	VIENNA	1	UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG UNICREDIT GARAGEN ERRICHTUNG UND VERWERTUNG GMBH	0.20 99.80	

COMPANY NAME	MAIN OFFICE	ADMINISTRATIVE OFFICE	TYPE OF RELATIONSHIP (1)	OWNERSHIP RELATIONSHIP		
				HELD BY	HOLDING %	VOTING RIGHTS % (2)
180 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	
181 FONDIARIA LASA SPA	ROME	ROME	1	NUOVA COMPAGNIA DI PARTECIPAZIONI SPA	100.00	
Issued capital EUR 3,102,000						
182 FOOD & MORE GMBH	MUNICH	MUNICH	1	UNICREDIT BANK AG	100.00	
Issued capital EUR 100,000						
183 FUGATO LEASING GESELLSCHAFT M.B.H.	VIENNA	VIENNA	1	BETEILIGUNGSVERWALTUNGSGESELLSCHAFT DER BANK AUSTRIA CREDITANSTALT LEASING GMBH	100.00	
Issued capital EUR 36,336						
184 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	
185 GEBAEUDELEASING GRUNDSTUCCSVERWALTUNGSGESELLSCHAFT 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	
186 GELDILUX-TS-2013 S.A.	LUXEMBOURG	LUXEMBOURG	4	UNICREDIT LUXEMBOURG S.A.	..	(3)
187 GELDILUX-TS-2015 S.A.	LUXEMBOURG	LUXEMBOURG	4	UNICREDIT LUXEMBOURG S.A.	..	(3)
188 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	
189 GEMMA VERWALTUNGSGESELLSCHAFT MBH & CO. VERMIETUNGS KG	PULLACH	PULLACH	4	ORESTOS IMMOBILIEN-VERWALTUNGS GMBH	..	(3)
Issued capital EUR 68,272,038						
190 GENERAL LOGISTIC SOLUTIONS LLC	MOSCOW	MOSCOW	1	UCTAM RU LIMITED LIABILITY COMPANY	100.00	
Issued capital RUB 2,342,309,444						
191 GRUNDSTUCCAKTIENGESELLSCHAFT AM POTSDAMER PLATZ (HAUS VATERLAND)	MUNICH	MUNICH	1	TERRENO GRUNDSTUCCSVERWALTUNG GMBH & CO. ENTWICKLUNGS- UND FINANZIERUNGSVERMITTLUNGS-KG	98.24	
Issued capital EUR 4,086,245						
192 GRUNDSTUCCGESELLSCHAFT SIMON BESCHRANKT HAFTENDE KOMMANDITGESELLSCHAFT	MUNICH	MUNICH	1	HVB GESELLSCHAFT FUR GEBAUDE MBH & CO KG	100.00	
Issued capital EUR 51,500						
193 GRUNDSTUCCSVERWALTUNG 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	
194 H.F.S. IMMOBILIENFONDS GMBH	EBERSBERG	EBERSBERG	1	WEALTHCAP INVESTMENT SERVICES GMBH	100.00	
Issued capital EUR 25,565						
195 H.F.S. LEASINGFONDS DEUTSCHLAND 1 GMBH & CO. KG (IMMOBILIENLEASING)	MUNICH	MUNICH	1	BIL IMMOBILIEN FONDS GMBH	..	
Issued capital EUR 97,154,824				HVB IMMOBILIEN AG	99.43	
196 H.F.S. LEASINGFONDS DEUTSCHLAND 7 GMBH & CO. KG	MUNICH	MUNICH	4	HVB PROJEKT GMBH	..	(3)
Issued capital EUR 56,605,126				WEALTHCAP REAL ESTATE MANAGEMENT GMBH	0.08	

## Part A - Accounting policies

COMPANY NAME	MAIN OFFICE	ADMINISTRATIVE OFFICE	TYPE OF RELATIONSHIP <sup>(1)</sup>	OWNERSHIP RELATIONSHIP		
				HELD BY	HOLDING %	VOTING RIGHTS % <sup>(2)</sup>
197 H.F.S. LEASINGFONDS GMBH	EBERSBERG	EBERSBERG	1	WEALTHCAP INVESTMENT SERVICES GMBH	100.00	
Issued capital EUR 26,000						
198 HAWA GRUNDSTUCKS GMBH & CO. OHG HOTELVERWALTUNG	MUNICH	MUNICH	1	HVB GESELLSCHAFT FUR GEBAUDE MBH & CO KG	99.50	
Issued capital EUR 276,200						
199 HAWA GRUNDSTUCKS GMBH & CO. OHG IMMOBILIENVERWALTUNG	MUNICH	MUNICH	1	HVB GESELLSCHAFT FUR GEBAUDE MBH & CO KG	99.50	
Issued capital EUR 54,300						
200 HELICONUS SRL (CARTOLARIZZAZIONE: HELICONUS)	VERONA	VERONA	4	UNICREDIT SPA	..	<sup>(3)</sup>
201 HERKU LEASING GESELLSCHAFT M.B.H.	VIENNA	VIENNA	1	BETEILIGUNGSVERWALTUNGSESELLSCHAFT DER BANK AUSTRIA CREDITANSTALT LEASING GMBH	74.80	
Issued capital EUR 36,500						
				UCLA IMMO-BETEILIGUNGSHOLDING GMBH & CO KG	0.20	
				UNICREDIT LEASING (AUSTRIA) GMBH	25.00	
202 HJS 12 BETEILIGUNGSESELLSCHAFT MBH	MUNICH	MUNICH	1	UNICREDIT BANK AG	100.00	
Issued capital EUR 25,000						
203 HONEU LEASING GESELLSCHAFT M.B.H.	VIENNA	VIENNA	1	BETEILIGUNGSVERWALTUNGSESELLSCHAFT DER BANK AUSTRIA CREDITANSTALT LEASING GMBH	74.80	
Issued capital EUR 36,336						
				UCLA IMMO-BETEILIGUNGSHOLDING GMBH & CO KG	0.20	
				UNICREDIT LEASING (AUSTRIA) GMBH	25.00	
204 HUMAN RESOURCES SERVICE AND DEVELOPMENT GMBH	VIENNA	VIENNA	1	UNICREDIT BANK AUSTRIA AG	100.00	
Issued capital EUR 18,168						
205 HVB CAPITAL LLC	WILMINGTON	WILMINGTON	1	UNICREDIT BANK AG	100.00	
Issued capital USD 10,000						
206 HVB CAPITAL LLC II	WILMINGTON	WILMINGTON	1	UNICREDIT BANK AG	100.00	
Issued capital USD 13						
207 HVB CAPITAL LLC III	WILMINGTON	WILMINGTON	1	UNICREDIT BANK AG	100.00	
Issued capital USD 10,000						
208 HVB CAPITAL PARTNERS AG	MUNICH	MUNICH	1	UNICREDIT BANK AG	100.00	
Issued capital EUR 2,500,000						
209 HVB FUNDING TRUST	WILMINGTON	WILMINGTON	4	UNICREDIT BANK AG	..	<sup>(3)</sup>
210 HVB FUNDING TRUST II	WILMINGTON	WILMINGTON	1	UNICREDIT BANK AG	100.00	
Issued capital USD 2,363						
211 HVB FUNDING TRUST III	WILMINGTON	WILMINGTON	4	UNICREDIT BANK AG	..	<sup>(3)</sup>
212 HVB GESELLSCHAFT FUR GEBAUDE MBH & CO KG	MUNICH	MUNICH	1	UNICREDIT BANK AG	100.00	
Issued capital EUR 10,000,000						
213 HVB HONG KONG LIMITED	HONG KONG	HONG KONG	1	UNICREDIT BANK AG	100.00	
Issued capital USD 129						
214 HVB IMMOBILIEN AG	MUNICH	MUNICH	1	UNICREDIT BANK AG	100.00	
Issued capital EUR 520,000						
215 HVB LEASING CZECH REPUBLIC S.R.O.	PRAGUE	PRAGUE	1	UNICREDIT LEASING CZ, A.S.	100.00	
Issued capital CZK 49,632,000						
216 HVB PROJEKT GMBH	MUNICH	MUNICH	1	HVB IMMOBILIEN AG	94.00	
Issued capital EUR 24,543,000						
				UNICREDIT BANK AG	6.00	

COMPANY NAME	MAIN OFFICE	ADMINISTRATIVE OFFICE	TYPE OF RELATIONSHIP (1)	OWNERSHIP RELATIONSHIP		
				HELD BY	HOLDING %	VOTING RIGHTS % (2)
217 HVB SECUR GMBH Issued capital EUR 50,000	MUNICH	MUNICH	1	UNICREDIT BANK AG	100.00	
218 HVB TECTA GMBH Issued capital EUR 1,534,000	MUNICH	MUNICH	1	HVB IMMOBILIEN AG UNICREDIT BANK AG	94.00 6.00	
219 HVB VERWA 4 GMBH Issued capital EUR 26,000	MUNICH	MUNICH	1	UNICREDIT BANK AG	100.00	
220 HVB VERWA 4.4 GMBH Issued capital EUR 25,000	MUNICH	MUNICH	1	HVB VERWA 4 GMBH	100.00	
221 HVB-LEASING FORTE INGATLANHASZNOSITO KORLATOLT FELELOESSEGUE TARSASAG Issued capital HUF 3,000,000	BUDAPEST	BUDAPEST	1	UNIVERSALE INTERNATIONAL REALITAETEN GMBH	100.00	
222 HVB-LEASING GARO INGATLANHASZNOSITO KORLATOLT FELELOESSEGUE TARSASAG Issued capital HUF 3,100,000	BUDAPEST	BUDAPEST	1	UNIVERSALE INTERNATIONAL REALITAETEN GMBH	100.00	
223 HVB-LEASING JUPITER INGATLANHASZNOSITO KORLATOLT FELELOESSEGUE TARSASAG Issued capital HUF 3,000,000	BUDAPEST	BUDAPEST	1	UNIVERSALE INTERNATIONAL REALITAETEN GMBH	100.00	
224 HVB-LEASING ROCCA INGATLANHASZNOSITO KORLATOLT FELELOESSEGUE TARSASAG Issued capital HUF 3,000,000	BUDAPEST	BUDAPEST	1	UNIVERSALE INTERNATIONAL REALITAETEN GMBH	100.00	
225 HVB-LEASING SMARAGD KFT. Issued capital HUF 3,000,000	BUDAPEST	BUDAPEST	1	UNIVERSALE INTERNATIONAL REALITAETEN GMBH	100.00	
226 HVZ GMBH & CO. OBJEKT KG Issued capital EUR 148,090,766	MUNICH	MUNICH	1	PORTIA GRUNDSTUCKS-VERWALTUNGSGESELLSCHAFT MBH & CO. OBJEKT KG	100.00	
227 HYPO-BANK VERWALTUNGZENTRUM GMBH & CO. KG OBJEKT ARABELLASTRASSE Issued capital EUR 25,600	MUNICH	MUNICH	1	HVB GESELLSCHAFT FUR GEBAUDE MBH & CO KG	100.00	
228 IDEA FIMIT SGR FONDO SIGMA IMMOBILIARE Issued capital EUR 180,100,960	ROME	ROME	4	UNICREDIT SPA	..	(3)
229 IMMOBILIEN HOLDING GMBH Issued capital EUR 36,336	VIENNA	VIENNA	1	UNICREDIT BANK AUSTRIA AG	100.00	
230 IMMOBILIEN RATING GMBH Issued capital EUR 50,000	VIENNA	VIENNA	1	BANK AUSTRIA REAL INVEST IMMOBILIEN-MANAGEMENT GMBH UNICREDIT BANK AUSTRIA AG UNICREDIT LEASING (AUSTRIA) GMBH	61.00 19.00 19.00	
231 IMMOBILIENLEASING GRUNDSTUECKSVERWALTUNGS-GESELLSCHAFT M.B.H. Issued capital EUR 36,500	VIENNA	VIENNA	1	ARNO GRUNDSTUECKSVERWALTUNGS GESELLSCHAFT M.B.H. UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG UNICREDIT LEASING (AUSTRIA) GMBH	74.80 0.20 25.00	
232 INTERRA GESELLSCHAFT FUR IMMOBILIENVERWALTUNG MBH Issued capital EUR 26,000	MUNICH	MUNICH	1	HVB IMMOBILIEN AG UNICREDIT BANK AG	93.85 6.15	
233 INTRO LEASING GESELLSCHAFT M.B.H. Issued capital EUR 36,336	VIENNA	VIENNA	1	PROJEKT-LEASE GRUNDSTUECKSVERWALTUNGS-GESELLSCHAFT M.B.H.	100.00	

## Part A - Accounting policies

COMPANY NAME	MAIN OFFICE	ADMINISTRATIVE OFFICE	TYPE OF RELATIONSHIP <sup>(1)</sup>	OWNERSHIP RELATIONSHIP		
				HELD BY	HOLDING %	VOTING RIGHTS % <sup>(2)</sup>
234 ISB UNIVERSALE BAU GMBH	BERLIN	BERLIN	1	UNIVERSALE INTERNATIONAL REALITAETEN GMBH	100.00	
Issued capital EUR 6,288,890						
235 ISTITUTO IMMOBILIARE DI CATANIA SPA	CATANIA	CATANIA	1	CAPITAL DEV SPA	93.92	
Issued capital EUR 7,700,000						
UNICREDIT SPA 1.12						
236 ISTITUTO PER L'EDILIZIA POPOLARE DI SAN BERILLO SRL IN LIQUIDAZIONE	CATANIA	CATANIA	1	ISTITUTO IMMOBILIARE DI CATANIA SPA	99.90	
Issued capital EUR 154,800						
237 JAUSERN-LEASING GESELLSCHAFT M.B.H.	VIENNA	VIENNA	1	UNICREDIT LEASING (AUSTRIA) GMBH	100.00	
Issued capital EUR 36,336						
238 KAISERWASSER BAU- UND ERRICHTUNGS GMBH UND CO OG	VIENNA	VIENNA	1	RAMSES-IMMOBILIENHOLDING GMBH	..	100.00
Issued capital EUR 36,336						
UNICREDIT BANK AUSTRIA AG 99.80 0.00						
239 KLEA ZS-IMMOBILIENVERMIETUNG G.M.B.H.	VIENNA	VIENNA	1	PAYTRIA UNTERNEHMENSBETEILIGUNGEN GMBH	0.20	
Issued capital EUR 36,336						
UNICREDIT BANK AUSTRIA AG 99.80						
240 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						
241 KSG KARTEN-VERRECHNUNGS- UND SERVICEGESELLSCHAFT M.B.H.	VIENNA	VIENNA	1	CARD COMPLETE SERVICE BANK AG	100.00	
Issued capital EUR 44,000						
242 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						
243 KUTRA GRUNDSTUECKSVERWALTUNGS-GESELLSCHAFT M.B.H.	VIENNA	VIENNA	1	CALG DELTA GRUNDSTUECKVERWALTUNG GMBH	99.80	
Issued capital EUR 36,337						
UCLA IMMO-BETEILIGUNGSHOLDING GMBH & CO KG 0.20						
244 LAGERMAX LEASING GMBH	VIENNA	VIENNA	1	UCLA IMMO-BETEILIGUNGSHOLDING GMBH & CO KG	0.20	
Issued capital EUR 36,500						
UNICREDIT LEASING (AUSTRIA) GMBH 99.80						
245 LAGEV IMMOBILIEN LEASING GESELLSCHAFT M.B.H.	VIENNA	VIENNA	1	UCLA IMMO-BETEILIGUNGSHOLDING GMBH & CO KG	0.20	
Issued capital EUR 36,500						
UNICREDIT LEASING (AUSTRIA) GMBH 99.80						
246 LARGE CORPORATE ONE SRL (CARTOLARIZZAZIONE: LARGE CORPORATE ONE)	VERONA	VERONA	4	UNICREDIT SPA	..	<sup>(3)</sup>
247 LARGO LEASING GESELLSCHAFT M.B.H.	VIENNA	VIENNA	1	UCLA IMMO-BETEILIGUNGSHOLDING GMBH & CO KG	0.20	
Issued capital EUR 36,500						
UNICREDIT LEASING (AUSTRIA) GMBH 1.00						
VAPE COMMUNA LEASINGGESELLSCHAFT M.B.H. 98.80						
248 LASSALLESTRASSE BAU-, PLANUNGS-, ERRICHTUNGS- UND VERWERTUNGSGESELLSCHAFT M.B.H.	VIENNA	VIENNA	1	PAYTRIA UNTERNEHMENSBETEILIGUNGEN GMBH	1.00	
Issued capital EUR 36,336						
UNICREDIT BANK AUSTRIA AG 99.00						
249 LEASFINANZ ALPHA ASSETVERMIETUNG GMBH	VIENNA	VIENNA	1	LEASFINANZ GMBH	100.00	
Issued capital EUR 35,000						
250 LEASFINANZ BANK GMBH	VIENNA	VIENNA	1	BACA LEASING UND BETEILIGUNGSMANAGEMENT GMBH	100.00	
Issued capital EUR 36,500						
251 LEASFINANZ GMBH	VIENNA	VIENNA	1	BACA LEASING UND BETEILIGUNGSMANAGEMENT GMBH	100.00	
Issued capital EUR 218,019						

COMPANY NAME	MAIN OFFICE	ADMINISTRATIVE OFFICE	TYPE OF RELATIONSHIP <sup>(1)</sup>	OWNERSHIP RELATIONSHIP		
				HELD BY	HOLDING %	VOTING RIGHTS % <sup>(2)</sup>
252 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	
253 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	
254 LIFE MANAGEMENT ERSTE GMBH	MUNICH	MUNICH	1	WEALTHCAP PEIA MANAGEMENT GMBH	100.00	
Issued capital EUR 25,000						
255 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	
256 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	
257 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	
258 LOCAT CROATIA DOO	ZAGREB	ZAGREB	1	ZAGREBACKA BANKA D.D.	100.00	
Issued capital HRK 39,000,000						
259 LOCAT SV SRL (CARTOLARIZZAZIONE: SERIE 2016)	CONEGLIANO	CONEGLIANO	4	UNICREDIT LEASING SPA	..	<sup>(3)</sup>
260 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	
261 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	
262 MCL RE LJUBLJANA, POSLOVNI NAJEM NEPREMI NIN, D.O.O.	LJUBLJANA	LJUBLJANA	1	UNIVERSALE INTERNATIONAL REALITAETEN GMBH	100.00	
Issued capital EUR 7,500						
263 MENUETT GRUNDSTUECKSVERWALTUNGSGESELLSCHAFT 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	
264 MERKURHOF GRUNDSTUCKSGESELLSCHAFT MIT BESCHRANKTER HAFTUNG	MUNICH	MUNICH	1	UNICREDIT BANK AG	100.00	
Issued capital EUR 5,112,919						
265 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	
266 MOC VERWALTUNGS GMBH & CO. IMMOBILIEN KG	MUNICH	MUNICH	4	HVB PROJEKT GMBH	..	<sup>(3)</sup>
Issued capital EUR 5,112,940						
267 MOGRA 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	
268 MOMENTUM ALLWEATHER STRATEGIES - LONG TERM STRATEG	HAMILTON	HAMILTON	4	UNICREDIT SPA	..	<sup>(3)</sup>
269 MOMENTUM LONG TERM VALUE FUND	HAMILTON	HAMILTON	4	UNICREDIT SPA	..	<sup>(3)</sup>

## Part A - Accounting policies

COMPANY NAME	MAIN OFFICE	ADMINISTRATIVE OFFICE	TYPE OF RELATIONSHIP <sup>(1)</sup>	OWNERSHIP RELATIONSHIP		
				HELD BY	HOLDING %	VOTING RIGHTS % <sup>(2)</sup>
270 MY DREI HANDELS GMBH Issued capital EUR 17,500	VIENNA	VIENNA	1	UNICREDIT BANK AUSTRIA AG	100.00	
271 NAGE LOKALVERMIETUNGSGESELLSCHAFT M.B.H. Issued capital EUR 36,500	VIENNA	VIENNA	1	UCLA IMMO-BETEILIGUNGSHOLDING GMBH & CO KG UNICREDIT GARAGEN ERRICHTUNG UND VERWERTUNG GMBH	0.20 99.80	
272 NF OBJEKT FFM GMBH Issued capital EUR 25,000	MUNICH	MUNICH	1	HVB IMMOBILIEN AG	100.00	
273 NF OBJEKTE BERLIN GMBH Issued capital EUR 25,000	MUNICH	MUNICH	1	HVB IMMOBILIEN AG	100.00	
274 NOE HYPO LEASING ASTRICHTA GRUNDSTUECKVERMIETUNGS GESELLSCHAFT M.B.H. Issued capital EUR 36,337	VIENNA	VIENNA	1	UNICREDIT LEASING (AUSTRIA) GMBH	95.00	
275 NORDBAHNHOF PROJEKTE HOLDING GMBH Issued capital EUR 35,000	VIENNA	VIENNA	1	BA-CA MARKETS & INVESTMENT BETEILIGUNG GES.M.B.H. UNICREDIT BANK AUSTRIA AG	7.00 93.00	
276 NUOVA COMPAGNIA DI PARTECIPAZIONI SPA Issued capital EUR 200,000	ROME	ROME	1	UNICREDIT SPA	100.00	
277 OCEAN BREEZE ASSET GMBH & CO. KG Issued capital EUR 2,000	BREMEN	BREMEN	1	OCEAN BREEZE ENERGY GMBH & CO. KG	100.00	
278 OCEAN BREEZE ENERGY GMBH & CO. KG Issued capital EUR 2,000	BREMEN	BREMEN	1	HJS 12 BETEILIGUNGSGESELLSCHAFT MBH	100.00	
279 OCEAN BREEZE FINANCE S.A. - COMPARTMENT 1 Issued capital EUR 25,000	LUXEMBOURG	LUXEMBOURG	4	UNICREDIT BANK AG	..	(3)
280 OCEAN BREEZE GMBH Issued capital EUR 25,000	BREMEN	BREMEN	1	OCEAN BREEZE ENERGY GMBH & CO. KG	100.00	
281 OCT Z IMMOBILIEN LEASING GESELLSCHAFT M.B.H Issued capital EUR 36,500	VIENNA	VIENNA	1	UCLA IMMO-BETEILIGUNGSHOLDING GMBH & CO KG UNICREDIT GARAGEN ERRICHTUNG UND VERWERTUNG GMBH	0.20 99.80	
282 OLG HANDELS- UND BETEILIGUNGSVERWALTUNGSGESELLSCHAFT M.B.H. Issued capital EUR 36,336	VIENNA	VIENNA	1	BETEILIGUNGSVERWALTUNGSGESELLSCHAFT DER BANK AUSTRIA CREDITANSTALT LEASING GMBH	100.00	
283 OMNIA GRUNDSTUCKS-GMBH & CO. OBJEKT HAIDENAUPLATZ KG Issued capital EUR 26,000	MUNICH	MUNICH	1	HVB IMMOBILIEN AG UNICREDIT BANK AG	94.00 6.00	
284 OMNIA GRUNDSTUECKS-GMBH & CO. OBJEKT PERLACH KG Issued capital EUR 5,125,701	MUNICH	MUNICH	1	OMNIA GRUNDSTUCKS-GMBH ORESTOS IMMOBILIEN-VERWALTUNGS GMBH WEALTHCAP LEASING GMBH	.. 94.78 5.22	0.99 93.87 5.14
285 OOO UNICREDIT LEASING Issued capital RUR 149,160,248	MOSCOW	MOSCOW	1	AO UNICREDIT BANK	100.00	
286 ORBIT PERFORMANCE STRATEGIES - ORBIT US CLASSE I U	HAMILTON	HAMILTON	4	UNICREDIT SPA	..	(3)
287 ORESTOS IMMOBILIEN-VERWALTUNGS GMBH Issued capital EUR 10,149,150	MUNICH	MUNICH	1	HVB PROJEKT GMBH	100.00	
288 OTHMARSCHEN PARK HAMBURG GMBH & CO. CENTERPARK KG Issued capital EUR 51,129	MUNICH	MUNICH	1	HVB PROJEKT GMBH T & P FRANKFURT DEVELOPMENT B.V. T & P VASTGOED STUTTGART B.V.	10.00 30.00 60.00	

COMPANY NAME	MAIN OFFICE	ADMINISTRATIVE OFFICE	TYPE OF RELATIONSHIP (1)	OWNERSHIP RELATIONSHIP		
				HELD BY	HOLDING %	VOTING RIGHTS % (2)
289 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	
290 PAI (BERMUDA) LIMITED	HAMILTON	HAMILTON	1	UNICREDIT SPA	100.00	
Issued capital USD 12,000						
291 PAI (NEW YORK) LIMITED	DOVER	NEW YORK	1	UNICREDIT SPA	100.00	
Issued capital USD 1						
292 PAI MANAGEMENT LTD	DUBLIN	DUBLIN	1	UNICREDIT SPA	100.00	
Issued capital EUR 1,032,000						
293 PALAIS ROTHSCHILD VERMIETUNGS GMBH & CO OG	VIENNA	VIENNA	1	SCHOELLERBANK AKTIENGESELLSCHAFT	100.00	
Issued capital EUR 2,180,185						
294 PARCO DELLE ACACIE DUE S.P.A.	ROME	ROME	1	CAPITAL DEV SPA	100.00	
Issued capital EUR 90,000						
295 PARSEC 6 SPA	ROME	ROME	1	CAPITAL DEV SPA	100.00	
Issued capital EUR 90,000						
296 PAYTRIA UNTERNEHMENSBETEILIGUNGEN GMBH	VIENNA	VIENNA	1	UNICREDIT BANK AUSTRIA AG	100.00	
Issued capital EUR 36,336						
297 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	
298 PENSIONSKASSE DER HYPO VEREINSBANK VVAG	MUNICH	MUNICH	4	UNICREDIT BANK AG	..	(3)
299 PERIKLES 20092 VERMOGENSVERWALTUNG GMBH	BREMEN	BREMEN	1	HJS 12 BETEILIGUNGSGESELLSCHAFT MBH	100.00	
Issued capital EUR 25,000						
300 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	
301 PIONEER ALTERNATIVE INVESTMENTS (ISRAEL) LIMITED IN VOLUNTARY LIQUIDATION	RAMAT GAN	RAMAT GAN	1	UNICREDIT SPA	100.00	
Issued capital ILS 50,000						
302 PIRTA VERWALTUNGS GMBH	VIENNA	VIENNA	1	UNICREDIT SPA	100.00	
Issued capital EUR 2,067,138						
303 PISANA S.P.A.	ROME	ROME	1	CAPITAL DEV SPA	100.00	
Issued capital EUR 1,000,000						
304 POLLUX IMMOBILIEN GMBH	VIENNA	VIENNA	1	PAYTRIA UNTERNEHMENSBETEILIGUNGEN GMBH	0.20	
Issued capital EUR 36,500				UNICREDIT BANK AUSTRIA AG	99.80	
305 POMINVEST DD	SPLIT	SPLIT	1	ZAGREBACKA BANKA D.D.	88.66	88.95
Issued capital HRK 17,434,000						
306 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						
307 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	

## Part A - Accounting policies

COMPANY NAME	MAIN OFFICE	ADMINISTRATIVE OFFICE	TYPE OF RELATIONSHIP <sup>(1)</sup>	OWNERSHIP RELATIONSHIP		
				HELD BY	HOLDING %	VOTING RIGHTS % <sup>(2)</sup>
308 PRELUDE GRUNDSTUECKSVERWALTUNGS-GESELLSCHAFT M.B.H.	VIENNA	VIENNA	1	BETEILIGUNGSVERWALTUNGSGESELLSCHAFT DER BANK AUSTRIA CREDITANSTALT LEASING GMBH	98.80	
				UCLA IMMO-BETEILIGUNGSHOLDING GMBH & CO KG	0.20	
				UNICREDIT LEASING (AUSTRIA) GMBH	1.00	
309 PRO WOHNBAU GMBH	VIENNA	VIENNA	1	BA-CA MARKETS & INVESTMENT BETEILIGUNG GES.M.B.H.	0.31	
				IMMOBILIEN HOLDING GMBH	99.69	
310 PROJEKT-LEASE GRUNDSTUECKSVERWALTUNGS-GESELLSCHAFT M.B.H.	VIENNA	VIENNA	1	ARNO GRUNDSTUECKSVERWALTUNGS GESELLSCHAFT M.B.H.	74.80	
				UCLA IMMO-BETEILIGUNGSHOLDING GMBH & CO KG	0.20	
				UNICREDIT LEASING (AUSTRIA) GMBH	25.00	
311 QUADEC Z IMMOBILIEN LEASING GESELLSCHAFT M.B.H.	VIENNA	VIENNA	1	UCLA IMMO-BETEILIGUNGSHOLDING GMBH & CO KG	0.20	
				UNICREDIT LEASING (AUSTRIA) GMBH	99.80	
312 QUART Z IMMOBILIEN LEASING GESELLSCHAFT M.B.H.	VIENNA	VIENNA	1	CALG ANLAGEN LEASING GMBH	99.80	
				UCLA IMMO-BETEILIGUNGSHOLDING GMBH & CO KG	0.20	
313 QUINT Z IMMOBILIEN LEASING GESELLSCHAFT M.B.H.	VIENNA	VIENNA	1	UCLA IMMO-BETEILIGUNGSHOLDING GMBH & CO KG	0.20	
				UNICREDIT LEASING (AUSTRIA) GMBH	99.80	
314 RANA-LIEGENDSCHAFTSVERWERTUNG GMBH	VIENNA	VIENNA	1	UNIVERSALE INTERNATIONAL REALITAETEN GMBH	99.90	
				Issued capital EUR 72,700		
315 REAL ESTATE MANAGEMENT POLAND SP. Z O.O.	WARSAW	WARSAW	1	UNICREDIT LEASING SPA	100.00	
				Issued capital PLN 124,500		
316 REAL INVEST EUROPE D BA RI KAG	VIENNA	VIENNA	4	UNICREDIT BANK AUSTRIA AG	..	(3)
317 REAL INVEST IMMOBILIEN GMBH	VIENNA	VIENNA	1	BACA INVESTOR BETEILIGUNGS GMBH	1.00	
				TREUCONSULT BETEILIGUNGSGESELLSCHAFT M.B.H.	99.00	
318 REAL INVEST PROPERTY GMBH & CO SPB JOTA KG	VIENNA	VIENNA	1	BANK AUSTRIA REAL INVEST IMMOBILIEN- MANAGEMENT GMBH	..	32.07
				TREUCONSULT BETEILIGUNGSGESELLSCHAFT M.B.H.	44.55	
319 REAL-LEASE GRUNDSTUECKSVERWALTUNGS-GESELLSCHAFT M.B.H.	VIENNA	VIENNA	1	UCLA IMMO-BETEILIGUNGSHOLDING GMBH & CO KG	0.20	
				UNICREDIT GARAGEN ERRICHTUNG UND VERWERTUNG GMBH	99.80	
320 REAL-RENT LEASING GESELLSCHAFT M.B.H.	VIENNA	VIENNA	1	UCLA IMMO-BETEILIGUNGSHOLDING GMBH & CO KG	0.20	
				UNICREDIT LEASING (AUSTRIA) GMBH	99.80	
321 REGEV REALITAETENVERWERTUNGSGESELLSCHAFT M.B.H.	VIENNA	VIENNA	1	UCLA IMMO-BETEILIGUNGSHOLDING GMBH & CO KG	0.20	
				UNICREDIT LEASING (AUSTRIA) GMBH	99.80	
322 RIGEL IMMOBILIEN GMBH	VIENNA	VIENNA	1	PAYTRIA UNTERNEHMENSBETEILIGUNGEN GMBH	0.20	
				UNICREDIT BANK AUSTRIA AG	99.80	
323 ROLIN GRUNDSTUCKSPLANUNGS- UND -VERWALTUNGSGESELLSCHAFT MBH	MUNICH	MUNICH	1	WEALTHCAP INVESTMENT SERVICES GMBH	100.00	
				Issued capital EUR 30,677		
324 ROSENKAVALIER 2008 GMBH	FRANKFURT	FRANKFURT	4	UNICREDIT BANK AG	..	(3)
325 ROSENKAVALIER 2015 UG	FRANKFURT	FRANKFURT	4	UNICREDIT BANK AG	..	(3)

COMPANY NAME	MAIN OFFICE	ADMINISTRATIVE OFFICE	TYPE OF RELATIONSHIP (1)	OWNERSHIP RELATIONSHIP		
				HELD BY	HOLDING %	VOTING RIGHTS % (2)
326 RSB ANLAGENVERMIETUNG GESELLSCHAFT M.B.H. Issued capital EUR 36,337	VIENNA	VIENNA	1	UNICREDIT ZEGA LEASING-GESELLSCHAFT M.B.H.	100.00	
327 S. MARIA DELLA GUARDIA S.R.L. Issued capital EUR 210,000	CATANIA	CATANIA	1	ISTITUTO IMMOBILIARE DI CATANIA SPA	51.00	
328 SALVATORPLATZ-GRUNDSTUCKSGESELLSCHAFT MBH & CO. OHG SAARLAND Issued capital EUR 1,533,900	MUNICH	MUNICH	1	HVB GESELLSCHAFT FUR GEBAUDE MBH & CO KG	100.00	
329 SALVATORPLATZ-GRUNDSTUCKSGESELLSCHAFT MBH & CO. OHG VERWALTUNGSZENTRUM Issued capital EUR 2,300,850	MUNICH	MUNICH	1	PORTIA GRUNDSTUKS-VERWALTUNGSGESELLSCHAFT MBH & CO. OBJEKT KG TIVOLI GRUNDSTUKS-AKTIENGESELLSCHAFT	97.78 2.22	
330 SAMAR SPA Issued capital EUR 50,000	ROME	ROME	1	CAPITAL DEV SPA	100.00	
331 SANITA' - S.R.L. IN LIQUIDAZIONE Issued capital EUR 5,164,333	ROME	ROME	1	UNICREDIT SPA	99.60	
332 SCHOELLERBANK AKTIENGESELLSCHAFT Issued capital EUR 20,000,000	VIENNA	VIENNA	1	UNICREDIT BANK AUSTRIA AG	100.00	
333 SCHOELLERBANK INVEST AG Issued capital EUR 2,543,549	SALZBURG	SALZBURG	1	SCHOELLERBANK AKTIENGESELLSCHAFT	100.00	
334 SECA-LEASING GESELLSCHAFT M.B.H. Issued capital EUR 36,500	VIENNA	VIENNA	1	CALG DELTA GRUNDSTUECKVERWALTUNG GMBH UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG UNICREDIT LEASING (AUSTRIA) GMBH	74.80 0.20 25.00	
335 SEDEC Z IMMOBILIEN LEASING GESELLSCHAFT M.B.H. Issued capital EUR 36,500	VIENNA	VIENNA	1	UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG UNICREDIT GARAGEN ERRICHTUNG UND VERWERTUNG GMBH	0.20 99.80	
336 SELFOSS BETEILIGUNGSGESELLSCHAFT MBH Issued capital EUR 25,000	GRUNWALD	GRUNWALD	1	HVB PROJEKT GMBH	100.00	
337 SEXT Z IMMOBILIEN LEASING GESELLSCHAFT M.B.H Issued capital EUR 36,500	VIENNA	VIENNA	1	CALG DELTA GRUNDSTUECKVERWALTUNG GMBH UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	99.80 0.20	
338 SHOPPING PALACE BRATISLAVA, V.O.S. Issued capital EUR 400,000	BRATISLAVA	BRATISLAVA	1	REAL INVEST PROPERTY GMBH & CO SPB JOTA KG	100.00	
339 SIA UNICREDIT INSURANCE BROKER Issued capital EUR 15,080	RIGA	RIGA	1	SIA UNICREDIT LEASING	100.00	
340 SIA UNICREDIT LEASING Issued capital EUR 15,569,120	RIGA	RIGA	1	UNICREDIT SPA	100.00	
341 SIGMA LEASING GMBH Issued capital EUR 18,286	VIENNA	VIENNA	1	CALG ANLAGEN LEASING GMBH UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG UNICREDIT LEASING (AUSTRIA) GMBH	99.40 0.20 0.40	
342 SIMON VERWALTUNGS-AKTIENGESELLSCHAFT I.L. Issued capital EUR 2,556,459	MUNICH	MUNICH	1	UNICREDIT BANK AG	99.98	
343 SIRIUS IMMOBILIEN GMBH Issued capital EUR 36,500	VIENNA	VIENNA	1	PAYTRIA UNTERNEHMENSBETEILIGUNGEN GMBH UNICREDIT BANK AUSTRIA AG	0.20 99.80	

## Part A - Accounting policies

COMPANY NAME	MAIN OFFICE	ADMINISTRATIVE OFFICE	TYPE OF RELATIONSHIP <sup>(1)</sup>	OWNERSHIP RELATIONSHIP		
				HELD BY	HOLDING %	VOTING RIGHTS % <sup>(2)</sup>
344 SIRIUS IMMOBILIEN- UND PROJEKTENTWICKLUNGS GMBH Issued capital EUR 30,000	MUNICH	MUNICH	1	HVB PROJEKT GMBH SOLOS IMMOBILIEN- UND PROJEKTENTWICKLUNGS GMBH & CO. SIRIUS BETEILIGUNGS KG	5.00 95.00	
345 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	
346 SOCIETA' ITALIANA GESTIONE ED INCASSO CREDITI S.P.A. IN LIQUIDAZIONE Issued capital EUR 341,916	ROME	ROME	1	UNICREDIT SPA	100.00	
347 SOFIGERE SOCIETE PAR ACTIONS SIMPLIFIEE (IN LIQUIDAZIONE) Issued capital EUR 40,000	PARIS	PARIS	1	UNICREDIT SPA	100.00	
348 SOLOS IMMOBILIEN- UND PROJEKTENTWICKLUNGS GMBH & CO. SIRIUS BETEILIGUNGS KG Issued capital EUR 35,800	MUNICH	MUNICH	1	HVB PROJEKT GMBH	100.00	
349 SONATA LEASING-GESELLSCHAFT M.B.H. Issued capital EUR 36,336	VIENNA	VIENNA	1	ARNO GRUNDSTUECKSVERWALTUNGS GESELLSCHAFT M.B.H. UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG UNICREDIT LEASING (AUSTRIA) GMBH	1.00 0.20 99.80	
350 SPECTRUM GRUNDSTUECKSVERWALTUNGS- GESELLSCHAFT M.B.H. Issued capital EUR 36,336	VIENNA	VIENNA	1	WOEM GRUNDSTUECKSVERWALTUNGS- GESELLSCHAFT M.B.H.	100.00	
351 SPREE GALERIE HOTELBETRIEBSGESELLSCHAFT MBH Issued capital EUR 511,300	MUNICH	MUNICH	1	ARGENTAURUS IMMOBILIEN-VERMIETUNGS- UND VERWALTUNGS GMBH	100.00	
352 STEWE GRUNDSTUECKSVERWALTUNGS- GESELLSCHAFT M.B.H. Issued capital EUR 36,337	VIENNA	VIENNA	1	PROJEKT-LEASE GRUNDSTUECKSVERWALTUNGS- GESELLSCHAFT M.B.H. UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG UNICREDIT GARAGEN ERRICHTUNG UND VERWERTUNG GMBH	24.00 0.20 75.80	
353 STRUCTURED INVEST SOCIETE ANONYME Issued capital EUR 125,500	LUXEMBOURG	LUXEMBOURG	1	UNICREDIT BANK AG	100.00	
354 SUCCESS 2015 B.V. Issued capital EUR 4,938,271	AMSTERDAM	AMSTERDAM	4	UNICREDIT LEASING (AUSTRIA) GMBH	..	<sup>(3)</sup>
355 SVILUPPO IMMOBILIARE PESCACCIO - SOCIETA' A RESPONSABILITA' LIMITATA Issued capital EUR 10,000	ROME	ROME	1	CAVE NUOVE SPA	100.00	
356 T & P FRANKFURT DEVELOPMENT B.V. Issued capital EUR 4,938,271	AMSTERDAM	AMSTERDAM	1	HVB PROJEKT GMBH	100.00	
357 T & P VASTGOED STUTTGART B.V. Issued capital EUR 10,769,773	AMSTERDAM	AMSTERDAM	1	HVB PROJEKT GMBH	87.50	
358 TERRENO GRUNDSTUCCSVERWALTUNG GMBH & CO. ENTWICKLUNGS- UND FINANZIERUNGSVERMITTLUNGS-KG Issued capital EUR 920,400	MUNICH	MUNICH	1	HVB TECTA GMBH	75.00	
359 TERZ Z IMMOBILIEN LEASING GESELLSCHAFT M.B.H. Issued capital EUR 36,500	VIENNA	VIENNA	1	UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG UNICREDIT GARAGEN ERRICHTUNG UND VERWERTUNG GMBH	0.20 99.80	

COMPANY NAME	MAIN OFFICE	ADMINISTRATIVE OFFICE	TYPE OF RELATIONSHIP (1)	OWNERSHIP RELATIONSHIP		
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360 TIVOLI GRUNDSTUCKS-AKTIENGESELLSCHAFT	MUNICH	MUNICH	1	PORTIA GRUNDSTUCKS-VERWALTUNGSGESELLSCHAFT MBH & CO. OBJEKT KG	99.67	
Issued capital EUR 6,240,000						
361 TRANSTERRA GESELLSCHAFT FUR IMMOBILIENVERWALTUNG MBH	MUNICH	MUNICH	1	HVB IMMOBILIEN AG	93.85	
Issued capital EUR 26,000				UNICREDIT BANK AG	6.15	
362 TREDEC 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	
363 TREUCONSULT BETEILIGUNGSGESELLSCHAFT M.B.H.	VIENNA	VIENNA	1	BANK AUSTRIA REAL INVEST IMMOBILIEN-MANAGEMENT GMBH	100.00	
Issued capital EUR 365,000						
364 TRICASA GRUNDBESITZ GESELLSCHAFT MBH & CO. 1. VERMIETUNGS KG	MUNICH	MUNICH	1	HYP REAL HAUS- UND GRUNDBESITZ GESELLSCHAFT MBH	..	
Issued capital EUR 6,979,476				ORESTOS IMMOBILIEN-VERWALTUNGS GMBH	100.00	
365 TRICASA GRUNDBESITZGESELLSCHAFT DES BURGERLICHEN RECHTS NR. 1	MUNICH	MUNICH	1	ORESTOS IMMOBILIEN-VERWALTUNGS GMBH	100.00	
Issued capital EUR 13,687,272						
366 TRIESTE ADRIATIC MARITIME INITIATIVES SRL	TRIESTE	TRIESTE	3	UNICREDIT SPA	36.68	
Issued capital EUR 6,232,500						
367 UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	VIENNA	VIENNA	1	BA EUROLEASE BETEILIGUNGSGESELLSCHAFT M.B.H.	90.00	
Issued capital EUR 10,000				BA-CA ANDANTE LEASING GMBH	10.00	
368 UCTAM BALTIM SIA	RIGA	RIGA	1	UNICREDIT TURN-AROUND MANAGEMENT CEE GMBH	100.00	
Issued capital EUR 4,265,585						
369 UCTAM BH D.O.O.	MOSTAR	MOSTAR	1	UNICREDIT TURN-AROUND MANAGEMENT CEE GMBH	100.00	
Issued capital BAM 2,000						
370 UCTAM BULGARIA EOOD	SOFIA	SOFIA	1	UNICREDIT TURN-AROUND MANAGEMENT CEE GMBH	100.00	
Issued capital BGN 20,000						
371 UCTAM CZECH REPUBLIC SRO	PRAGUE	PRAGUE	1	UNICREDIT TURN-AROUND MANAGEMENT CEE GMBH	100.00	
Issued capital CZK 45,500,000						
372 UCTAM D.O.O. BEOGRAD	BELGRADE	BELGRADE	1	UNICREDIT TURN-AROUND MANAGEMENT CEE GMBH	100.00	
Issued capital RSD 631,564,325						
373 UCTAM HUNGARY KFT	BUDAPEST	BUDAPEST	1	EUROPA BEFEKTETESI ALAPKEZELOE ZRT (EUROPA INVESTMENT FUND MANAGEMENT LTD.)	1.00	
Issued capital HUF 10,300,000				UNICREDIT TURN-AROUND MANAGEMENT CEE GMBH	99.00	
374 UCTAM RETAIL HUNGARY KFT.	BUDAPEST	BUDAPEST	1	EUROPA BEFEKTETESI ALAPKEZELOE ZRT (EUROPA INVESTMENT FUND MANAGEMENT LTD.)	1.00	
Issued capital HUF 10,000,000				UNICREDIT TURN-AROUND MANAGEMENT CEE GMBH	99.00	
375 UCTAM RO S.R.L.	BUCHAREST	BUCHAREST	1	UNICREDIT TURN-AROUND MANAGEMENT CEE GMBH	100.00	
Issued capital RON 30,560,080						
376 UCTAM RU LIMITED LIABILITY COMPANY	MOSCOW	MOSCOW	1	UCTAM BALTIM SIA	..	
Issued capital RUB 4,000,000				UNICREDIT TURN-AROUND MANAGEMENT CEE GMBH	100.00	
377 UCTAM SVK S.R.O.	BRATISLAVA	BRATISLAVA	1	UCTAM BALTIM SIA	15.00	0.01
Issued capital EUR 5,000				UNICREDIT TURN-AROUND MANAGEMENT CEE GMBH	85.00	99.99

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COMPANY NAME	MAIN OFFICE	ADMINISTRATIVE OFFICE	TYPE OF RELATIONSHIP <sup>(1)</sup>	OWNERSHIP RELATIONSHIP		
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378 UCTAM UPRAVLJANJE D.O.O.	LJUBLJANA	LJUBLJANA	1	UNICREDIT TURN-AROUND MANAGEMENT CEE GMBH	100.00	
Issued capital EUR 7,500						
379 UFFICIO IMMOBILIEN LEASING GESELLSCHAFT M.B.H.	VIENNA	VIENNA	1	KUTRA GRUNDSTUECKSVERWALTUNGS-GESELLSCHAFT M.B.H.	5.00	
Issued capital EUR 36,337				UNICREDIT LEASING (AUSTRIA) GMBH	95.00	
380 UNI IT SRL	TRENTO	TRENTO	1	UNICREDIT SERVICES S.C.P.A.	51.00	
Issued capital EUR 1,000,000						
381 UNICOM 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	
382 UNICREDIT AURORA LEASING GMBH	VIENNA	VIENNA	1	UNICREDIT LEASING (AUSTRIA) GMBH	100.00	
Issued capital EUR 219,000						
383 UNICREDIT BANK A.D. BANJA LUKA	BANJA LUKA	BANJA LUKA	1	UNICREDIT SPA	98.46	
Issued capital BAM 97,055,000						
384 UNICREDIT BANK AG	MUNICH	MUNICH	1	UNICREDIT SPA	100.00	
Issued capital EUR 2,407,151,016						
385 UNICREDIT BANK AUSTRIA AG	VIENNA	VIENNA	1	UNICREDIT SPA	100.00	
Issued capital EUR 1,681,033,521						
386 UNICREDIT BANK CZECH REPUBLIC AND SLOVAKIA, A.S.	PRAGUE	PRAGUE	1	UNICREDIT SPA	100.00	
Issued capital CZK 8,754,617,898						
387 UNICREDIT BANK D.D.	MOSTAR	MOSTAR	1	ZAGREBACKA BANKA D.D.	99.35	99.31
Issued capital BAM 119,195,000						
388 UNICREDIT BANK HUNGARY ZRT.	BUDAPEST	BUDAPEST	1	UNICREDIT SPA	100.00	
Issued capital HUF 24,118,220,000						
389 UNICREDIT BANK IRELAND PLC	DUBLIN	DUBLIN	1	UNICREDIT SPA	100.00	
Issued capital EUR 1,343,118,650						
390 UNICREDIT BANK S.A.	BUCHAREST	BUCHAREST	1	UNICREDIT SPA	98.60	
Issued capital RON 1,177,748,253						
391 UNICREDIT BANK SERBIA JSC	BELGRADE	BELGRADE	1	UNICREDIT SPA	100.00	
Issued capital RSD 23,607,620,000						
392 UNICREDIT BANKA SLOVENIJA D.D.	LJUBLJANA	LJUBLJANA	1	UNICREDIT SPA	100.00	
Issued capital EUR 20,383,765						
393 UNICREDIT BETEILIGUNGS GMBH	MUNICH	MUNICH	1	UNICREDIT BANK AG	100.00	
Issued capital EUR 1,000,000						
394 UNICREDIT BIZTOSITASKOEZVETITO KFT	BUDAPEST	BUDAPEST	1	UNICREDIT BANK HUNGARY ZRT.	100.00	
Issued capital HUF 5,000,000						
395 UNICREDIT BPC MORTAGE SRL (COVERED BONDS)	VERONA	VERONA	4	UNICREDIT SPA	..	(3)
396 UNICREDIT BPC MORTGAGE S.R.L.	VERONA	VERONA	1	UNICREDIT SPA	60.00	
Issued capital EUR 12,000						
397 UNICREDIT BROKER S.R.O.	BRATISLAVA	BRATISLAVA	1	UNICREDIT LEASING SLOVAKIA A.S.	100.00	
Issued capital EUR 8,266						
398 UNICREDIT BULBANK AD	SOFIA	SOFIA	1	UNICREDIT SPA	99.45	
Issued capital BGN 285,776,674						
399 UNICREDIT CAPITAL MARKETS LLC	NEW YORK	NEW YORK	1	UNICREDIT U.S. FINANCE LLC	100.00	
Issued capital USD 100,100						

COMPANY NAME	MAIN OFFICE	ADMINISTRATIVE OFFICE	TYPE OF RELATIONSHIP (1)	OWNERSHIP RELATIONSHIP		
				HELD BY	HOLDING %	VOTING RIGHTS % (2)
400 UNICREDIT CENTER AM KAISERWASSER GMBH	VIENNA	VIENNA	1	UNICREDIT BANK AUSTRIA AG	100.00	
Issued capital EUR 35,000						
401 UNICREDIT CONSUMER FINANCING EAD	SOFIA	SOFIA	1	UNICREDIT BULBANK AD	100.00	
Issued capital BGN 2,800,000						
402 UNICREDIT CONSUMER FINANCING IFN S.A.	BUCHAREST	BUCHAREST	1	UNICREDIT BANK S.A.	50.10	
Issued capital RON 103,269,200						
403 UNICREDIT DIRECT SERVICES GMBH	MUNICH	MUNICH	1	UNICREDIT BANK AG	100.00	
Issued capital EUR 767,000						
404 UNICREDIT FACTORING CZECH REPUBLIC AND SLOVAKIA, A.S.	PRAGUE	PRAGUE	1	UNICREDIT BANK CZECH REPUBLIC AND SLOVAKIA, A.S.	100.00	
Issued capital CZK 222,600,000						
405 UNICREDIT FACTORING EAD	SOFIA	SOFIA	1	UNICREDIT BULBANK AD	100.00	
Issued capital BGN 1,000,000						
406 UNICREDIT FACTORING SPA	MILAN	MILAN	1	UNICREDIT SPA	100.00	
Issued capital EUR 414,348,000						
407 UNICREDIT FLEET MANAGEMENT EOOD	SOFIA	SOFIA	1	UNICREDIT BULBANK AD	100.00	
Issued capital BGN 100,000						
408 UNICREDIT FLEET MANAGEMENT S.R.O.	PRAGUE	PRAGUE	1	UNICREDIT LEASING CZ, A.S.	100.00	
Issued capital CZK 5,000,000						
409 UNICREDIT FLEET MANAGEMENT S.R.O.	BRATISLAVA	BRATISLAVA	1	UNICREDIT LEASING SLOVAKIA A.S.	100.00	
Issued capital EUR 6,639						
410 UNICREDIT GARAGENERRICHTUNG UND VERWERTUNG GMBH	VIENNA	VIENNA	1	EUROLEASE RAMSES IMMOBILIEN LEASING GESELLSCHAFT M.B.H.	99.80	
Issued capital EUR 57,000						
UCLA IMMO-BEITELIGUNGSHOLDUNG GMBH & CO KG						
411 UNICREDIT GLOBAL LEASING EXPORT GMBH	VIENNA	VIENNA	1	UNICREDIT SPA	100.00	
Issued capital EUR 36,336						
412 UNICREDIT GLOBAL LEASING PARTICIPATION MANAGEMENT GMBH	VIENNA	VIENNA	1	UNICREDIT LEASING SPA	100.00	
Issued capital EUR 35,000						
413 UNICREDIT INGATLANLIZING ZRT	BEKESCABA	BUDAPEST	1	UNIVERSALE INTERNATIONAL REALITAETEN GMBH	100.00	
Issued capital HUF 82,000,000						
414 UNICREDIT INSURANCE BROKER EOOD	SOFIA	SOFIA	1	UNICREDIT LEASING EAD	100.00	
415 UNICREDIT INSURANCE BROKER SRL	BUCHAREST	BUCHAREST	1	UNICREDIT LEASING CORPORATION IFN S.A.	100.00	
Issued capital RON 150,000						
416 UNICREDIT INSURANCE MANAGEMENT CEE GMBH	VIENNA	VIENNA	1	PIRTA VERWALTUNGS GMBH	100.00	
Issued capital EUR 156,905						
417 UNICREDIT INTERNATIONAL BANK (LUXEMBOURG) SA	LUXEMBOURG	LUXEMBOURG	1	UNICREDIT SPA	100.00	
Issued capital EUR 13,406,600						
418 UNICREDIT JELZALOGBANK ZRT.	BUDAPEST	BUDAPEST	1	UNICREDIT BANK HUNGARY ZRT.	100.00	
Issued capital HUF 3,000,000,000						
419 UNICREDIT KFZ LEASING GMBH	VIENNA	VIENNA	1	GALA GRUNDSTUECKVERWALTUNG GESELLSCHAFT M.B.H.	100.00	
Issued capital EUR 648,000						

## Part A - Accounting policies

COMPANY NAME	MAIN OFFICE	ADMINISTRATIVE OFFICE	TYPE OF RELATIONSHIP <sup>(1)</sup>	OWNERSHIP RELATIONSHIP		
				HELD BY	HOLDING %	VOTING RIGHTS % <sup>(2)</sup>
420 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	
421 UNICREDIT LEASING ALPHA ASSETVERMIETUNG GMBH	VIENNA	VIENNA	1	BETEILIGUNGSVERWALTUNGSGESELLSCHAFT DER BANK AUSTRIA CREDITANSTALT LEASING GMBH	100.00	
Issued capital EUR 35,000						
422 UNICREDIT LEASING AVIATION GMBH	HAMBURG	HAMBURG	1	UNICREDIT LEASING GMBH	100.00	
Issued capital EUR 1,600,000						
423 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	
424 UNICREDIT LEASING CROATIA D.O.O. ZA LEASING	ZAGREB	ZAGREB	1	ZAGREBACKA BANKA D.D.	100.00	
Issued capital HRK 28,741,800						
425 UNICREDIT LEASING CZ, A.S.	PRAGUE	PRAGUE	1	UNICREDIT BANK CZECH REPUBLIC AND SLOVAKIA, A.S.	100.00	
Issued capital CZK 981,452,000						
426 UNICREDIT LEASING EAD	SOFIA	SOFIA	1	UNICREDIT BULBANK AD	100.00	
Issued capital BGN 2,605,000						
427 UNICREDIT LEASING FINANCE GMBH	HAMBURG	HAMBURG	1	UNICREDIT LEASING GMBH	100.00	
Issued capital EUR 17,580,000						
428 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	
429 UNICREDIT LEASING FUHRPARKMANAGEMENT GMBH	VIENNA	VIENNA	1	UNICREDIT LEASING (AUSTRIA) GMBH	100.00	
Issued capital EUR 364,000						
430 UNICREDIT LEASING GMBH	HAMBURG	HAMBURG	1	UNICREDIT BANK AG	100.00	
Issued capital EUR 15,000,000						
431 UNICREDIT LEASING HUNGARY ZRT	BUDAPEST	BUDAPEST	1	UNICREDIT BANK HUNGARY ZRT.	100.00	
Issued capital HUF 500,000,000						
432 UNICREDIT LEASING IMMOTRUCK ZRT.	BUDAPEST	BUDAPEST	1	UNIVERSALE INTERNATIONAL REALITAETEN GMBH	100.00	
Issued capital HUF 52,500,000						
433 UNICREDIT LEASING INSURANCE SERVICES S.R.O.	BRATISLAVA	BRATISLAVA	1	UNICREDIT LEASING SLOVAKIA A.S.	100.00	
Issued capital EUR 5,000						
434 UNICREDIT LEASING KFT	BUDAPEST	BUDAPEST	1	UNIVERSALE INTERNATIONAL REALITAETEN GMBH	100.00	
Issued capital HUF 3,100,000						
435 UNICREDIT LEASING LUNA KFT	BUDAPEST	BUDAPEST	1	UNIVERSALE INTERNATIONAL REALITAETEN GMBH	80.00	
Issued capital HUF 3,000,000						
436 UNICREDIT LEASING MARS KFT	BUDAPEST	BUDAPEST	1	UNIVERSALE INTERNATIONAL REALITAETEN GMBH	80.00	
Issued capital HUF 3,000,000						
437 UNICREDIT LEASING SLOVAKIA A.S.	BRATISLAVA	BRATISLAVA	1	UNICREDIT LEASING CZ, A.S.	100.00	
Issued capital EUR 26,560,000						
438 UNICREDIT LEASING SPA	MILAN	MILAN	1	UNICREDIT SPA	100.00	
Issued capital EUR 1,106,877,000						
439 UNICREDIT LEASING SRBIJA D.O.O. BEOGRAD	BELGRADE	BELGRADE	1	UNICREDIT BANK SERBIA JSC	100.00	
Issued capital RSD 1,078,133,000						

COMPANY NAME	MAIN OFFICE	ADMINISTRATIVE OFFICE	TYPE OF RELATIONSHIP (1)	OWNERSHIP RELATIONSHIP		
				HELD BY	HOLDING %	VOTING RIGHTS % (2)
440 UNICREDIT LEASING TECHNIKUM GMBH	VIENNA	VIENNA	1	LEASFINANZ GMBH	99.80	
Issued capital EUR 35,000				UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	
441 UNICREDIT LEASING URANUS KFT	BUDAPEST	BUDAPEST	1	UNIVERSALE INTERNATIONAL REALITAETEN GMBH	80.00	
Issued capital HUF 3,000,000						
442 UNICREDIT LEASING VERSICHERUNGSSERVICE GMBH & CO KG	VIENNA	VIENNA	1	UNICREDIT LEASING (AUSTRIA) GMBH	100.00	
Issued capital EUR 36,500						
443 UNICREDIT LEASING, LEASING, D.O.O.	LJUBLJANA	LJUBLJANA	1	UNICREDIT BANKA SLOVENIJA D.D.	100.00	
Issued capital EUR 25,039,658						
444 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	
445 UNICREDIT LUXEMBOURG S.A.	LUXEMBOURG	LUXEMBOURG	1	UNICREDIT BANK AG	100.00	
Issued capital EUR 238,000,000						
446 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	
447 UNICREDIT OBG S.R.L.	VERONA	VERONA	1	UNICREDIT SPA	60.00	
Issued capital EUR 10,000						
448 UNICREDIT OBG SRL (COVERED BONDS)	VERONA	VERONA	4	UNICREDIT SPA	..	(3)
449 UNICREDIT OPERATIV LIZING KFT	BUDAPEST	BUDAPEST	1	UNICREDIT BANK HUNGARY ZRT.	100.00	
Issued capital HUF 3,000,000						
450 UNICREDIT PARTNER D.O.O. BEOGRAD	BELGRADE	BELGRADE	1	UNICREDIT BANK SERBIA JSC	100.00	
Issued capital RSD 2,001,875						
451 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	
452 UNICREDIT POJISTOVACI MAKLERSKA SPO.S R.O.	PRAGUE	PRAGUE	1	UNICREDIT LEASING CZ, A.S.	100.00	
Issued capital CZK 510,000						
453 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	
454 UNICREDIT RENT D.O.O. BEOGRAD	BELGRADE	BELGRADE	1	UNIVERSALE INTERNATIONAL REALITAETEN GMBH	100.00	
Issued capital RSD 3,285,948,900						
455 UNICREDIT SERVICES GMBH	VIENNA	VIENNA	1	UNICREDIT SERVICES S.C.P.A.	100.00	
Issued capital EUR 1,200,000						
456 UNICREDIT SERVICES S.C.P.A.	MILAN	MILAN	1	CORDUSIO SIM SPA	..	
Issued capital EUR 237,523,160				CORDUSIO SOCIETA' FIDUCIARIA PER AZIONI	..	
				FINECOBANK SPA	..	
				UNICREDIT BANK AG	..	
				UNICREDIT FACTORING SPA	..	
				UNICREDIT SPA	100.00	
457 UNICREDIT SUBITO CASA SPA	MILAN	MILAN	1	UNICREDIT SPA	100.00	
Issued capital EUR 500,000						

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COMPANY NAME	MAIN OFFICE	ADMINISTRATIVE OFFICE	TYPE OF RELATIONSHIP <sup>(1)</sup>	OWNERSHIP RELATIONSHIP		
				HELD BY	HOLDING %	VOTING RIGHTS % <sup>(2)</sup>
458 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	
459 UNICREDIT TURN-AROUND MANAGEMENT CEE GMBH	VIENNA	VIENNA	1	UNICREDIT SPA	100.00	
Issued capital EUR 750,000						
460 UNICREDIT U.S. FINANCE LLC	WILMINGTON	NEW YORK	1	UNICREDIT BANK AG	100.00	
Issued capital USD 10						
461 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-BETEILIGUNGSHOLDING GMBH & CO KG	0.20	
462 UNICREDIT-LEASING HOSPES KFT	BUDAPEST	BUDAPEST	1	UNIVERSALE INTERNATIONAL REALITAETEN GMBH	100.00	
Issued capital HUF 3,000,000						
463 UNICREDIT-LEASING NEPTUNUS KFT	BUDAPEST	BUDAPEST	1	UNIVERSALE INTERNATIONAL REALITAETEN GMBH	96.35	
Issued capital HUF 3,010,000						
464 UNIVERSALE INTERNATIONAL REALITAETEN GMBH	VIENNA	VIENNA	1	UNICREDIT BANK AUSTRIA AG	100.00	
Issued capital EUR 32,715,000						
465 V.M.G. VERMIETUNGSGESELLSCHAFT MBH	MUNICH	MUNICH	1	WEALTHCAP INVESTMENT SERVICES GMBH	100.00	
Issued capital EUR 25,565						
466 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-BETEILIGUNGSHOLDING GMBH & CO KG	0.20	
				UNICREDIT LEASING (AUSTRIA) GMBH	25.00	
467 VERMIETUNGSGESELLSCHAFT MBH & CO OBJEKT MOC KG	MUNICH	MUNICH	1	HVB IMMOBILIEN AG	89.28	89.23
Issued capital EUR 48,728,161				LANDOS IMMOBILIEN- UND PROJEKTENTWICKLUNGS GMBH	..	0.06
468 VERWALTUNGSGESELLSCHAFT KATHARINENHOF MBH	MUNICH	MUNICH	1	UNICREDIT BANK AG	100.00	
Issued capital EUR 511,292						
469 VICOVARO RE SRL	ROME	ROME	1	CAPITAL DEV SPA	100.00	
Issued capital EUR 10,000						
470 VISCONTI SRL	MILAN	MILAN	1	UNICREDIT SPA	76.00	
Issued capital EUR 11,000,000						
471 WEALTH MANAGEMENT CAPITAL HOLDING GMBH	MUNICH	MUNICH	1	UNICREDIT BANK AG	100.00	
Issued capital EUR 26,000						
472 WEALTHCAP ENTITY SERVICE GMBH	MUNICH	MUNICH	1	WEALTHCAP REAL ESTATE MANAGEMENT GMBH	100.00	
Issued capital EUR 25,000						
473 WEALTHCAP EQUITY GMBH	MUNICH	MUNICH	1	WEALTHCAP INITIATOREN GMBH	100.00	
Issued capital EUR 500,000						
474 WEALTHCAP EQUITY MANAGEMENT GMBH	MUNICH	MUNICH	1	WEALTHCAP EQUITY GMBH	100.00	
Issued capital EUR 25,000						
475 WEALTHCAP FONDS GMBH	MUNICH	MUNICH	1	WEALTHCAP INITIATOREN GMBH	100.00	
Issued capital EUR 512,000						
476 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

COMPANY NAME	MAIN OFFICE	ADMINISTRATIVE OFFICE	TYPE OF RELATIONSHIP (1)	OWNERSHIP RELATIONSHIP		
				HELD BY	HOLDING %	VOTING RIGHTS % (2)
477 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
478 WEALTHCAP IMMOBILIENFONDS DEUTSCHLAND 36 KOMPLEMENTAR GMBH	GRUNWALD	MUNICH	1	H.F.S. LEASINGFONDS GMBH	100.00	
Issued capital EUR 25,565						
479 WEALTHCAP IMMOBILIENFONDS DEUTSCHLAND 38 KOMPLEMENTAR GMBH	GRUNWALD	GRUNWALD	1	WEALTHCAP ENTITY SERVICE GMBH	100.00	
Issued capital EUR 25,000						
480 WEALTHCAP INITIATOREN GMBH	MUNICH	MUNICH	1	WEALTH MANAGEMENT CAPITAL HOLDING GMBH	100.00	
Issued capital EUR 1,533,876						
481 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	
482 WEALTHCAP INVESTMENTS INC.	WILMINGTON	ATLANTA	1	WEALTHCAP FONDS GMBH	100.00	
Issued capital USD 312,000						
483 WEALTHCAP INVESTORENBETREUUNG GMBH	MUNICH	MUNICH	1	WEALTHCAP INVESTMENT SERVICES GMBH	100.00	
Issued capital EUR 60,000						
484 WEALTHCAP KAPITALVERWALTUNGSGESELLSCHAFT MBH	MUNICH	MUNICH	1	WEALTH MANAGEMENT CAPITAL HOLDING GMBH	100.00	
Issued capital EUR 125,000						
485 WEALTHCAP LEASING GMBH	GRUNWALD	MUNICH	1	WEALTH MANAGEMENT CAPITAL HOLDING GMBH	100.00	
Issued capital EUR 25,000						
486 WEALTHCAP LOS GATOS 131 ALBRIGHT WAY L.P.	WILMINGTON	WILMINGTON	1	WEALTHCAP INVESTMENTS INC.	100.00	
Issued capital USD 1,000						
487 WEALTHCAP MANAGEMENT SERVICES GMBH	GRUNWALD	GRUNWALD	1	WEALTHCAP PEIA MANAGEMENT GMBH	100.00	
Issued capital EUR 50,000						
488 WEALTHCAP OBJEKT-VORRAT 20 GMBH & CO. KG	MUNICH	MUNICH	1	WEALTHCAP IMMOBILIEN 1 GMBH & CO. KG	6.00	
Issued capital EUR 10,000				WEALTHCAP IMMOBILIEN 2 GMBH & CO. KG	6.00	
				WEALTHCAP MANAGEMENT SERVICES GMBH	88.00	
				WEALTHCAP OBJEKT-VORRAT 20 KOMPLEMENTAER GMBH	..	
489 WEALTHCAP OBJEKT-VORRAT 21 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 MANAGEMENT SERVICES GMBH	88.00	25.00
				WEALTHCAP OBJEKT-VORRAT 21 KOMPLEMENTAER GMBH	..	25.00
490 WEALTHCAP PEIA KOMPLEMENTAR GMBH	GRUNWALD	GRUNWALD	1	WEALTHCAP PEIA MANAGEMENT GMBH	100.00	
Issued capital EUR 26,000						
491 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	
492 WEALTHCAP PORTLAND PARK SQUARE, L.P.	WILMINGTON	WILMINGTON	1	WEALTHCAP INVESTMENTS INC.	99.90	
Issued capital USD 1,000				WEALTHCAP PORTLAND PARK SQUARE GP INC.	0.10	
493 WEALTHCAP REAL ESTATE MANAGEMENT GMBH	MUNICH	MUNICH	1	WEALTHCAP INVESTMENT SERVICES GMBH	100.00	
Issued capital EUR 60,000						

# Part A - Accounting policies

COMPANY NAME	MAIN OFFICE	ADMINISTRATIVE OFFICE	TYPE OF RELATIONSHIP <sup>(1)</sup>	OWNERSHIP RELATIONSHIP		
				HELD BY	HOLDING %	VOTING RIGHTS % <sup>(2)</sup>
494 WEALTHCAP VORRATS-2 GMBH Issued capital EUR 25,000	GRUNWALD	BAD SODEN	1	WEALTHCAP FONDS GMBH	100.00	
495 WOEM GRUNDSTUECKSVERWALTUNGS- GESELLSCHAFT M.B.H. Issued capital EUR 36,336	VIENNA	VIENNA	1	UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG UNICREDIT LEASING (AUSTRIA) GMBH	0.20 99.80	
496 Z LEASING ALFA IMMOBILIEN LEASING GESELLSCHAFT M.B.H. Issued capital EUR 36,500	VIENNA	VIENNA	1	UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG UNICREDIT LEASING (AUSTRIA) GMBH	0.20 99.80	
497 Z LEASING ARKTUR IMMOBILIEN LEASING GESELLSCHAFT M.B.H. Issued capital EUR 36,500	VIENNA	VIENNA	1	UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG UNICREDIT LEASING (AUSTRIA) GMBH	0.20 99.80	
498 Z LEASING AURIGA IMMOBILIEN LEASING GESELLSCHAFT M.B.H. Issued capital EUR 36,500	VIENNA	VIENNA	1	UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG UNICREDIT GARAGEN ERRICHTUNG UND VERWERTUNG GMBH	0.20 99.80	
499 Z LEASING CORVUS IMMOBILIEN LEASING GESELLSCHAFT M.B.H. Issued capital EUR 36,500	VIENNA	VIENNA	1	BA EUROLEASE BETEILIGUNGSGESELLSCHAFT M.B.H. UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	99.80 0.20	
500 Z LEASING DORADO IMMOBILIEN LEASING GESELLSCHAFT M.B.H. Issued capital EUR 36,500	VIENNA	VIENNA	1	CALG GRUNDSTUECKVERWALTUNG GMBH UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	99.80 0.20	
501 Z LEASING DRACO IMMOBILIEN LEASING GESELLSCHAFT M.B.H. Issued capital EUR 36,500	VIENNA	VIENNA	1	GALA GRUNDSTUECKVERWALTUNG GESELLSCHAFT M.B.H. UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	99.80 0.20	
502 Z LEASING GAMA IMMOBILIEN LEASING GESELLSCHAFT M.B.H. Issued capital EUR 36,500	VIENNA	VIENNA	1	UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG UNICREDIT LEASING (AUSTRIA) GMBH	0.20 99.80	
503 Z LEASING GEMINI IMMOBILIEN LEASING GESELLSCHAFT M.B.H. Issued capital EUR 36,500	VIENNA	VIENNA	1	UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG UNICREDIT GARAGEN ERRICHTUNG UND VERWERTUNG GMBH	0.20 99.80	
504 Z LEASING HEBE IMMOBILIEN LEASING GESELLSCHAFT M.B.H. Issued capital EUR 36,500	VIENNA	VIENNA	1	GBEAEUDELEASING GRUNDSTUCCSVERWALTUNGSGESELLSCHAFT M.B.H. UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	99.80 0.20	
505 Z LEASING HERCULES IMMOBILIEN LEASING GESELLSCHAFT M.B.H. Issued capital EUR 36,500	VIENNA	VIENNA	1	UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG UNICREDIT GARAGEN ERRICHTUNG UND VERWERTUNG GMBH	0.20 99.80	
506 Z LEASING IPSILON IMMOBILIEN LEASING GESELLSCHAFT M.B.H. Issued capital EUR 36,500	VIENNA	VIENNA	1	UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG UNICREDIT GARAGEN ERRICHTUNG UND VERWERTUNG GMBH	0.20 99.80	
507 Z LEASING ITA IMMOBILIEN LEASING GESELLSCHAFT M.B.H. Issued capital EUR 36,500	VIENNA	VIENNA	1	GALA GRUNDSTUECKVERWALTUNG GESELLSCHAFT M.B.H. UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	99.80 0.20	
508 Z LEASING JANUS IMMOBILIEN LEASING GESELLSCHAFT M.B.H. Issued capital EUR 36,500	VIENNA	VIENNA	1	GALA GRUNDSTUECKVERWALTUNG GESELLSCHAFT M.B.H. UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	99.80 0.20	
509 Z LEASING KALLISTO IMMOBILIEN LEASING GESELLSCHAFT M.B.H. Issued capital EUR 36,500	VIENNA	VIENNA	1	UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG UNICREDIT LEASING (AUSTRIA) GMBH	0.20 99.80	
510 Z LEASING KAPA IMMOBILIEN LEASING GESELLSCHAFT M.B.H. Issued capital EUR 36,500	VIENNA	VIENNA	1	GALA GRUNDSTUECKVERWALTUNG GESELLSCHAFT M.B.H. UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	99.80 0.20	
511 Z LEASING LYRA IMMOBILIEN LEASING GESELLSCHAFT M.B.H. Issued capital EUR 36,500	VIENNA	VIENNA	1	GALA GRUNDSTUECKVERWALTUNG GESELLSCHAFT M.B.H. UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	99.80 0.20	

COMPANY NAME	MAIN OFFICE	ADMINISTRATIVE OFFICE	TYPE OF RELATIONSHIP (1)	OWNERSHIP RELATIONSHIP		
				HELD BY	HOLDING %	VOTING RIGHTS % (2)
512 Z LEASING NEREIDE IMMOBILIEN LEASING GESELLSCHAFT M.B.H. Issued capital EUR 36,500	VIENNA	VIENNA	1	UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG UNICREDIT LEASING (AUSTRIA) GMBH	0.20 99.80	
513 Z LEASING OMEGA IMMOBILIEN LEASING GESELLSCHAFT M.B.H. Issued capital EUR 36,500	VIENNA	VIENNA	1	CALG DELTA GRUNDSTUECKVERWALTUNG GMBH UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	99.80 0.20	
514 Z LEASING PERSEUS IMMOBILIEN LEASING GESELLSCHAFT M.B.H. Issued capital EUR 36,500	VIENNA	VIENNA	1	UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG UNICREDIT ZEGA LEASING-GESELLSCHAFT M.B.H.	10.00 90.00	
515 Z LEASING SCORPIUS IMMOBILIEN LEASING GESELLSCHAFT M.B.H. Issued capital EUR 36,500	VIENNA	VIENNA	1	UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG UNICREDIT LEASING (AUSTRIA) GMBH	0.20 99.80	
516 Z LEASING TAURUS IMMOBILIEN LEASING GESELLSCHAFT M.B.H. Issued capital EUR 73,000	VIENNA	VIENNA	1	BA EUROLEASE BETEILIGUNGSGESELLSCHAFT M.B.H. UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	99.80 0.20	
517 Z LEASING VENUS IMMOBILIEN LEASING GESELLSCHAFT M.B.H. Issued capital EUR 36,500	VIENNA	VIENNA	1	UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG UNICREDIT LEASING (AUSTRIA) GMBH	0.20 99.80	
518 Z LEASING VOLANS IMMOBILIEN LEASING GESELLSCHAFT M.B.H. Issued capital EUR 36,500	VIENNA	VIENNA	1	UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG UNICREDIT PEGASUS LEASING GMBH	0.20 99.80	
519 ZABA PARTNER DOO ZA POSREDOVANJE U OSIGURANJU I REOSIGURANJU Issued capital HRK 1,500,000	ZAGREB	ZAGREB	1	ZAGREBACKA BANKA D.D.	100.00	
520 ZAGREB NEKRETNINE DOO Issued capital HRK 5,000,000	ZAGREB	ZAGREB	1	ZAGREBACKA BANKA D.D.	100.00	
521 ZAGREBACKA BANKA D.D. Issued capital HRK 6,404,839,100	ZAGREB	ZAGREB	1	UNICREDIT SPA	84.48	
522 ZANE BH DOO Issued capital BAM 131,529	SARAJEVO	SARAJEVO	1	ZAGREB NEKRETNINE DOO	100.00	
523 ZAPADNI TRGOVACKI CENTAR D.O.O. Issued capital HRK 20,000	RIJEKA	RIJEKA	1	UNIVERSALE INTERNATIONAL REALITAETEN GMBH	100.00	
524 ZB INVEST DOO Issued capital HRK 4,000,000	ZAGREB	ZAGREB	1	ZAGREBACKA BANKA D.D.	100.00	

## Part A - Accounting policies

COMPANY NAME	MAIN OFFICE	ADMINISTRATIVE OFFICE	TYPE OF RELATIONSHIP <sup>(1)</sup>	NATURE OF RELATIONSHIP <sup>(6)</sup>	OWNERSHIP RELATIONSHIP					
					HELD BY	HOLDING %				
<b>VALUED AT EQUITY METHOD</b>										
<b>A.2 INVESTMENTS IN JOINT VENTURES</b>										
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 6,400,600,000	ISTANBUL	ISTANBUL	7	2	UNICREDIT SPA	50.00				
4 MARINA CITY ENTWICKLUNGS GMBH Issued capital EUR 120,000	VIENNA	VIENNA	7	2	CABET-HOLDING GMBH	25.00				
5 MARINA TOWER HOLDING GMBH Issued capital EUR 35,000	VIENNA	VIENNA	7	2	CABET-HOLDING GMBH	25.00				
6 MUTHGASSE ALPHA HOLDING GMBH IN LIQUIDATION Issued capital EUR 35,000	VIENNA	VIENNA	7	2	IMMOBILIEN HOLDING GMBH	52.94				
7 PALATIN GRUNDSTUECKVERWALTUNGS GESELLSCHAFT M.B.H. Issued capital EUR 36,336	STOCKERAU	STOCKERAU	7	2	UNICREDIT LEASING (AUSTRIA) GMBH	50.00				
8 PURGE GRUNDSTUECKSVERWALTUNGS-GESELLSCHAFT M.B.H. Issued capital EUR 36,336	VIENNA	VIENNA	7	2	BETEILIGUNGSVERWALTUNGSGESELLSCHAFT DER BANK AUSTRIA CREDITANSTALT LEASING GMBH	50.00				
9 STICHTING CUSTODY SERVICES YKB Issued capital EUR 125,000	AMSTERDAM	AMSTERDAM	7	2	YAPI KREDI BANK NEDERLAND N.V.	40.95				
10 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				
11 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	40.86				
12 YAPI KREDI BANK NEDERLAND N.V. Issued capital EUR 48,589,110	AMSTERDAM	AMSTERDAM	7	1	YAPI KREDI HOLDING BV	13.41				
					YAPI VE KREDI BANKASI AS	27.53				
13 YAPI KREDI DIVERSIFIED PAYMENT RIGHTS FINANCE COMPANY	GEORGE TOWN	GEORGE TOWN	7	2	YAPI VE KREDI BANKASI AS	40.95				
14 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	99.93				
15 YAPI KREDI FINANSAL KIRALAMA AO Issued capital TRY 389,927,705	ISTANBUL	ISTANBUL	7	2	YAPI VE KREDI BANKASI AS	40.94				
16 YAPI KREDI HOLDING BV Issued capital EUR 102,000,000	AMSTERDAM	AMSTERDAM	7	2	YAPI VE KREDI BANKASI AS	40.95				
17 YAPI KREDI PORTFOY YOENETIMI AS Issued capital TRY 5,860,131	ISTANBUL	ISTANBUL	7	2	YAPI KREDI YATIRIM MENKUL DEGERLER AS	35.76				
					YAPI VE KREDI BANKASI AS	5.18				
18 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				
19 YAPI VE KREDI BANKASI AS Issued capital TRY 8,447,051,284	ISTANBUL	ISTANBUL	7	1	KOC FINANSAL HIZMETLER AS	40.95				
20 ADLER FUNDING LLC Issued capital USD 2,142,857	DOVER	NEW YORK	8	5	UNICREDIT BANK AG	32.81				

COMPANY NAME	MAIN OFFICE	ADMINISTRATIVE OFFICE	TYPE OF RELATIONSHIP (1)	NATURE OF RELATIONSHIP (6)	OWNERSHIP RELATIONSHIP		
					HELD BY	HOLDING %	VOTING RIGHTS % (2)
21 ALLIANZ YASAM VE EMEKLILIK AS	ISTANBUL	ISTANBUL	8	2	YAPI KREDI FAKTORING AS	0.04	
Issued capital TRY 139,037,203					YAPI KREDI FINANSAL KIRALAMA AO	19.93	
					YAPI KREDI YATIRIM MENKUL DEGERLER AS	0.04	
					YAPI VE KREDI BANKASI AS	..	
22 ALLIANZ ZB D.O.O. DRUSTVO ZA UPRAVLJANJE DOBROVOLJNIM MIROVINSKIM FONDOM	ZAGREB	ZAGREB	8	5	ZAGREBACKA BANKA D.D.	49.00	
Issued capital HRK 15,000,000							
23 ALLIANZ ZB D.O.O. DRUSTVO ZA UPRAVLJANJE OBVEZNIM MIROVINSKIM FONDOM	ZAGREB	ZAGREB	8	5	ZAGREBACKA BANKA D.D.	49.00	
Issued capital HRK 90,000,000							
24 ARWAG HOLDING- AKTIENGESELLSCHAFT	VIENNA	VIENNA	8	5	IMMOBILIEN HOLDING GMBH	34.38	
Issued capital EUR 3,000,000							
25 ASSET BANCARI II	MILAN	MILAN	8	2	UNICREDIT SPA	21.55	
Issued capital EUR 25,050,203							
26 AVIVA SPA	MILAN	MILAN	8	4	UNICREDIT SPA	49.00	
Issued capital EUR 247,000,000							
27 BANK FUER TIROL UND VORARLBERG AKTIENGESELLSCHAFT	INNSBRUCK	INNSBRUCK	8	1	CABO BETEILIGUNGSGESELLSCHAFT M.B.H.	37.53	40.83
Issued capital EUR 61,875,000					UNICREDIT BANK AUSTRIA AG	9.85	5.96
28 BANQUE DE COMMERCE ET DE PLACEMENTS SA	GENEVA	GENEVA	8	1	YAPI VE KREDI BANKASI AS	30.67	
Issued capital CHF 75,000,000							
29 BARN BV	AMSTERDAM	AMSTERDAM	8	2	AO UNICREDIT BANK	40.00	
Issued capital EUR 237,890,000							
30 BKS BANK AG	KLAGENFURT	KLAGENFURT	8	1	CABO BETEILIGUNGSGESELLSCHAFT M.B.H.	23.15	24.25
Issued capital EUR 85,885,800					UNICREDIT BANK AUSTRIA AG	6.63	6.14
31 CAMFIN S.P.A.	MILAN	MILAN	8	5	UNICREDIT SPA	12.00	
Issued capital EUR 167,767,089							
32 CASH SERVICE COMPANY AD	SOFIA	SOFIA	8	5	UNICREDIT BULBANK AD	20.00	
Issued capital BGN 12,500,000							
33 CBD INTERNATIONAL SP.ZO.O.	WARSAW	WARSAW	8	2	ISB UNIVERSALE BAU GMBH	49.75	
Issued capital PLN 100,500							
34 CNP UNICREDIT VITA S.P.A.	MILAN	MILAN	8	4	UNICREDIT SPA	38.80	
Issued capital EUR 381,698,528							
35 COMPAGNIA AEREA ITALIANA S.P.A.	FIUMICINO (ROME)	FIUMICINO (ROME)	8	5	UNICREDIT SPA	36.59	
Issued capital EUR 352,940							
36 COMTRADE GROUP B.V.	ROTTERDAM	AMSTERDAM	8	5	HVB CAPITAL PARTNERS AG	21.05	
Issued capital EUR 4,521,670							
37 CREDIFARMA SPA	ROME	ROME	8	2	UNICREDIT SPA	16.25	
Issued capital EUR 10,462,000							
38 CREDITRAS ASSICURAZIONI SPA	MILAN	MILAN	8	4	UNICREDIT SPA	50.00	
Issued capital EUR 52,000,000							
39 CREDITRAS VITA SPA	MILAN	MILAN	8	4	UNICREDIT SPA	50.00	
Issued capital EUR 112,200,000							
40 DA VINCI S.R.L.	ROME	ROME	8	5	IDEA FIMIT SGR FONDO SIGMA IMMOBILIARE	25.00	
Issued capital EUR 100,000							

## Part A - Accounting policies

COMPANY NAME	MAIN OFFICE	ADMINISTRATIVE OFFICE	TYPE OF RELATIONSHIP (1)	NATURE OF RELATIONSHIP (6)	OWNERSHIP RELATIONSHIP		
					HELD BY	HOLDING %	VOTING RIGHTS % (2)
41 ES SHARED SERVICE CENTER SOCIETA' PER AZIONI Issued capital EUR 120,000	CERNUSCO SUL NAVIGLIO	CERNUSCO SUL NAVIGLIO	8	5	UNICREDIT SERVICES S.C.P.A.	49.00	
42 EUROPROGETTI & FINANZA S.P.A. IN LIQUIDAZIONE Issued capital EUR 5,636,400	ROME	ROME	8	2	UNICREDIT SPA	39.79	
43 FENICE HOLDING S.P.A. IN LIQUIDAZIONE Issued capital EUR 25,682,932	CALENZANO	CALENZANO	8	5	UNICREDIT SPA	25.91	
44 FOCUS INVESTMENTS SPA Issued capital EUR 50,000	MILAN	MILAN	8	2	UNICREDIT SPA	8.33	25.00
45 INCONTRA ASSICURAZIONI S.P.A. Issued capital EUR 5,200,000	MILAN	MILAN	8	4	UNICREDIT SPA	49.00	
46 MACCORP ITALIANA SPA Issued capital EUR 1,134,020	MILAN	MILAN	8	2	UNICREDIT SPA	25.45	
47 MEDIOBANCA BANCA DI CREDITO FINANZIARIO SPA Issued capital EUR 443,126,470	MILAN	MILAN	8	1	UNICREDIT SPA	8.41	
48 MEGAPARK OOD Issued capital BGN 50,936,362	SOFIA	SOFIA	8	5	UNIVERSALE INTERNATIONAL REALITAETEN GMBH	49.24	
49 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
50 NAUTILUS TANKERS LIMITED Issued capital USD 2,000	LA VALLETTA	LA VALLETTA	8	5	HVB CAPITAL PARTNERS AG	45.00	
51 NOTARTREUHANDBANK AG Issued capital EUR 8,030,000	VIENNA	VIENNA	8	2	UNICREDIT BANK AUSTRIA AG	25.00	
52 OBERBANK AG Issued capital EUR 105,921,900	LINZ	LINZ	8	1	CABO BETEILIGUNGSGESELLSCHAFT M.B.H.	23.76	25.97
					UNICREDIT BANK AUSTRIA AG	3.41	1.32
53 OESTERREICHISCHE HOTEL- UND TOURISMUSBANK GESELLSCHAFT M.B.H. Issued capital EUR 11,627,653	VIENNA	VIENNA	8	1	UNICREDIT BANK AUSTRIA AG	50.00	
54 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	
55 OESTERREICHISCHE WERTPAPIERDATEN SERVICE GMBH Issued capital EUR 36,336	VIENNA	VIENNA	8	2	UNICREDIT BANK AUSTRIA AG	29.30	
56 PAYDIREKT BETEILIGUNGSGESELLSCHAFT PRIVATER BANKEN MBH Issued capital EUR 104,082	BERLIN	MUNICH	8	5	UNICREDIT BANK AG	24.02	
57 PSA PAYMENT SERVICES AUSTRIA GMBH Issued capital EUR 285,000	VIENNA	VIENNA	8	2	SCHOELLERBANK AKTIENGESELLSCHAFT	4.52	
					UNICREDIT BANK AUSTRIA AG	19.48	
58 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
59 RISANAMENTO SPA Issued capital EUR 197,951,784	MILAN	MILAN	8	5	UNICREDIT SPA	22.23	

COMPANY NAME	MAIN OFFICE	ADMINISTRATIVE OFFICE	TYPE OF RELATIONSHIP (1)	NATURE OF RELATIONSHIP (6)	OWNERSHIP RELATIONSHIP		
					HELD BY	HOLDING %	VOTING RIGHTS % (2)
60 SVILUPPO GLOBALE GEIE (IN LIQUIDAZIONE) Issued capital EUR 45,000	ROME	ROME	8	5	UNICREDIT SPA	33.33	
61 SWANCAP PARTNERS GMBH Issued capital EUR 1,010,000	MUNICH	MUNICH	8	2	UNICREDIT BANK AG	75.25	49.00
62 TORRE SGR S.P.A. Issued capital EUR 3,200,000	ROME	ROME	8	2	UNICREDIT SPA	37.50	
63 UNI GEBAEUDEMANAGEMENT GMBH Issued capital EUR 18,168	LINZ	LINZ	8	2	BA GVG-HOLDING GMBH	50.00	
64 WKBG WIENER KREDITBUERGSCHAFTS- UND BETEILIGUNGSBANK AG Issued capital EUR 15,550,309	VIENNA	VIENNA	8	2	UNICREDIT BANK AUSTRIA AG	21.54	
65 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.26 of "Legislative decree 87/92";

6= centralised management pursuant to paragraph 2 of Art.26 of "Legislative decree 87/92";

7= joint control;

8= associate companies.

(2) Voting rights available in general meeting. Voting rights are disclosed only if different from the percentage of ownership.

(3) Entities 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 of 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 66 entities compared with 31 December 2017 (1 inclusion and 67 exclusions as a result of disposals, changes of the consolidation method and mergers), from 590 as at 31 December 2017 to 524 as at 30 June 2018.

Companies consolidated at equity, including those ones classified as non-current assets and asset disposal groups, decreased by 1 entity compared with 31 December 2017, from 66 as at 31 December 2017 to 65 as at 30 June 2018 due to 1 disposal.

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 2018, it can be noted that 218 controlled entities (of which 21 belonging to the Banking Group) were not consolidated, of which 202 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 16 entities can be outlined:

- 3 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;
- 7 entities deriving from restructuring procedures which risks are measured coherently as part of the credit exposures;
- 4 entities temporarily slightly exceeding the materiality threshold of €1 million total assets;
- 1 newly established company, as part of a binding agreement with a third party, for the disposal of Italian pledge credit business;
- 1 SPE which has repaid its liabilities and distributed the dividends.

### 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
<b>A. Opening balance (from previous year)</b>	<b>590</b>
<b>B. Increased by</b>	<b>1</b>
B.1 Newly established companies	-
B.2 Change of the consolidation method	-
B.3 Entities consolidated for the first time in the year	1
<b>C. Reduced by</b>	<b>67</b>
C.1 Disposal/Liquidation	14
C.2 Change of the consolidation method	47
C.3 Absorption by other Group entities	6
<b>D. Closing balance</b>	<b>524</b>

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

### Increases

#### Newly established companies

During the period there were no changes in newly established companies and change of the consolidation method.

#### Entities consolidated for the first time in the year

Refers to the new established company ELEKTRA PURCHASE NO. 56 DAC with headquarters in Dublin.

### Reductions

The above table refers to disposals and liquidations of inactive companies as well as changes from consolidation method for materiality threshold.

### Disposal

COMPANY NAME	MAIN OFFICE
CENTAR KAPROL DOO	ZAGREB
ELEKTRA PURCHASE NO. 40 DAC	DUBLIN
I-FABER SPA	MILAN
MOBILITY CONCEPT GMBH	OBERHACHING
BA BETRIEBSOBJEKTE PRAHA, SPOL.S.R.O.	PRAGUE
UNO-EINKAUFZENTRUM-VERWALTUNGSGESELLSCHAFT M.B.H. IN LIQU.	LEONDING
RAMSES IMMOBILIEN GESELLSCHAFT M.B.H. & CO OG	VIENNA

COMPANY NAME	MAIN OFFICE
ELEKTRA PURCHASE NO. 35 DAC	DUBLIN
UCTAM AIRPORT BUILDING S.R.O	PRAGUE
PIONEER GLOBAL FUNDS DISTRIBUTOR LTD	HAMILTON
LOCAT SV SRL (CARTOLARIZZAZIONE: SERIE 2006)	CONEGLIANO
GARAGE AM HOF GESELLSCHAFT M.B.H.	VIENNA
JOHA GEBAEUDE- ERRICHTUNGS- UND VERMIETUNGS- GESELLSCHAFT M.B.H. IN LIQ.	VIENNA
TREUCONSULT PROPERTY EPSILON GMBH IN LIQU.	VIENNA

### Change of the consolidation method

COMPANY NAME	MAIN OFFICE
FCT UCG TIKEHAU	PARIS
HYPOT-BANK VERWALTUNGZENTRUM GMBH	MUNICH
IVONA BETEILIGUNGSVERWALTUNG GMBH IN LIQUIDAZIONE	VIENNA
MILLETERRA GESELLSCHAFT FUR IMMOBILIENVERWALTUNG MBH	MUNICH
RHOTERRA GESELLSCHAFT FUR IMMOBILIENVERWALTUNG MBH	MUNICH
SALVATORPLATZ-GRUNDSTUECKSGESELLSCHAFT MIT BESCHRAENKTER HAFTUNG	MUNICH
ANTUS IMMOBILIEN- UND PROJEKTENTWICKLUNGS GMBH	MUNICH
ARRONDA IMMOBILIENVERWALTUNGS GMBH	MUNICH
NF OBJEKT MUNCHEN GMBH	MUNICH
BAYERISCHE WOHNUNGSGESELLSCHAFT FUER HANDEL UND INDUSTRIE, GESELLSCHAFT MIT BESCHRAENKTER HAFTUNG	MUNICH
H & B IMMOBILIEN GMBH & CO. OBJEKTE KG	MUNICH
GOLF- UND COUNTRY CLUB SEDDINER SEE IMMOBILIEN GMBH	MUNICH
WEALTHCAP OBJEKTE SUEDWEST GMBH & CO. KG	MUNICH
HVBFF INTERNATIONALE LEASING GMBH	MUNICH
TRINITRADE VERMOGENSVERWALTUNGS- GESELLSCHAFT MIT BESCHRAENKTER HAFTUNG	MUNICH
ERSTE ONSHORE WINDKRAFT BETEILIGUNGSGESELLSCHAFT MBH & CO. WINDPARK KRAHENBERG KG	OLDENBURG
UNICREDIT (CHINA) ADVISORY LIMITED (IN LIQUIDAZIONE)	BEIJING
MOVIE MARKET BETEILIGUNGS GMBH I.L.	MUNICH
HVBFF INTERNATIONAL GREECE GMBH	MUNICH
GIMMO IMMOBILIEN-VERMIETUNGS- UND VERWALTUNGS GMBH	MUNICH
ERSTE ONSHORE WINDKRAFT BETEILIGUNGSGESELLSCHAFT MBH & CO. WINDPARK MOSE KG	OLDENBURG
WEALTHCAP STIFTUNGSTREUHAND GMBH	MUNICH
UNICREDIT BROKER D.O.O. SARAJEVO BROKERSKO DRUSTVO U OSIGURANJU	SARAJEVO
UNICREDIT PARTNER LLC	KIEV

COMPANY NAME	MAIN OFFICE
HVB GESELLSCHAFT FUR GEBAUDE BETEILIGUNGS GMBH	MUNICH
HYPOT-REAL HAUS- UND GRUNDBESITZ GESELLSCHAFT MBH & CO. IMMOBILIEN- VERMIETUNGS KG	MUNICH
MARTIANEZ COMERCIAL, SOCIEDAD ANONIMA	PUERTO DE LA CRUZ
PORTIA GRUNDSTUCKSVERWALTUNGS- GESELLSCHAFT MIT BESCHRAENKTER HAFTUNG	MUNICH
RONCASA IMMOBILIEN-VERWALTUNGS GMBH	MUNICH
TERRONDA DEVELOPMENT B.V.	AMSTERDAM
HVB-LEASING RUBIN KFT.	BUDAPEST
AUFBAU DRESDEN GMBH	MUNICH
BV GRUNDSTUCKSENTWICKLUNGS-GMBH	MUNICH
WOHNpark BRANDENBURG-GORDEN GESELLSCHAFT M.B.H IN LIQUIDATION	BRANDEBURG
CUMTERRA GESELLSCHAFT FUR IMMOBILIENVERWALTUNG MBH	MUNICH
HVB EXPORT LEASING GMBH	MUNICH
B.I. INTERNATIONAL LIMITED	GEORGE TOWN
HVBFF OBJEKT BETEILIGUNGS GMBH	MUNICH
WEALTHCAP AIRCRAFT 27 GMBH & CO KG	GRUNWALD
HVB PROFIL GESELLSCHAFT FUR PERSONALMANAGEMENT MBH	MUNICH
HVB LONDON INVESTMENTS (AVON) LIMITED ( IN LIQUIDAZIONE)	LONDON
LIFE MANAGEMENT ZWEITE GMBH	GRUNWALD
CUXHAVEN STEEL CONSTRUCTION GMBH	CUXHAVEN
ERSTE ONSHORE WINDKRAFT BETEILIGUNGSGESELLSCHAFT MBH & CO. WINDPARK GREFRATH KG	OLDENBURG
WEALTHCAP USA IMMOBILIEN VERWALTUNGS GMBH	MUNICH
WEALTHCAP AIRCRAFT 27 KOMPLEMENTAR GMBH	GRUNWALD
HVB INVESTMENTS (UK) LIMITED	GEORGE TOWN

## Part A - Accounting policies

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

### Absorption by other Group entities

COMPANY NAME OF THE MERGERED ENTITY	MAIN OFFICE	COMPANY NAME OF THE TAKING IN ENTITY	MAIN OFFICE
ARANY PENZUEGYI LIZING ZRT.	BUDAPEST	UNICREDIT BANK HUNGARY ZRT.	BUDAPEST
SAS-REAL INGATLANUEZEMELTETO ES KEZELOE KFT. (ENGLISH: SAS-REAL KFT)	BUDAPEST	UNICREDIT BANK HUNGARY ZRT.	BUDAPEST
OMNIA GRUNDSTUCKS-GMBH & CO. OBJEKT EGGENFELDENER STRASSE KG	MUNICH	HVB IMMOBILIEN AG	MUNICH
UNICREDIT TURN-AROUND MANAGEMENT GMBH	VIENNA	UNICREDIT TURN-AROUND MANAGEMENT CEE GMBH	VIENNA
UNICREDIT PARTNER D.O.O. ZA TRGOVINU I USLUGE	ZAGREB	UNICREDIT LEASING CROATIA D.O.O. ZA LEASING	ZAGREB
PRVA STAMBENA STEDIONICA DD ZAGREB	ZAGREB	ZAGREBACKA BANKA D.D.	ZAGREB

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

COMPANY NAME	MAIN OFFICE	COMPANY NAME	MAIN OFFICE
WOHPARK BRANDENBURG-GORDEN GESELLSCHAFT M.B.H IN LIQUIDATION (ex.WOHPARK BRANDENBURG-GORDEN GMBH)	BRANDEBURG	IVONA BETEILIGUNGSVERWALTUNG GMBH IN LIQU. (ex. IVONA BETEILIGUNGSVERWALTUNG GMBH)	VIENNA
PAI (NEW YORK) LIMITED (ex. PIONEER ALTERNATIVE INVESTMENTS (NEW YORK) LTD)	DOVER	FINECO ASSET MANAGEMENT DESIGNATED ACTIVITY COMPANY (ex.FINECO AM LIMITED)	DUBLIN
UNICREDIT SERVICES S.C.P.A. (ex. UNICREDIT BUSINESS INTEGRATED SOLUTIONS SOCIETA CONSORTILE PER AZIONI)	MILAN	UNICREDIT SERVICE GMBH (ex. UNICREDIT BUSINESS INTEGRATED SOLUTIONS AUSTRIA GMBH)	VIENNA
PAI MANAGEMENT LTD (ex. PIONEER ALTERNATIVE INVESTMENT MANAGEMENT LTD)	DUBLIN	PAI (BERMUDA) LIMITED (ex. PIONEER ALTERNATIVE INVESTMENT MANAGEMENT (BERMUDA) LIMITED)	HAMILTON
AO LOCAT LEASING RUSSIA (ex. ZAO LOCAT LEASING RUSSIA)	MOSCOW	DBC SP.Z O.O. W LIKWIDACJI (ex. DBC SP.Z O.O.)	WARSAW

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

	NUMBER OF COMPANIES
<b>A. Opening balance (from previous year)</b>	<b>66</b>
<b>B. Increased by</b>	<b>-</b>
B.1 Newly established companies	-
B.2 Change of the consolidation method	-
B.3 Entities consolidated for the first time in the year	-
<b>C. Reduced by</b>	<b>1</b>
C.1 Disposal/Liquidation	1
C.2 Change of the consolidation method	-
C.3 Absorption by other entities	-
C.4 Other changes	-
<b>D. Closing balance</b>	<b>65</b>

The opening balance (from previous year) has been modified to include the 4 equity investments classified among "Non-current assets and disposal groups classified as held for sale" as at 31 December 2017, previously not included in the table.

### 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

The decreases in the quarter is due to the liquidation for the company Objekt-Lease Grundstuecksverwaltungsgesellschaft M.B.H. with main office in Vienna.

### Joint ventures and the companies under significant influence that changed their names during the year

COMPANY NAME	MAIN OFFICE
MUTHGASSE ALPHA HOLDING GMBH IN LIQUIDATION (ex.MUTHGASSE ALPHA HOLDING GMBH)	VIENNA

## Section 4 - Events subsequent to the reference date

No material events have occurred after 30 June 2018 that would make necessary to change any of the information provided in the Consolidated First Half Financial Report at the same date. For further details and information refer to the Consolidated Interim Report on Operations.

## Section 5 - Other matters

In the first half of 2018 new accounting standards, amendments, interpretations or revisions have become effective:

- IFRS9 - Financial Instruments (EU Regulation 2016/2067);
- IFRS15 - Revenue from Contracts with Customers (EU Regulation 2016/1905);
- IFRIC Interpretation 22: Foreign Currency Transactions and Advance Consideration (EU Regulation 2018/519);
- Amendments to IAS40: Transfers of Investment Property (EU Regulation 2018/400);
- Amendments to IFRS2: Classification and Measurement of Share-based Payment Transactions (EU Regulation 2018/289);
- Annual Improvements to IFRS Standards 2014-2016 Cycle (EU Regulation 2018/182);
- Amendments to IFRS4: Applying IFRS9 Financial Instruments with IFRS4 Insurance Contracts (EU Regulation 2017/1988);
- Clarifications to IFRS15: Revenue from Contracts with Customers (EU Regulation 2017/1987).

For further details on the impacts coming from IFRS9 and IFRS15 adoption, refer to the specific paragraphs of the current section.

Regarding other new accounting standards different from IFRS9 and IFRS15, it should be noted that their adoption did not give rise to significant impacts on current financial and economic volumes.

As at 30 June 2018 the European Commission endorsed the following accounting principles that will be applicable for reporting periods starting from 2019:

- IFRS16 - Leasing (EU Regulation 2017/1986);
- Amendments to IFRS9: Prepayment Features with Negative Compensation (EU Regulation 2018/498).

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 current 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 as 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, which include in addition to the present value of lease payments, any initial direct cost attributable to the lease and any other costs required for the dismantling/removing the underlying asset at the end of the contract. After the initial recognition the right-of-use will be measured on the basis of the provisions set for tangible assets applying the cost model less any accumulated depreciation and any eventual accumulated impairment losses, the revaluation model or the fair value model set by IAS16 or by IAS40.

In this context, the Group has launched 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 current accounting model required by IAS17.

The activities therefore aimed to the identification of lease contracts and 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.

Taking into account the number of lease contracts within the Group, it is expected that the adoption of IFRS16 will determine an increase in assets and liabilities volumes, coming from the recognition of Right of Use and related Lease Liabilities, and, consequently, in RWA due to the application of regulatory rules on newly recognised assets.

As at 30 June 2018 the IASB issued the following standards, amendments, interpretations or revisions whose application is subject to completion of the approval process by the competent bodies of the European Commission:

- IFRS17 - Insurance Contracts (May 2017);
- IFRIC Interpretation 23: Uncertainty over Income Tax Treatments (June 2017);
- Amendments to IAS28: Long-term Interests in Associates and Joint Ventures (October 2017);
- Annual Improvements to IFRS Standards 2015-2017 Cycle (December 2017);
- Amendments to IAS19: Plan Amendment, Curtailment or Settlement (February 2018);
- Amendments to References to the Conceptual Framework in IFRS Standards (March 2018).

The Consolidated First Half Financial Report as at 30 June 2018 has been approved by the Board of Directors' meeting of 6 August 2018, which authorised its disclosure to the public, also pursuant to IAS10.

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

Refer to following paragraphs for transition to IFRS15 and IFRS9.

## Part A - Accounting policies

### Transition to "IFRS15: Revenue from Contracts with Customers" of UniCredit group

IFRS15, effective starting from 1 January 2018, endorsed by the European Union with Regulation EU 2016/1905 of 22 September 2016 (published on 29 October 2016), modifies the previous set of international accounting principles and interpretations on revenue recognition and, in particular, IAS18.

IFRS15 provides for:

- two approaches for the revenue recognition ("at point in time" or "over time");
- a new model for the analysis of the transactions ("Five steps model") focused on the transfer of control; and
- the request for a more detailed disclosure to be included in the explanatory notes to the financial statements.

The adoption of the new accounting standard could determine (i) the reclassification between lines of income statement used for presenting revenues, (ii) a change in the timing recognition of such revenue, when the contract with the customer contains several performance obligation that must be accounted for separately under the accounting standard, (iii) a different measure of the revenue in order to reflect their variability.

Based on the analysis performed, no major impacts have been detected by the adoption of IFRS15 on current economic and financial volumes.

### Transition to "IFRS9: Financial Instruments" of UniCredit group

#### 1. Summary of impacts

As at 1 January 2018, UniCredit group has adopted the accounting standard "IFRS9: Financial instruments".

The adoption of the standard is the result of a long-time project aimed at creating reporting and risk monitoring methods, harmonised between Group's Legal Entities, that ensure full compliance with the standard and at updating governance and monitoring processes in light of the new rules.

This project was organised at Group level through specific work-streams:

- work-stream "Classification and Measurement" aimed at reviewing financial instruments classification in line with new IFRS9 criteria;
- work-stream "Impairment" aimed at developing and implementing models and methods for calculating impairment.

These work-streams go together with a specific activity aimed at adapting models and methods to the specific characteristics of Corporate & Investment Banking (CIB).

The entire project was developed actively involving Bank's structures, Board of Directors and Top Management.

The following should be noted with regard to the new accounting standard:

- introduced significant changes in the rules for classifying and measuring financial instruments compared to IAS39.

With reference to loans and debt securities, the classification and consequent measurement of these instruments is based on the "business model" and on the characteristics of the financial instrument cash flows (SPPI criterion - Solely Payments of Principal and Interest).

With reference to equity instruments, they will be classified as financial instruments at fair value, with differences recognised through profit or loss or in other comprehensive income. In the latter case, unlike the requirements of IAS39 for available-for-sale financial assets, IFRS9 no longer requires to recognise impairment losses and provides that, in the event of sale of the instrument, the profits and losses on disposal must be reclassified to other shareholders' equity reserve and not to profit or loss.

Lastly, with reference to financial liabilities designated at fair value, it modified the accounting of "own credit risk", i.e. the changes in the value of liabilities at fair value that are due to fluctuations in their creditworthiness. According to the new standard, these changes must be recognised in an equity reserve, rather than in the income statement as per IAS39, thus eliminating a source of volatility in economic results.

- has introduced a new accounting model of impairment for credit exposures based on (i) an "expected losses" approach replacing the current one based on the recognition of "incurred losses" and (ii) on the concept of "lifetime" expected loss;
- has introduced guidelines that clarify when financial instruments shall be written off by specifying that the write-off constitutes an event of accounting derecognition;
- has also modified the rules applicable to "hedge accounting" with regard to designating a hedging relationship and verifying its effectiveness with the aim of ensuring greater alignment between the accounting recognition of hedges and the underlying management rationale.

The Group has exercised the option to continue applying the existing IAS39 hedge accounting requirements for all its hedging relationships until the IASB completes the project on accounting for macro-hedging.

The Group has decided to exploit the option provided by the accounting standard not to restate comparative figures of previous years, consequently, for UniCredit group, the first time adoption of the new standard is 1 January 2018.

UniCredit group's Balance Sheet as at 1 January 2018 is presented below, prepared in accordance with the mandatory format envisaged by the 5<sup>th</sup> update of Banca d'Italia Circular 262 issued on 22 December 2017.

**Consolidated balance sheet**

	(€ '000)
	AMOUNTS AS AT
	01.01.2018
<b>ASSETS</b>	
10. Cash and cash balances	64,493,411
20. Financial assets at fair value through profit and loss:	101,810,077
a) Financial assets held for trading	74,665,851
b) Financial assets designated at fair value	4
c) Other financial assets mandatorily at fair value	27,144,222
30. Financial assets at fair value through other comprehensive income	100,636,410
40. Financial assets at amortised cost:	519,900,654
a) Loans and receivables with banks	71,134,306
b) Loans and receivables with customers	448,766,348
50. Hedging derivatives	3,431,070
60. Changes in fair value of portfolio hedged items (+/-)	2,600,594
70. Equity investments	6,211,911
80. Insurance reserves charged to reinsurers	-
90. Property, plant and equipment	8,623,778
100. Intangible assets	3,385,310
<i>of which: goodwill</i>	1,483,721
110. Tax assets:	12,848,869
a) Current	2,042,410
b) Deferred	10,806,459
120. Non-current assets and disposal groups classified as held for sale	1,110,780
130. Other assets	8,800,375
<b>Total assets</b>	<b>833,853,239</b>

## Part A - Accounting policies

continued: Consolidated balance sheet

	(€ '000)	AMOUNTS AS AT
	01.01.2018	
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
10. Financial liabilities at amortised cost:		
a) Deposits from banks	123,234,090	
b) Deposits from customers	462,895,261	
c) Debt securities in issue	98,060,503	
20. Financial liabilities held for trading	51,099,691	
30. Financial liabilities designated at fair value	8,301,781	
40. Hedging derivatives	3,567,846	
50. Value adjustment of hedged financial liabilities (+/-)	3,046,609	
60. Tax liabilities:		
a) Current	644,439	
b) Deferred	463,623	
70. Liabilities referable to disposal groups classified as held for sale	184,831	
80. Other liabilities	14,808,680	
90. Provision for employee severance pay	917,284	
100. Provisions for risks and charges:		
a) Commitments and guarantees given	1,090,289	
b) Post-retirement benefit obligations	4,522,188	
c) Other provisions for risks and charges	4,128,502	
110. Technical reserves	-	
120. Valuation reserves	(4,650,811)	
130. Redeemable shares	-	
140. Equity instruments	4,610,073	
150. Reserves	16,293,284	
160. Share premium	13,399,799	
170. Share capital	20,880,550	
180. Treasury shares (-)	(2,695)	
190. Minority shareholders' equity (+/-)	884,314	
200. Profit (Loss) for the period (+/-)	5,473,108	
<b>Total liabilities and shareholders' equity</b>	<b>833,853,239</b>	

The adoption of IFRS9 has determined:

- an overall negative effect on consolidated net equity for an amount of -€3,535,207 thousand, net of taxes (-€3,708,885 thousand gross of taxes);
- an overall negative effect on CET1 Ratio<sup>9</sup>, fully loaded, equal to -99 bps<sup>10</sup> (-104 bps<sup>11</sup> gross of taxes);
- the increase of loan loss provisions to an amount equal to €31,002,599 thousand.

In particular, this effect stems from:

- for an amount, net of the taxes, of -€303,977 thousand (-€39,948 thousand gross of taxes) from changes in the revaluation reserves reported in item "120. Valuation Reserve" which is attributable to instruments classified in item "30 Financial assets at fair value through comprehensive income" and in item "30. Financial liabilities designated at fair value", for the component relating to the valuation of own creditworthiness;
- for an amount, net of the tax effect, of -€3,231,230 thousand, net of the taxes (-€3,368,937 thousand gross of taxes) from changes in item "150. Reserves" attributable to the effects of reclassification and measurement of financial instruments other than those reported in item "30. Financial assets at fair value through comprehensive income" and to the calculation of impairment on on-balance-sheet and off-balance sheet exposures.

It should be noted that these impacts include negative effects for an amount of €198,083 thousand attributable to a joint venture that is valued according to the equity method for which adoption of IFRS9 resulted in a corresponding negative change in shareholders' equity.

This investee was tested for impairment in previous years, pursuant to IAS36.

Since the impairment test carried out on 1 January 2018 confirmed its book value as at 31 December 2017, the negative impact from adoption of IFRS9 was offset by an increase for the same amount of its book value.

<sup>9</sup> UniCredit group has decided not to apply the IFRS9 transitional approach as reported in article 473a of the CRR. Therefore, the calculation of own funds, capital absorption, capital ratios and leverage fully reflects the impact arising from the application of the IFRS9 principle.

<sup>10</sup> Considering tax impact and FTA related effects on loans and Deferred Tax Assets Risk weighted assets.

<sup>11</sup> Considering FTA related effects on loans Risk weighted assets.

Note that these final impacts are different from those preliminarily disclosed in the Consolidated Reports and Accounts as at 31 December 2017<sup>12</sup> mainly as a result of:

- the observation of market transactions occurred on a specific asset class of NPL loans that are included in Group NPL Strategy that has required the revision of prices, estimated through internal models, considered in the sale scenario for the measurement of non-performing exposures<sup>13</sup>. This price adjustments has determined a negative FTA effect of €270,675 thousand, gross of taxes.
- the inclusion in the "NPL strategy" of an additional portfolio of non-performing exposures for an amount equal to their residual value after write-off recognition in light of:
  - the Group strategy for the management of the non-performing loan portfolio that gives precedence to the deleveraging of such portfolio, as illustrated in the Multi-year Plan (MYP) communicated to the market in December 2017;
  - the introduction by IFRS9 of specific guidance on write-off.

Note that the Group has developed specific guidelines on write-off aimed at granting the full compliance with IFRS9 and the document "Guidance to banks on non-performing loans" issued by ECB.

Write-offs have determined a negative FTA effect of €802,763 thousand, gross of taxes<sup>14</sup>.

## **2. Classification and measurement**

As a result of the entry into force of the new accounting standard, the Group has reclassified financial assets and liabilities as at 1 January 2018 into the new envisaged categories.

In this regard, it should be noted that this classification is based on business model and characteristics of the contractual cash flows.

The analysis of the business model was conducted by mapping the business areas that make up the Group and by allocating a specific business model to each of them.

In this regard, the business areas that make up the Group's banking portfolio have been assigned "held-to-collect" or "held-to-collect and sell" business models according to holding intentions and expected turnover of the financial instruments.

The business areas that make up the Group's trading portfolio have been assigned an "other" business model in order to reflect trading intentions.

For the purposes of classifying financial instruments in the new categories envisaged by IFRS9, the business model analysis must be complemented by an analysis of contractual flows ("SPPI Test").

In this regard, the Group has developed systems and processes to analyse the portfolio of debt securities and loans in place and assess whether the characteristics of contractual cash flows allow for measurement at amortised cost ("held-to-collect" portfolio) or at fair value with effect on comprehensive income ("held-to-collect and sell" portfolio).

The analysis in question was carried out both by contract and by defining specific clusters based on the characteristics of the transactions and using a specific internally developed tool ("SPPI Tool") to analyse the contract features with respect to IFRS9 requirements, or by using external data providers.

In application of the aforementioned rules, the Group's financial assets and liabilities have been classified as follows.

### **Item 20. a) Financial assets held for trading**

A financial asset is classified as held for trading if it is:

- acquired or incurred principally for the purpose of selling or repurchasing it in the short term;
- part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking;
- it is a derivative contract not designated under hedge accounting, including derivatives with positive fair value embedded in financial liabilities other than those valued at fair value with recognition of income effects through profit or loss.

As other financial instruments, on initial recognition, at settlement date, a held-for-trading financial asset is measured at its fair value, usually equal to the amount paid, excluding transaction costs and revenue, which are recognised in profit and loss although directly attributable to the financial assets. Trading book derivatives are recognised at trade date.

<sup>12</sup> UniCredit group's Consolidated Reports and Accounts as at 31 December 2017, page 141: "[...] Overall adjustments to the carrying value of financial instruments due to IFRS9 transition will be accounted for through Equity as of 1 January 2018 and they will have an impact on fully loaded CET1 ratio, gross of tax effect, that can be preliminarily estimated in the range of -75bps which is equivalent to about -€2.8 billion."

<sup>13</sup> Refer to paragraph 3.4 Sale Scenarios of the present section.

<sup>14</sup> Refer to paragraph 3.5 Write-off of the present section.

## Part A - Accounting policies

After initial recognition these financial assets are measured at their fair value through profit or loss.

A gain or loss arising from sale or redemption or a change in the fair value of a HFT financial asset is recognised in profit or loss in item "80. Net gains (losses) on trading", including gains or losses on financial derivatives relating to financial assets and/or financial liabilities designated at fair value or other financial assets mandatorily at fair value. If the fair value of a financial instrument falls below zero, which may happen with derivative contracts, it is recognised in item "20. Financial liabilities held for trading".

A derivative is a financial instrument or other contract that has all three of the following characteristics:

- its value changes in response to the change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable (usually called the "underlying") provided that in case of non-financial variable, this is not specific of one of the parties to the contract;
- it requires no initial net investment or an initial net investment that is smaller than would be required for other types of contracts that would be expected to have a similar response to changes in market factors;
- it is settled at a future date.

An embedded derivative is a component of a hybrid (combined) instrument that also includes a non-derivative host contract, with the effect that some of the cash flows of the combined instrument vary in a way similar to a stand-alone derivative.

An embedded derivative is separated from financial liabilities other than those measured at fair value through profit or loss and from non-financial instruments, and is recognised as a derivative, if:

- the economic characteristics and risks of the embedded derivative are not closely relating to those of the host contract;
- a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and
- the hybrid (combined) instrument is not measured entirely at fair value through profit or loss.

When an embedded derivative is separated, the host contract is accounted for according to its accounting classification.

### **Item 20. b) Financial assets designated at fair value through profit or loss**

A non-derivative financial asset can be designated at fair value if the abovementioned designation avoids accounting mismatches that arise from measuring assets and associated liabilities according to different measurement criteria.

These assets are accounted for alike "Financial assets held for trading" however gains and losses, whether realised or unrealised, are recognised in item "110. Gains (Losses) on financial assets/liabilities at fair value through profit or loss - a) financial assets/liabilities designated at fair value"; such item also includes changes in fair value on "financial liabilities designated at fair value" linked to own credit risk, if such a designation creates or increases an accounting mismatch in P&L according to IFRS9.

### **Item 20. c) Other financial assets mandatorily at fair value**

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.

Specifically, the following assets have been classified in this portfolio:

- debt instruments, securities and loans for which the business model is neither held to collect nor held to collect and sell but which are not part of the trading book;
- debt instruments, securities and loans with cash flows that are not solely payment of principal and interest;
- units in investment funds;
- equity instruments not held for trading for which the Group does not apply the option granted by the standard of valuing these instruments at fair value through other comprehensive income.

These assets are accounted for alike "Financial assets held for trading", however gains and losses, whether realised or unrealised, are recognised in item "110. Gains (Losses) on financial assets/liabilities at fair value through profit or loss - b) Other financial assets mandatorily at fair value".

### **Item 30. Financial assets at fair value through Comprehensive income**

A financial asset is classified at fair value through comprehensive income if:

- its business model is held to collect and sell;
- its cash flows are solely the payment of principal and interest.

This category also includes equity instruments not held for trading for which the Group applies the option granted by the standard of valuing the instruments at fair value through other comprehensive income.

On initial recognition, at settlement date, a financial assets is measured at fair value, which is usually equal to the consideration paid, plus transaction costs and revenues directly attributable to the instrument.

After initial recognition, the interests accrued on interest-bearing instruments are recorded in the income statement according to the amortised cost criterion in item "10. Interest income and similar revenues".

The gains and losses arising from changes in fair value are recognised in the Statement of comprehensive income and reported under item "120. Valuation reserves" in shareholders' equity.

These instruments are tested for impairment as illustrated in the specific section. Impairment losses are recorded in the income statement in item "130. Net losses/recoveries on credit impairment relating to: b) financial assets at fair value through other comprehensive income" with contra-entry in the statement of comprehensive income and also reported under item "120. Valuation reserves" in shareholders' equity.

In the event of disposal, the accumulated profits and losses are recorded in the income statement in item "100. Gains (Losses) on disposal and repurchase of: b) financial assets at fair value through other comprehensive income".

Amounts deriving from financial assets carrying amount adjustment, gross of cumulated write-downs, in order to reflect modifications on contractual cash flows that do not give rise to accounting derecognition, are recognised in P&L in item "140. Gains/Losses from contractual changes with no cancellations"; such line does not include the impact of contractual modifications on the amount of expected loss recognised in item "130. Net losses/recoveries on credit impairment relating to: b) financial assets at fair value through other comprehensive income".

With regard to equity instruments, the gains and losses arising from changes in fair value are recognised in the Statement of comprehensive income and reported under item "120. Valuation reserves" in shareholders' equity.

In the event of disposal, the accumulated profits and losses are recorded in item "150. Reserves".

In accordance with the provisions of IFRS9, no impairment losses on equity instruments are recognised in the income statement. Only dividends are recognised in P&L within item "70. Dividend income and similar revenues".

### **Item 40. Financial assets at amortised cost**

A financial asset is classified as financial asset measured at amortised cost if:

- its business model is held to collect;
- its cash flows are solely the payment of principal and interest.

These items also include the net value of finance leases of assets under construction or awaiting lease, provided the leases have the characteristics of contracts entailing the transfer of risk.

On initial recognition, at settlement date, financial assets at amortised cost are measured at fair value, which is usually equal to the consideration paid, plus transaction costs and income directly attributable to the instrument.

After initial recognition at fair value, these assets are measured at amortised cost which requires the recognition of interest on an accrual basis by using the effective interest rate method over the term of the loan. Such interest is recognised in item "10. Interest income and similar revenues".

The carrying amount of financial assets at amortised cost is adjusted to take into account the reductions/write-backs resulting from the valuation process as set out in the specific section<sup>15</sup>. Impairment losses are recorded in the income statement, in item "130. Net losses/recoveries on credit impairment relating to: a) financial assets at amortised cost".

In the event of disposal, the accumulated profits and losses are recorded in the income statement in item "100. Gains (Losses) on disposal and repurchase of: a) financial assets at amortised cost".

Amounts deriving from financial assets carrying amount adjustment, gross of cumulated write-downs, in order to reflect modifications on contractual cash flows that do not give rise to accounting derecognition, are recognised in P&L in item "140. Gains/Losses from contractual changes with no

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<sup>15</sup> Refer to paragraph 3. "Impairment" of this section.

## Part A - Accounting policies

cancellations", such line does not include the impact of contractual modifications on the amount of expected loss recognised in item "130. Net losses/recoveries on credit impairment relating to: a) financial assets at amortised cost".

### **Item 10. Financial liabilities measured at amortised cost**

Financial liabilities measured at amortised cost comprise financial instruments (other than liabilities held for trading or those designated at fair value) representing the various forms of third-party funding.

These financial liabilities are recognised at settlement date initially at fair value, which is normally the consideration received less transaction costs directly attributable to the financial liability. Subsequently these instruments are measured at amortised cost using the effective interest method. Such interest is recognised in item "20. Interest expenses and similar charges".

Instruments indexed to equity instruments, foreign exchange, credit instruments or indexes, are treated as structured instruments. The embedded derivative is separated from the host contract and recognised as a derivative, provided that separation requirements are met, and recognised at fair value. The embedded derivative is recognised at its fair value, classified as financial assets or liabilities held for trading and subsequently measured at fair value through profit or loss with changes in fair value recognised in P&L in item "80. Net gains (losses) on trading".

The difference between the total amount received and the initial fair value of the embedded derivative is attributed to the host contract.

Instruments convertible into treasury shares imply recognition, at the issuance date, of a financial liability and of the equity part to be recognised in item "140. Equity instruments", if a physical delivery settles the contract.

The equity part is initially measured at the residual value, i.e. the overall value of the instrument less the separately determined value of a financial liability with no conversion clause and the same cash flows.

The resulting financial liability is recognised at amortised cost using the effective interest method.

Securities in issue are recognised net of repurchased amounts; the difference between the carrying value of the liability and the amount paid to buy it in is recognised into profit and loss in line "100. Gains (Losses) on disposal and repurchase of: c) financial liabilities". Subsequent disposal by the issuer is considered as a new issue which doesn't produce gains or losses.

### **Item 20. Financial liabilities held for trading**

Financial liabilities held for trading include:

- derivatives that are not designated as hedging instruments;
- obligations to deliver financial assets borrowed by a short seller (i.e. an entity that sells financial assets it does not yet own);
- financial liabilities issued with an intention to repurchase them in the short term;
- financial liabilities that are part of a portfolio of financial instruments considered as a unit and for which there is evidence of a recent pattern of trading.

Financial liabilities held for trading, including derivatives, are measured at fair value on initial recognition and during the life of the transaction. A gain or loss arising from sale or redemption or a change in the fair value of a Hft financial liability is recognised in profit or loss in item "80. Net gains (losses) on trading".

### **Item 30. Financial liabilities designated at fair value**

Financial liabilities, like financial assets may also be designated, according to IFRS9, on initial recognition as measured at fair value, provided that:

- this designation eliminates or considerably reduces an accounting or measurement inconsistency that would arise from the application of different methods of measurement to assets and liabilities and related gains or losses; or
- a group of financial assets, financial liabilities or both are managed and measured at fair value under risk management or investment strategy which is internally documented with the entity's key management personnel.

This category may also include financial liabilities represented by hybrid (combined) instruments containing embedded derivatives that otherwise should have been separated from the host contract.

Financial liabilities presented in this category are measured at fair value at initial recognition and for the life of the transaction.

The changes in fair value are recognised in the income statement in item "110. Gains (Losses) on financial assets/liabilities at fair value through profit or loss - a) financial assets/liabilities designated at fair value" except for any changes in fair value arising from changes in their

creditworthiness, which are shown under item "120. Valuation reserves" of shareholders' equity unless such accounting results in an inconsistency that arises from the application of different methods of measuring assets and liabilities and related gains or losses, in which case also the changes in fair value deriving from changes in creditworthiness are recorded in the income statement. In case of redemption the balance of cumulated changes in fair value due to own credit risk booked in item "120. Valuation reserves" is reclassified in line "150. Reserves".

### **3. Impairment**

#### **3.1 General topics**

Loans and debt securities classified as financial assets at amortised cost, financial assets at fair value through comprehensive income and relevant off-balance sheet exposures are tested for impairment as required by IFRS9.

In this regard, these instruments are classified in stage 1, stage 2 or stage 3 according to their absolute or relative credit quality with respect to initial disbursement. Specifically:

- Stage 1: includes (i) newly issued or acquired credit exposures, (ii) exposures for which credit risk has not significantly deteriorated since initial recognition, (iii) 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 initial recognition;
- Stage 3: includes impaired credit exposures.

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.

In order to meet the requirements of the standard, the Group has developed specific models to calculate expected loss based on PD, LGD and EAD parameters, used for regulatory purposes and adjusted in order to ensure consistency with accounting regulation<sup>16</sup>.

In this context "forward looking"<sup>17</sup> information was included through the elaboration of specific scenarios.

The Stage Allocation model is a key aspect of the new accounting model required to calculate expected credit losses which is aimed at transferring credit exposures from Stage 1 to Stage 2 (being Stage 3 equivalent to non-performing exposures).

In the Group, the Stage Allocation model was based on a combination of relative and absolute elements. The main elements were:

- 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 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) ;
- additional internal evidence (e.g. Forborne classification).

With regard to debt securities, the Group opted for application of the low credit risk exemption on investment grade securities in full compliance with the accounting standard.

Allowances for impairment of loans and receivables are based on the present value of expected cash flows of principal and interest. In determining the present value of future cash flows, the basic requirement is the identification of estimated collections, the timing of payments and the discount rate used.

The amount of the loss on impaired exposures classified as bad loans and unlikely to pay, according to the categories specified below, is the difference between the carrying amount and the present value of estimated cash flows discounted at the original interest rate of the financial asset.

For all fixed rate positions, the interest rate thus determined is kept constant in subsequent financial years, while for floating rate positions the interest rate is updated according to contractual terms.

If the original interest rate cannot be found, or if finding it would be excessively burdensome, the rate that best approximates is applied, also recurring to "practical expedients" that do not alter the substance, and ensure consistency with the international accounting standards.

<sup>16</sup> Refer to paragraph 3.2 for a more detailed discussion of the risk measures within the Group for calculating the expected credit loss in accordance with IFRS9.

<sup>17</sup> Refer to paragraph 3.3 for a more detailed discussion of the forward looking information and of the scenarios used to calculate the expected credit loss in accordance with IFRS9.

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Recovery times are estimated on the basis of business plans or forecasts based on historical recovery experience observed for similar classes of loans, taking into account the customer segment, the type of loan, the type of security and any other factors considered relevant.

Also the impairment on impaired exposures was calculated as required by the new accounting standard to include (i) the adjustments necessary to reach the calculation of a point-in-time and forward-looking loss; and (ii) multiple scenarios applicable to this type of exposure including any sale scenarios in case Group strategy on *Non-Performing Asset Strategy* for the period 2018-2020 foresees the recovery through sale on the market<sup>18</sup>.

### 3.2 Parameters and risk definitions used for calculating value adjustments

As mentioned in the previous paragraph, the Group has developed specific models for calculating the expected loss; such models are based on the parameters of PD, LGD and EAD and on the effective interest rate. In particular:

- the PD (Probability of Default), represents the probability of occurrence of an event of default of the credit exposure, in a defined time lag (i.e. 1 year);
- the LGD (Loss Given Default), represents the percentage of the estimated loss, and thus the expected rate of recovery, at the date of occurrence of the default event of the credit exposure;
- the EAD (Exposure at Default), represents the measure of the exposure at the time of the event of default of the credit exposure;
- the Effective interest rate is the discount rate that expresses of the time value of money.

Such parameters are calculated starting from the corresponding parameters used for regulatory purposes, with specific adjustments in order to ensure consistency between accounting and regulatory treatment despite different regulatory requirements.

The main adjustments aimed at:

- removing conservatism required for regulatory purposes;
- introducing "point-in-time" adjustments to replace "through-the-cycle" adjustments required for regulatory purposes;
- including "forward looking" information;
- extending credit risk parameters to a multi-year perspective.

With reference to lifetime PD, through-the-cycle PD curves obtained by adjusting observed cumulated default rates were calibrated in order to reflect point-in-time and forward-looking forecasts on portfolio default rates.

Recovery rate incorporated into through-the-cycle LGD was adjusted in order to remove conservatism and to reflect the most updated trend of recovery rates as well as expectations about future trends discounted at effective interest rate or at its best approximation.

The lifetime EAD has been obtained by extending the 1 year regulatory or managerial model, removing margin of conservatism and including expectation about future drawing levels.

With reference to the quantitative component of the model for stage allocation, the Group has adopted a statistical approach based on a *quantiles regression* whose objective is to define a threshold in terms of maximum variation acceptable between the PD at the time of origination and the PD assessed at the reporting date. The variable objective of the regressive model is thus the change between the PD at the reporting date compared to the one at the date of origination while the explicative variables are factors such as the age of the transaction, the PD at the date of origination, etc. A key component of the model is the definition of the quantile that identifies the amount of Stage 2 expected on average in the long-run and that affects the determination of the threshold of change in PD after which the transaction is classified in Stage 2. The average quantile in the long run is determined based on the expected average of deterioration of the portfolio determined by the rate of defaults as in any other deterioration stage (i.e. 30 days past due).

The amount of exposures classified in Stage 2 at each reporting date will be around the quantile identified for the long run based on the economic conditions at the time and on the future expectations about the evolution of the economic cycle.

With reference to Stage 3, it should be noted that it includes impaired exposures corresponding to the aggregate Non-Performing Exposures as ITS EBA (EBA/ITS/2013/03/rev1 7/24/2014), in accordance with Banca d'Italia rules, defined in Circular No.272 of 30 July 2008 and subsequent updates.

In particular EBA has defined as "Non-Performing" the exposures that meet one or both of the following criteria:

- material exposures with more than 90 days past due;
- exposures for which the bank values that is unlikely that the debtor would pay in full his credit obligations without recurring to enforcement and realisation of collaterals, regardless of past due exposures and the number of days the exposure is past due.

<sup>18</sup> See paragraph 3.4 for a more detailed discussion of the sale scenarios used to assess impaired exposures.

In addition, the Circular No.272 establishes that the aggregate of impaired assets is divided into the following categories:

- Non-Performing Loans: cash and off-balance exposures to borrowers in a state of insolvency (even when not recognised in a court of law) or in an essentially similar situation. The assessment is generally carried out on an analytical basis (also through the comparison with coverage levels statistically defined for credit portfolios below a predefined threshold) or, in case of non-significant individually amounts, on a flat-rate basis for homogeneous types of exposures;
- Unlikely to pay: cash and off-balance exposures for which conditions for evaluating the debt as bad loan are not met and for which it is unlikely that without recurring to enforcement of collaterals the debtor is able to pay in full (capital and/or interests) his credit obligations. Such assessment is made independently of any past due and unpaid amount/installments. The classification among unlikely to pay is not necessarily linked to anomalies (non-repayment), rather it is linked to factors that indicate a situation of risk of default of the debtor. Unlikely to pay are generally accounted analytically (also through the comparison with coverage levels statistically defined for credit portfolios below a predefined threshold) or on a flat-rate basis for homogeneous types of exposures. The exposures classified among unlikely to pay and qualified as so-called forbearance can be reclassified among non-impaired receivables only after at least one year has elapsed from the time of granting and the conditions indicated in paragraph 157 of EBA Implementing Technical Standards. With reference to their evaluation:
  - they are generally analytically evaluated and may include the discounted charge deriving from the possible renegotiation of the rate at conditions below the original contractual rate;
  - the renegotiations of loans that require their derecognition in exchange of shares through "debt-to-equity swap" transactions requires the assessment, before executing the swap, of the credit exposures in accordance with stipulated agreements at the date of preparation of the financial statements. Any differences between the value of receivables and the value at initial recognition of equity instruments is accounted in income statement in the impairment losses;
- Past due exposures: cash exposures different from those classified as non-performing loans and unlikely to pay that at the reporting date are past due. Past due exposures can be determined referring alternatively to individual debtor or individual transaction. In particular they represent an entire exposure to counterparties different from those classified as unlikely to pay and bad loans that at the reporting date show past due receivables from more than 90 days as well as requirements established by local prudential regulation for the inclusion of these credits into "past due" (standardised banks) or "default exposures" (IRB banks).  
Past due exposures are evaluated on a flat-rate basis on historical/statistical basis, applying, if available, the riskiness identified by the risk factor used for the purposes of EU Regulation No.575/2013 (CRR) relating to prudential requirements for credit institutions and investment firms (LGD - Loss Given Default).

### *3.3 Prospective information for the calculation of value adjustments*

The expected credit loss deriving from the parameters described in the previous paragraph considers macroeconomic forecasts through the application of multiple scenarios to the "forward looking" components in order to compensate the partial non-linearity naturally present in the correlation between macroeconomic changes and credit risk. Specifically the non-linearity effect was incorporated through the estimation of an overlay factor directly applied to the portfolio Expected Credit Loss (ECL).

The process defined to include macroeconomic multiple scenarios was fully consistent with macroeconomic forecast processes used by the Group for additional risk management objectives (as for example processes adopted to calculate expected credit losses from macroeconomic forecasts based on EBA stress test and ICAAP Framework) and also took advantage of independent UniCredit Research function. The starting point was therefore fully aligned while the application is differentiated in order to comply with different requirements using internal scenarios only.

In particular, the Group has selected three macroeconomic scenarios to determine the forward looking component, a baseline scenario, a positive scenario and a negative scenario.

The baseline scenario is the main scenario and indeed is expected to be the one with the highest likelihood of occurrence. The positive and the negative scenario represent alternative occurrences, either better or worse when compared to the baseline scenario in terms of evolution of the economies of the countries where the Group operates.

- The Base Scenario ("Baseline") reflects the macroeconomic evolution expected from the Group and as such is coherent with the assumptions used by the Group in the planning processes. The Baseline Scenario foresees an economic growth stable and positive, both for the Eurozone and for the CEE countries, in a context where the interest rates in the Euro area are expected to be slightly growing even though they continue to be at historical low levels. Specifically, the annual growth of the real GDP for the Eurozone is foreseen at +1.8% for 2018 and +1.5% for 2019 (with Italy at +1.2% and +1.0% and Germany at +1.9% and +1.8%, respectively), while the foreseen growth for the CEE countries is +2.4% in 2018 and +2.2% in 2019. The Scenario implies that the 3 months Euribor stays negative for 2018 and comes back near zero in 2019;
- The Positive Scenario is based on the hypothesis that the positive economic growth of 2017 both at global level and at European level might consolidate even in 2018, sustained by the trend in the global commerce and by accommodating economic policies. This would imply, for the biggest European countries, a maximum phase of the economic cycle prolonged by an year, that would reflect in a bigger growth of the annual real GDP (with respect to the baseline scenario) of about 0.2%-0.5% both in 2018 and in 2019. Specifically, the annual growth of the real GDP for the

## Part A - Accounting policies

Eurozone would grow to +2.3% for 2018 and +1.9% for 2019 (with Italy at +1.5% and +1.2% respectively) in a context of short term rates (3 months Euribor) still negatives or close to zero. The occurrence of such scenario, at the moment of its definition, is expected to be plausible and appropriate to quantify a better trend of the economy than the one assumed in the Baseline scenario;

- The Adverse Scenario reflects one of the scenarios used in the evaluation processes of the capital adequacy (ICAAP). In coherence with the ICAAP framework, the scenario has been chosen to represent one of the macroeconomic and financial risks that the Groups 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 of the European Union, caused by an increased influence of populist parties in Italy, Germany and France alongside with, among others, the extension of tension between Spanish government and Catalonia Region. This context would lead to an increase of the risk premiums for different "asset class" and to a slowdown of the economic growth both of the Eurozone (lower of about 1.5 per year with respect to the baseline scenario, in terms of real GDP) and of CEE countries (lower of about 2. points percentage, respectively). Specifically, the annual growth of the GDP in for the Eurozone would be +0.4% for 2018 and -0.1% for 2019 (with Italy to -0.2% and -1.1% respectively) in a context of rates in the short run (3 months Euribor) that would stay negative even in 2019, based on the hypothesis that the ECB would prolong in such a market context the liquidity support to markets. The likelihood of happening of such scenario, at the time of its definition, is foreseen probable and appropriate to quantify the adverse trend of the economy. In coherence with the scenario and with the magnitude of changes compared to the baseline scenario, it is assumed that the negative scenario is less likely than the positive scenario.

The forecasts in terms of changes in the "Default rate" and in the "Recovery Rate" provided by the Stress Test functions are included within the PD and LGD parameters during calibration. Credit parameters indeed, are normally calibrated over an horizon that considers the entire economic cycle ("Through-the-cycle - TTC"), it is thus necessary a "Point-in-time - PIT" calibration and a "Forward-looking - FL" one that allows to reflect in those credit parameters the current situation and the expectations about the future evolution of the economic cycle.

In this regard, the PD parameter is calculated through a normal calibration procedure, logistics or Bayesian, using as anchorage point an arithmetic average among the latest default rates observed on the portfolio and the insolvency rates foreseen by the Stress Test function. The PD determined in such way will lose his *through the cycle* nature in favour of a *Point in time* and *Forward looking* philosophy.

The LGD parameter is made *Point in time* through a scalar factor that allows to take into account the ratio between average recoveries throughout the period and recoveries achieved in previous years. The inclusion of forecast within the LGD parameter is performed by adjusting the yearly "recovery rate" implicit in this parameter to take into account the expectations of variations of recovery rates provided by the Stress Test function.

### 3.4 Sale scenarios

With particular reference to UniCredit S.p.A., the assessment of impaired exposures (Stage 3) also considered sale scenarios whereas the Group's Non-Performing Asset Strategy for the period 2018-2020 foresees the sale on the market as a recovery method.

For this purpose, the presumed recovery value of credit exposures included in the aforementioned *Non-Performing Asset Strategy* was 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 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.

In order to calculate the weighted average, the probability of sale of credit exposures is defined by the appropriate Group structures on the basis of the volume of the sales forecasted by the aforementioned *Non-Performing Asset Strategy* compared to the total gross exposure of the portfolio being valued. The probability of internal recovery is equal to the complement to 1 of probability of sale.

### 3.5 Write-off

The Group strategy concerning the management of non-performing loans that has been already communicated to the market as part of the Multi-Year Plan (MYP) in December 2017, gives precedence to the *deleveraging*<sup>19</sup> of the portfolio through several initiatives aimed at achieving the progressive full derecognition of the *Non Core* portfolio.

Write-offs complement the sale strategies<sup>20</sup> foreseen in order to actually execute the deleveraging strategy mentioned above.

<sup>19</sup> In term of reduction of the exposure of impaired loans.

<sup>20</sup> Communicated to ECB in the context of the NPE Asset strategy for the period 2018-2020.

Within the analysis of the non-performing loans portfolio of the Group, carried forward both to the end of IFRS9 First Time Application and to give actual application to the mentioned deleveraging objective, the Group has identified a set of exposures having such characteristics to require their write-off in light of the following factors:

- vintage so high that the recovery expectations are substantially nil;
- amount so small that would be not economically perform any action for credit collection;
- guarantee amount nil or non-recoverable<sup>21</sup>;
- difficulties associated with the foreclosure of the guarantee in consideration of the debtor and of the applicable legal framework.

IFRS9 requires the recognition of a write-off of the gross exposure if there are no reasonable expectations to recover a financial assets in its entirety or a portion thereof.

Write-off, that may involve either a full or a part of a financial asset, might be accounted for before that the legal actions, activated in order to recover the credit exposure, are closed and doesn't imply the forfeiture of the legal right to recover.

In order to grant compliance with the accounting standard and in consistency with the document "Guidance to banks on non-performing loans" issued by ECB<sup>22</sup> the Group has developed specific policies that assess the need to recognise a write-off such as:

- the existence of the right and of the actual possibility to recover the amounts due;
- the exposure type;
- the vintage of the exposure;
- the presence and the value of guarantees.

### 3.6 Governance

The methodological framework of the Group for the calculation of the expected credit loss in accordance with IFRS9 has been developed by Group Models Methodologies & Standards And Regional Support department, with the support, for the inclusion of the multiple scenarios component, of ICAAP & Stress Testing group department and in agreement with the corresponding departments of the main Group Legal Entities.

Models have been independently validated by Group Internal Validation department ad approved by the Group Risk & Internal Control Committee that will review any subsequent change to the methodological framework.

The change arising from the adoption of the standard have affected also the organisation and the internal governance processes. Specifically, the main changes have concerned the process of calculation of loan loss provisions for accounting purposes.

The calculation process of Loan Loss Provisions has been modified to include the adjustment in the credit parameters previously described, the calculation of the multi-period expected loss, the inclusion of macroeconomic and "forward-looking" component together with the inclusion of the selling scenarios where applicable.

In addition, a specific process has been defined for the production and sharing, between Group Legal Entities, of the multi-scenario and forward looking adjustments concerning loans to those customers that are managed by more than one entity within the Group ("Group-wide", e.g. Multinational corporation).

## 4. Other topics

### 4.1 Modification

Renegotiations of financial instruments which cause a change in contractual conditions are accounted for depending on the significance of the contractual change itself.

In particular, when renegotiations are not considered significant the gross exposure is re-determined through the calculation of the present value of cash flows following the renegotiation at the original effective interest rate.

The difference between the gross exposure before and after renegotiation, adjusted to consider changes in the related loan loss provision, is recognised in P&L as modification gain or loss.

In this regard, renegotiations achieved both by amending the original contract or by closing a new one, are considered significant when they determine the expiry of the right to receive cash flows accordingly to the original contract.

In particular, the rights to receive cash flows are considered as expired in case of renegotiations that introduce contractual clauses which determine a change in the financial instrument classification, which determine a change in the currency or which are carried out at market conditions therefore without causing credit concession.

### 4.2 Purchased or Originated Credit Impaired - POCI

When on initial recognition an exposure, presented in item "30. Financial assets at fair value through comprehensive income" or "40. Financial assets at amortised cost", is non-performing, it is qualified as "Purchased Originated Credit Impaired - POCI".

21 Not recoverable as a result of legal faults or lack of economic convenience in pursuing the recovery.

22 These document specifies, among other things, that "All banks should include in their internal policies clear guidance on the timeliness of provisions and write-offs" (Guidance to banks on non-performing loans, page 81).

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The amortised cost and the interest income generated by these assets are calculated by considering, in the estimate of future cash flows, the expected credit losses over the entire residual duration of the asset.

This expected credit loss is subject to periodic review thus determining the recognition of impairment or write-backs.

Purchased Originated Credit Impaired assets are conventionally classified on initial recognition in Stage 3.

If, as a result of an improvement in the creditworthiness of the counterparty, the assets become "performing" they are classified under Stage 2. These assets are never classified under Stage 1 because the expected credit loss is always calculated considering a time horizon equal to their residual duration.

In addition to purchased impaired assets, the Group identifies as "Purchased Originated Credit Impaired" those credit exposures that are originated in the case of restructuring of an impaired exposures which led to the provision of new finance which is deemed significant either in absolute terms or in relative terms compared with the amount of the original exposure.

### 5. Reclassifications performed as at 1 January 2018

The following tables summarise the reclassifications performed on Balance Sheet (Assets and Liabilities) based on IFRS9 initial application and 5<sup>th</sup> update of Banca d'Italia Circular 262.

#### Consolidated balance sheet

('€ '000)

ASSETS	AMOUNTS AS AT				
	12.31.2017	RECLASSIFICATION OF BALANCE SHEET VALUE ON 01.01.2018	CHANGE IN MEASUREMENT	OTHER CHANGES	01.01.2018
10. Cash and cash balances	64,493,411	-	-	-	64,493,411
20. Financial assets at fair value through profit or loss:		101,767,535	42,542	-	101,810,077
a) Financial assets held for trading		74,665,851	-	-	74,665,851
b) Financial assets designated at fair value		4	-	-	4
c) Other financial assets mandatorily at fair value		27,101,680	42,542	-	27,144,222
<i>Financial assets held for trading (ex IAS39 Item 20)</i>	<i>74,685,890</i>	<i>(74,685,890)</i>	-	-	
<i>Financial assets at fair value through profit or loss (ex IAS39 Item 30)</i>	<i>22,073,343</i>	<i>(22,073,343)</i>	-	-	
30. Financial assets at fair value through other comprehensive income		100,561,170	75,240	-	100,636,410
<i>Available-for-sale financial assets (ex IAS39 Item 40)</i>	<i>104,101,031</i>	<i>(104,101,031)</i>	-	-	
40. Financial assets at amortised cost:		523,518,237	(3,617,583)	-	519,900,654
<i>Held-to-maturity investments (ex IAS39 Item 50)</i>	<i>6,277,022</i>	<i>(6,277,022)</i>	-	-	
<i>Loans and receivables with banks (ex IAS39 Item 60)</i>	<i>70,982,743</i>	<i>(70,982,743)</i>	-	-	
<i>Loans and receivables with customers (ex IAS39 Item 70)</i>	<i>447,726,913</i>	<i>(447,726,913)</i>	-	-	
50. Hedging derivatives	3,431,070	-	-	-	3,431,070
60. Changes in fair value of portfolio hedged items (+/-)	2,244,685	-	355,909	-	2,600,594
70. Equity investments	6,212,142	-	(231)	-	6,211,911
80. Insurance reserves charged to reinsurers	-	-	-	-	-
90. Property, plant and equipment	8,449,288	174,490	-	-	8,623,778
100. Intangible assets	3,385,310	-	-	-	3,385,310
of which: goodwill	1,483,721	-	-	-	1,483,721
110. Tax assets:	12,658,279	-	190,590	-	12,848,869
a) Current	2,039,696	-	2,714	-	2,042,410
b) Deferred	10,618,583	-	187,876	-	10,806,459
120. Non-current assets and disposal groups classified as held for sale	1,110,960	-	(180)	-	1,110,780
130. Other assets	8,957,637	(174,490)	-	17,228	8,800,375
<b>Total assets</b>	<b>836,789,724</b>				<b>833,853,239</b>

The amounts reported under "Other changes" are due to the application of IFRS9 by UniCredit S.p.A. foreign branches and roundings.

continued: Consolidated balance sheet

LIABILITIES AND SHAREHOLDERS' EQUITY	AMOUNTS AS AT				'(€ '000)
	12.31.2017 <sup>(*)</sup>	RECLASSIFICATION OF BALANCE SHEET VALUE ON 01.01.2018	CHANGE IN MEASUREMENT	OTHER CHANGES	
10. Financial liabilities at amortised cost:		684,189,854	-	-	684,189,854
a) Deposits from banks		123,234,090	-	-	123,234,090
b) Deposits from customers		462,895,261	-	-	462,895,261
c) Debt securities in issue		98,060,503	-	-	98,060,503
<i>Deposits from banks (ex IAS39 Item 10)</i>	<i>123,244,080</i>	<i>(123,244,080)</i>	-	-	
<i>Deposits from customers (ex IAS39 Item 20)</i>	<i>462,895,261</i>	<i>(462,895,261)</i>	-	-	
<i>Debt securities in issue (ex IAS39 Item 30)</i>	<i>98,602,632</i>	<i>(98,602,632)</i>	-	-	
20. Financial liabilities held for trading		51,099,691	-	-	51,099,691
<i>Financial liabilities held for trading (ex IAS39 Item 40)</i>	<i>51,089,701</i>	<i>(51,089,701)</i>	-	-	
30. Financial liabilities designated at fair value		8,246,682	55,099	-	8,301,781
<i>Financial liabilities at fair value through profit or loss (ex IAS39 Item 50)</i>	<i>7,704,553</i>	<i>(7,704,553)</i>	-	-	
40. Hedging derivatives	3,567,845	-	-	1	3,567,846
50. Value adjustment of hedged financial liabilities (+/-)	3,041,990	-	4,619	-	3,046,609
60. Tax liabilities:	1,092,905	-	15,157	-	1,108,062
a) Current	651,263	-	(6,824)	-	644,439
b) Deferred	441,642	-	21,981	-	463,623
70. Liabilities associated with assets classified as held for sale	184,829	-	-	2	184,831
80. Other liabilities	15,573,476	-	(782,024)	17,228	14,808,680
90. Provision for employee severance pay	917,284	-	-	-	917,284
100. Provisions for risks and charges	8,650,468	-	1,090,511	-	9,740,979
110. Technical reserves	-	-	-	-	-
120. Valuation reserves	(4,327,092)	-	(323,719)	-	(4,650,811)
130. Redeemable shares	-	-	-	-	-
140. Equity instruments	4,610,073	-	-	-	4,610,073
150. Reserves	19,296,907	-	(3,003,623)	-	16,293,284
160. Share premium	13,399,799	-	-	-	13,399,799
170. Share capital	20,880,550	-	-	-	20,880,550
180. Treasury shares (-)	(2,695)	-	-	-	(2,695)
190. Minority shareholders' equity (+/-)	894,083	-	(9,769)	-	884,314
200. Profit (Loss) for the period (+/-)	5,473,075	-	-	33	5,473,108
<b>Total liabilities and shareholders' equity</b>	<b>836,789,724</b>				<b>833,853,239</b>

**Note:**

(\*) Note that the amounts presented in column "12.31.2017" for the categories "Financial liabilities held for trading (ex IAS39 Item 40)" and "Financial liabilities at fair value through profit or loss (ex IAS39 Item 50)" differ from those published in UniCredit group's Consolidated Reports and Accounts as at 31 December 2017 as a result of a reclassification of deposit certificates for an amount of €4,694,024 thousand in order to grant the homogeneous classification of this type of liabilities within the Group.

The amounts reported under "Other changes" are due to the application of IFRS9 by UniCredit S.p.A. foreign branches and roundings.

**5.1 Reclassification of financial instruments performed as at 1 January 2018**

With reference to the reclassifications of financial instruments in application of the new accounting standard, the following tables show separately for financial assets and liabilities:

- the portfolio under IAS39 and the related closing balance as at 31 December 2017;
- the reclassification of this balance in the various IFRS9 portfolios;
- the effects from application of the measurement criteria envisaged by IFRS9;
- the opening IFRS9 balance as at 1 January 2018.

## Part A - Accounting policies

### Reclassification of financial assets

#### Legend

A: Reclassification of former IAS39 book value

B: Change in measurement

C: New book value as per IFRS9

IAS39 CATEGORY		NEW IFRS9 CATEGORY (€ '000)					
	BOOK VALUE AS AT 12.31.2017 IAS39	FINANCIAL ASSETS HELD FOR TRADING			FINANCIAL ASSETS DESIGNATED AT FAIR VALUE		
		A	B	C	A	B	C
Financial assets held for trading	74,685,890	74,665,851	-	74,665,851	-	-	-
Financial assets at Fair Value through profit or loss	22,073,343	-	-	-	4	-	4
Available for sale financial assets	104,101,031	-	-	-	-	-	-
Held to Maturity Investments	6,277,022	-	-	-	-	-	-
Loans to Banks	70,982,743	-	-	-	-	-	-
Loans to Customers	447,726,913	-	-	-	-	-	-
IFRS9 Total				74,665,851			4

IAS39 CATEGORY		NEW IFRS9 CATEGORY (€ '000)					
	BOOK VALUE AS AT 12.31.2017 IAS39	FINANCIAL ASSETS MANDATORY AT FAIR VALUE			FINANCIAL ASSETS AT FAIR VALUE THROUGH COMPREHENSIVE INCOME		
		A	B	C	A	B	C
Financial assets held for trading	74,685,890	4,202	-	4,202	15,837	-	15,837
Financial assets at Fair Value through profit or loss	22,073,343	22,073,339	-	22,073,339	-	-	-
Available for sale financial assets	104,101,031	1,719,442	46,365	1,765,807	99,984,921	23,967	100,008,888
Held to Maturity Investments	6,277,022	747,692	12,323	760,015	431,425	17,240	448,665
Loans to Banks	70,982,743	395,299	17,892	413,191	128,987	34,033	163,020
Loans to Customers	447,726,913	2,161,706	(34,038)	2,127,668	-	-	-
IFRS9 Total				27,144,222			100,636,410

IAS39 CATEGORY		NEW IFRS9 CATEGORY (€ '000)					
	BOOK VALUE AS AT 12.31.2017 IAS39	FINANCIAL ASSETS AT AMORTISED COST			TOTAL		
		A	B	C	A	B	C
Financial assets held for trading	74,685,890	-	-	-	74,685,890	-	74,685,890
Financial assets at Fair Value through profit or loss	22,073,343	-	-	-	22,073,343	-	22,073,343
Available for sale financial assets	104,101,031	2,396,668	(331,536)	2,065,132	104,101,031	(261,204)	103,839,827
Held to Maturity Investments	6,277,022	5,097,905	(3,043)	5,094,862	6,277,022	26,520	6,303,542
Loans to Banks	70,982,743	70,458,457	(4,118)	70,454,339	70,982,743	47,807	71,030,550
Loans to Customers	447,726,913	445,565,207	(3,278,886)	442,286,321	447,726,913	(3,312,924)	444,413,989
IFRS9 Total				519,900,654			

The reclassification of financial assets shows:

- with reference to financial assets previously classified under item "20. Financial assets held for trading" and "30. Financial assets at fair value through profit or loss" their almost complete classification in the analogous categories foreseen by IFRS9. It must be noted that the execution of the SPPI Test has required embedded derivatives (15.837) previously bifurcated and classified in financial assets held for trading according to IAS39 rules, to be re-conducted in the host instrument classification category;
- with reference to financial assets previously classified under item "40. Available-for-sale-financial assets":
  - the almost complete reclassification of debt securities (€101,101,315 thousand) in item "30. Financial assets at fair value through comprehensive income" (€98,099,003 thousand). The remaining part was reclassified under item "20. c) Other financial assets mandatorily at fair value" or in item "40. Financial assets at amortised cost" due to the characteristics of cash flows, which do not allow for classification as Financial assets at fair value through comprehensive income despite a "held to collect and sell" business model or to better reflect the "held to collect" business model associated with these financial instruments;

With reference to the reclassifications to financial assets at amortised cost, it should be noted that this transfer had a negative effect of -€331,571 thousand due to the simultaneous reversal of previously recognised revaluation reserves and the recognition of impairment on these instruments;

- the classification of equity instruments (€2,254,426 thousand) in item "30. Financial assets at fair value through comprehensive income" (€1,901,753 thousand) given the nature of the relationship and/or the characteristics of the instrument. The remaining part was classified under item "20.c) Other financial assets mandatorily at fair value". In this case the revaluation reserve have been reclassified in item "150. Reserves". Note that, as a result of IFRS9 that does no longer allow to measure equity instrument at cost when their fair value is deemed not to be reliable, revaluation effects for €75,590 thousand were recognised. These effects have been recognised either in time "120. Valuation Reserve" or in item "150. Reserves" depending on the classification category;
- the classification of units in investment funds (€726,245 thousand) in item "20.c) Other financial assets mandatorily at fair value" also due to regulatory clarifications according to which these instruments cannot be considered as equity instruments with consequent recognition of the related revaluation reserves recognised under IAS39 in item "150. Reserves";
- the reclassification of loans (€19,045 thousand) in item "40. Financial assets at amortised cost" in order to better reflect the "held to collect" business model associated with these financial instruments;

- with reference to financial assets previously classified under item "50. Financial assets held to maturity", consisting exclusively of debt securities (€6,277,022 thousand), they were mainly classified under item "40. Financial assets at amortised cost" (€5,097,905 thousand). This reclassification had a negative effect of -€3,043 thousand due to application of the new impairment rules. The remaining part of the portfolio was reclassified in item "20.c) Other financial assets mandatorily at fair value" (€747,692 thousand) following failure of the SPPI test or in item "30. Financial assets at fair value through comprehensive income" (€431,425 thousand) to reflect the changed business model. The necessary re-measurement of these positions at fair value had positive balance sheet effects of €29,563 thousand;
- with reference to financial assets previously classified under item "60. Loans and receivables with banks" (€70,982,743 thousand) consisting of both loans and debt securities, they were almost entirely classified (€70,458,457 thousand) under item "40. Financial assets at amortised cost". This reclassification had a negative effect of €4,118 thousand due to application of the new impairment rules. The remaining part has been reclassified in item "20.c) Other financial assets mandatorily measured at fair value" due to the characteristics of the cash flows or, as regards debt securities, in item "30. Financial assets at fair value through comprehensive" income to reflect the changed business model associated with these positions. These reclassifications had a positive impact on shareholders' equity of €51,925 thousand arising from fair value measurement;
- with reference to financial assets previously classified under item "70. Loans and receivables with customers" (€447,726,913 thousand) consisting of both loans and debt securities, they were almost entirely classified (€445,565,207 thousand) under item "40. Financial assets at amortised cost". This reclassification had a negative effect of €3,278,886 thousand due to application of the new impairment rules. The remaining part has been reclassified in item "20.c) Other financial assets mandatorily at fair value" (€2,161,706 thousand) due to the characteristics of the cash flows. These reclassifications had a positive impact on shareholders' equity of €34,038 thousand arising from fair value measurement.

As regards financial assets reclassified in item "30. Financial assets at fair value through comprehensive income", it should be noted that the table does not include the effects from application of impairment rules on these instruments.

These effects, however, do not have an impact on shareholders' equity since, according to the rules of the standard, the impairment leads to recognition upon first application of a negative reserve in item "150. Reserves" which is offset by an increase of equal amount in item "120. Valuation reserves".

## Part A - Accounting policies

The following table focuses on the reclassification from "Available-for-sale-financial assets", according to IAS39, to "Financial assets at amortised cost", according to IFRS9, in order to represent, both for debt securities and loans, the carrying value as at 30 June 2018, Fair Value that would have been accounted for at the same date in case of no reclassification in FTA and the consequent changes in Fair Value that would have been recognised in the period.

INSTRUMENTS TYPE	ACCOUNTING PORTFOLIO UNDER IAS39	ACCOUNTING PORTFOLIO UNDER IFRS9	CARRYING AMOUNT AS AT	FAIR VALUE AS AT	FAIR VALUE GAINS OR LOSSES ABSENT RECLASSIFICATION	(€ '000)
						(€ '000)
			06.30.2018	06.30.2018		(€ '000)
Financial Assets reclassified from Available for sale (AFS) to Financial Assets at amortised cost						
1. Debt securities	AFS	AC	1,789,499	2,059,718	(36,458)	
2. Loans	AFS	AC	14,799	14,174	(625)	
<b>Total</b>			<b>1,804,298</b>	<b>2,073,892</b>	<b>(37,083)</b>	

### Reclassification of financial liabilities<sup>23</sup>

A: Reclassification of former IAS39 book value

B: Change in measurement

C: New IFRS9 book value

IAS39 CATEGORY		NEW IFRS9 CATEGORY						(€ '000)
	BOOK VALUE AS AT 12.31.2017 IAS39	FINANCIAL LIABILITIES AT AMORTISED COST - DEPOSITS FROM BANKS			FINANCIAL LIABILITIES AT AMORTISED COST - DEPOSITS FROM CUSTOMERS			
		A	B	C	A	B	C	
Deposits from banks	123,244,080	123,234,090	-	123,234,090	-	-	-	-
Deposits from customers	462,895,261	-	-	-	462,895,261	-	462,895,261	
Debt securities in issue	98,602,632	-	-	-	-	-	-	-
Financial liabilities held for trading	51,089,701	-	-	-	-	-	-	-
Financial liabilities at fair value through P&L	7,704,553	-	-	-	-	-	-	-
<b>IFRS9 total</b>				<b>123,234,090</b>				<b>462,895,261</b>

IAS39 CATEGORY		NEW IFRS9 CATEGORY						(€ '000)
	BOOK VALUE AS AT 12.31.2017 IAS39	FINANCIAL LIABILITIES AT AMORTISED COST - DEBT SECURITIES IN ISSUE			FINANCIAL LIABILITIES HELD FOR TRADING			
		A	B	C	A	B	C	
Deposits from banks	123,244,080	-	-	-	9,990	-	9,990	
Deposits from customers	462,895,261	-	-	-	-	-	-	-
Debt securities in issue	98,602,632	98,060,503	-	98,060,503	-	-	-	-
Financial liabilities held for trading	51,089,701	-	-	-	51,089,701	-	51,089,701	
Financial liabilities at fair value through P&L	7,704,553	-	-	-	-	-	-	-
<b>IFRS9 total</b>				<b>98,060,503</b>				<b>51,099,691</b>

<sup>23</sup> Note that the amounts presented in column "Book value as at 31 December 2017 IAS39" for the categories "Financial liabilities held for trading" and "Financial liabilities at fair value through profit or loss" differ from those published in UniCredit group's Consolidated Reports and Accounts as at 31 December 2017 as a result of a reclassification of deposit certificates for an amount of €4,694,024 thousand in order to grant the homogeneous classification of this type of liabilities within the Group.

As at 1 January 2018 the related accumulated changes in FV from the issuance date, related to changes in own credit risk, have been accounted for under item "120. Valuation reserves" with a corresponding effect under item "150. Reserves" for an amount equal to -€21,427 thousand.

IAS39 CATEGORY		NEW IFRS9 CATEGORY						(€ '000)
	BOOK VALUE AS AT 12.31.2017 IAS39	FINANCIAL LIABILITIES DESIGNATED AT FAIR VALUE THROUGH PROFIT OR LOSS			TOTAL			
		A	B	C	A	B	C	
Deposits from banks	123,244,080	-	-	-	123,244,080	-	-	123,244,080
Deposits from customers	462,895,261	-	-	-	462,895,261	-	-	462,895,261
Debt securities in issue	98,602,632	542,129	55,099	597,228	98,602,632	55,099	98,657,731	
Financial liabilities held for trading	51,089,701	-	-	-	51,089,701	-	-	51,089,701
Financial liabilities at fair value through P&L	7,704,553	7,704,553	-	7,704,553	7,704,553	-	-	7,704,553
<b>IFRS9 total</b>				<b>8,301,781</b>				

The reclassification of financial liabilities highlights a substantial continuity of the classifications compared to those applied according to IAS39, taking also into account the change of the name of the various categories following the implementation of the 5<sup>th</sup> update of Circular 262. As regards financial liabilities recorded in item "30. Financial liabilities designated at fair value", the cumulative fair value changes deriving from changes in own creditworthiness as of the issue date have been reported in item "120. Valuation reserves" in application of the rules established by IFRS9.

As regards the financial liabilities previously recorded in item "50. Financial liabilities at fair value", the application of this rule does not affect the shareholders' equity but leads to a transfer between item "150. Reserves" and item "120. Valuation reserves".

## 5.2 Loan Loss Provisions

With reference to impairment, the following table shows, as at 1 January 2018, the gross exposure and value adjustments broken down by accounting portfolio and by classification stage.

	GROSS AMOUNT			LOAN LOSS PROVISIONS			NET EXPOSURE		
	S1	S2	S3	S1	S2	S3	S1	S2	S3
<b>Item 30. Financial assets at fair value through other comprehensive income</b>	<b>98,145,268</b>	<b>593,530</b>	-	<b>(18,698)</b>	<b>(9,340)</b>	-	<b>98,126,570</b>	<b>584,190</b>	-
- Debt securities	98,145,268	593,530	-	(18,698)	(9,340)	-	98,126,570	584,190	-
- Loans and advances with banks	-	-	-	-	-	-	-	-	-
- Loans and advances with customers	-	-	-	-	-	-	-	-	-
<b>Item 40. Financial assets measured at amortised cost</b>	<b>454,187,232</b>	<b>49,966,237</b>	<b>45,631,457</b>	<b>(1,029,621)</b>	<b>(1,793,842)</b>	<b>(27,060,809)</b>	<b>453,157,611</b>	<b>48,172,395</b>	<b>18,570,648</b>
- Debt securities	16,821,949	329,959	79,735	(14,671)	(49,590)	(20,635)	16,807,278	280,369	59,100
- Loans and advances with banks	67,262,774	1,458,492	53,676	(21,864)	(5,532)	(48,336)	67,240,910	1,452,960	5,340
- Loans and advances with customers	370,102,509	48,177,786	45,498,046	(993,086)	(1,738,720)	(26,991,838)	369,109,423	46,439,066	18,506,208

The amount of loan loss provision on commitments and guarantees given amount to €1,090,289 thousand as reported in the Balance sheet Liabilities in item "100.a) Provisions for risks and charges: commitments and guarantees given".

## Part A - Accounting policies

With reference to impairment on cash exposures the following tables show:

- a) the portfolio under IAS39 and the related closing balance as at 31 December 2017;
- b) the reclassification of this balance in the various IFRS9 portfolios;
- c) the effects from application of the measurement criteria envisaged by IFRS9;
- d) the opening IFRS9 balance as at 1 January 2018.

IAS39 CATEGORY	PERFORMING	NON-PERFORMING	TOTAL
	CUMULATED WRITEDOWNS (EX IAS39)	CUMULATED WRITEDOWNS (EX IAS39)	CUMULATED WRITEDOWNS (EX IAS39)
20. Financial assets held for trading	-	-	-
30. Financial assets at fair value through profit or loss	-	-	-
40. Financial assets available for sale	-	24,750	24,750
50. Held to maturity investments	-	1,120	1,120
60. Loans and receivables with banks	25,293	50,283	75,576
70. Loans and receivables with customers	2,014,712	27,240,342	29,255,054
<b>Total</b>	<b>2,040,005</b>	<b>27,316,495</b>	<b>29,356,500</b>

IAS39 CATEGORY	PERFORMING								
	FINANCIAL ASSETS MANDATORY AT FAIR VALUE			FINANCIAL ASSETS AT FV THROUGH OTHER COMPREHENSIVE INCOME			FINANCIAL ASSETS MEASURED AT AMORTISED COST		
	CUMULATED WRITEDOWNS (EX IAS39)	CHANGE IN MEASUREMENT	CUMULATED WRITEDOWNS (EX IFRS9)	CUMULATED WRITEDOWNS (EX IAS39)	CHANGE IN MEASUREMENT	CUMULATED WRITEDOWNS (EX IFRS9)	CUMULATED WRITEDOWNS (EX IAS39)	CHANGE IN MEASUREMENT	CUMULATED WRITEDOWNS (EX IFRS9)
20. Financial assets held for trading	-	-	-	-	-	-	-	-	-
30. Financial assets at fair value through profit or loss	-	-	-	-	-	-	-	-	-
40. Financial assets available for sale	-	-	-	-	28,038	28,038	-	3,222	3,222
50. Held to maturity investments	-	-	-	-	-	-	-	2,575	2,575
60. Loans and receivables with banks	-	-	-	-	-	-	25,293	(27,056)	(1,763)
70. Loans and receivables with customers	3,777	(3,777)	-	-	-	-	2,010,935	808,494	2,819,429
<b>Total</b>	<b>3,777</b>	<b>(3,777)</b>	<b>-</b>	<b>-</b>	<b>28,038</b>	<b>28,038</b>	<b>2,036,228</b>	<b>787,235</b>	<b>2,823,463</b>

IAS39 CATEGORY	NON-PERFORMING								€ '000
	FINANCIAL ASSETS MANDATORY AT FAIR VALUE			FINANCIAL ASSETS AT FV THROUGH OTHER COMPREHENSIVE INCOME			FINANCIAL ASSETS MEASURED AT AMORTISED COST		
	CUMULATED WRITEDOWNS (EX IAS39)	CHANGE IN MEASUREMENT	CUMULATED WRITEDOWNS (EX IFRS9)	CUMULATED WRITEDOWNS (EX IAS39)	CHANGE IN MEASUREMENT	CUMULATED WRITEDOWNS (EX IFRS9)	CUMULATED WRITEDOWNS (EX IAS39)	CHANGE IN MEASUREMENT	CUMULATED WRITEDOWNS (EX IFRS9)
20. Financial assets held for trading	-	-	-	-	-	-	-	-	-
30. Financial assets at fair value through profit or loss	-	-	-	-	-	-	-	-	-
40. Financial assets available for sale	20,042	(20,042)	-	42	(42)	-	4,666	-	4,666
50. Held to maturity investments	-	-	-	-	-	-	1,120	-	1,120
60. Loans and receivables with banks	2,904	(2,904)	-	-	-	-	47,379	(320)	47,059
70. Loans and receivables with customers	129,638	(129,638)	-	-	-	-	27,110,704	(102,740)	27,007,964
<b>Total</b>	<b>152,584</b>	<b>(152,584)</b>	<b>-</b>	<b>42</b>	<b>(42)</b>	<b>-</b>	<b>27,163,869</b>	<b>(103,060)</b>	<b>27,060,809</b>

With reference to impairment off-balance exposures the following table show:

- the closing balance as at 31 December 2017;
- the effects from application of the measurement criteria envisaged by IFRS9;
- the opening IFRS9 balance as at 1 January 2018.

IAS39 CATEGORY	PERFORMING			NON-PERFORMING		TOTAL		€ '000
	CUMULATED WRITEDOWNS (EX IAS39)	CHANGE IN MEASUREMENT	CUMULATED WRITEDOWNS (EX IFRS9)	CUMULATED WRITEDOWNS (EX IAS39)	CHANGE IN MEASUREMENT	CUMULATED WRITEDOWNS (EX IFRS9)	CUMULATED WRITEDOWNS (EX IAS39)	
Off-balance sheet exposures	124,703	172,351	297,054	625,540	167,695	793,235	750,243	1,090,289

Note that the item "change in measurement" includes, in addition to the effects deriving from the adoption of new IFRS9 loan loss provision calculation rules, the impacts linked to the reversal of penalty interest from loan loss provisions as requested by the 5<sup>th</sup> update of Banca d'Italia Circular 262, the impact of write-off of some credit exposures included in the NPL strategy and the impact coming from the reclassification of some exposures to portfolio evaluated at fair value through profit or loss.

### 5.3 Further reclassifications carried out as at 1 January 2018 in compliance with IFRS9 and the 5<sup>th</sup> update of Circular 262

The widespread impact of the introduction of the IFRS9 principle is further demonstrated by the fact that the impacts arising from its adoption have determined effects not only on the single financial asset and liabilities but also on other items relating to the latter.

## Part A - Accounting policies

In this regard the following should be noted:

- the item "Changes in fair value of portfolio hedged items" (assets and liabilities) that as at 31 December 2017 respectively amounted to €2,244,685 thousand and €3,041,990 thousand turn to €2,600,594 thousand and €3,046,609 thousand. Those differences relate to the reclassification of assets and liabilities subject to "macro-hedging" relationship in item "20.c) Other financial assets mandatorily at fair value" with their consequent exclusion from hedging relationship;
- the item "Equity investments", that as at 31 December 2017 amounted to € 6,212,142 thousand now amount to €6,211,911 thousand due to the first application of IFRS9 by subsidiaries measured using the Equity method;
- the item "Non-current assets and disposal groups classified as held for sale" and associated liabilities that as at 31 December 2017 respectively amounted to €1,110,960 thousand and €184,829 thousand now amount to €1,110,780 thousand and €184,831 thousand due to the application of IFRS9 by Legal Entities Held for Sale whose assets and liabilities have been reported in the abovementioned items according to IFRS5;
- tax assets and liabilities that as at 31 December 2017 amounted respectively to €12,658,279 thousand and €1,092,905 thousand now amount to €12,848,869 thousand and 1,108,062 thousand as a result of tax effects on the accounting changes resulting from IFRS9 application;
- the other assets, which amounted to €8.957.637 thousand as at 31 December 2017, amount to €8.800.375 thousand due to both the application of 5<sup>th</sup> update of Circular 262 which clarified that tangible assets accounted for in accordance with the provisions of IAS2 must be recorded in item "90. Tangible assets" rather than in item "Other Assets" and the application of IFRS9 by UniCredit S.p.A. foreign branches.
- the other liabilities, which amounted to €15.573.476 thousand as at 31 December 2017, becomes equal to €14.808.680 thousand due to both the application of the 5<sup>th</sup> update of Circular 262 which clarified that provisions for off-balance sheet exposures must be shown in item "100. Provisions for risks and charges" rather than in item "Other liabilities" and the application of IFRS9 by UniCredit S.p.A. foreign branches.

### 6. Impacts on regulatory capital arising from the application of IFRS9

The following chart illustrates the capital adequacy as at 1 January 2018 arising from the application of IFRS9 and the published amounts as at 31 December 2017 (IAS39).

ITEMS/VALUES	€ '000)			
	1.1.2018 (IFRS9)	WEIGHTED ASSETS/ REQUIREMENTS	12.31.2017 (IAS39)	WEIGHTED ASSETS/ REQUIREMENTS
<b>A. RISK ASSETS</b>				
<b>A.1 Credit and counterparty risk</b>	<b>866,669,910</b>	<b>307,336,909</b>	<b>867,501,479</b>	<b>307,186,610</b>
1. Standard approach	398,660,197	151,029,653	399,466,403	150,944,503
2. IRB approach	446,926,189	154,091,252	446,933,095	154,020,456
2.1 Foundation	15,548,971	10,234,518	15,441,149	10,177,945
2.2 Advanced	431,377,218	143,856,734	431,491,946	143,842,511
3. Securitisations	21,083,524	2,216,004	21,101,981	2,221,651
<b>B. CAPITAL REQUIREMENTS</b>				
<b>B.1 Credit and counterparty risk</b>	<b>24,586,953</b>		<b>24,574,929</b>	
<b>B.2 Credit valuation adjustment risk</b>	<b>250,621</b>		<b>250,621</b>	
<b>B.3 Settlement risk</b>	<b>1,359</b>		<b>1,359</b>	
<b>B.4 Market risk</b>	<b>1,032,485</b>		<b>1,032,485</b>	
1. Standard approach	144,817		144,817	
2. Internal model	887,668		887,668	
3. Concentration risk	-		-	
<b>B.5 Operational risk</b>	<b>2,602,224</b>		<b>2,602,224</b>	
1. Basic indicator approach	223,778		223,778	
2. Traditional standardised approach	294,426		294,426	
3. Advanced measurement approach	2,084,020		2,084,020	
<b>B.6 Other calculation elements</b>	<b>26,400</b>		<b>26,400</b>	
<b>B.7 Total capital requirements</b>	<b>28,500,041</b>		<b>28,488,017</b>	
<b>C. RISK ASSETS AND CAPITAL RATIO</b>				
<b>C.1 Risk weighted assets</b>	<b>356,250,520</b>		<b>356,100,221</b>	
<b>C.2 Common Equity Tier 1 Capital/Risk weighted assets (CET1 capital ratio)</b>		<b>12.80%</b>		<b>13.73%</b>
<b>C.3 Tier 1 Capital/Risk weighted assets (Tier 1 capital ratio)</b>		<b>14.44%</b>		<b>15.36%</b>
<b>C.4 Total Own Funds/Risk weighted assets (Total capital ratio)</b>		<b>17.19%</b>		<b>18.10%</b>

On 1 January 2018 CET1 Capital ratio is calculated excluding the negative impacts arising from first time adoption of IFRS9 by a joint venture that is accounted for according to the equity method, as previously described.

## 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 to the 2017 Consolidated Reports and Accounts, with the exception of items coming from IFRS9 adoption for which refer to Section 5 - Other matters.

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

There are no transfers between portfolios of financial assets.

## A.4 - Information on fair value

### Qualitative information on fair value

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

Fair value is the price that could 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 the 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, the dealer, the broker, the 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.

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.

## Part A - Accounting policies

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 "executability" 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<sup>(24)</sup>. 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, 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.

##### ***Structured financial products***

The fair value of structured financial products not quoted is determined 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***

Since 2009, UniCredit's valuation process relies on internal policies centred on:

- 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.

<sup>24</sup> 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.

### *Derivatives*

Fair value of derivatives not traded in an active market is determined using a *mark-to-model* valuation technique. In such cases, 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 classified 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 which reflects the actual exit price of a certain position.

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 29 June 2018, net CVA/DVA cumulative adjustment, relating to performing counterparts, amounts to €136 million negative. The part related to own credit spread evolution, which is filtered out from regulatory capital (accordingly to CRDIV), amounts to €34 million positive.

#### *Funding Cost and Benefit Adjustment (FCA/FBA)*

Funding Valuation Adjustment (FundVA) is the sum of a Funding Cost Adjustment (FCA) and 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.

## Part A - Accounting policies

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.

### *Cash and cash balances*

Cash and cash balances are not carried at fair value on the Consolidated Balance Sheets, but they are 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 and Receivables 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 localization, 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 Pricing 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.

#### *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.

## Part A - Accounting policies

### *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. The *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.

### **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.

## Part A - Accounting policies

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 FV 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 FV 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.

## Quantitative information on fair value

### **A.4.5 Fair value hierarchy**

The following tables show the portfolios breakdown in terms of (i) financial assets and liabilities valued at fair value as well as (ii) assets and liabilities not measured at fair value or measured at fair value on a non-recurring basis, according to the above-mentioned levels.

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

FINANCIAL ASSETS/LIABILITIES MEASURED AT FAIR VALUE	AMOUNTS AS AT 06.30.2018		
	LEVEL 1	LEVEL 2	LEVEL 3
1. Financial assets at fair value through profit or loss	44,928,837	56,530,070	4,314,600
a) Financial assets held for trading	37,250,227	44,325,896	1,685,436
b) Financial assets designated at fair value	3	103	-
c) Financial assets mandatorily at fair value	7,678,607	12,204,071	2,629,164
2. Financial assets at fair value through other comprehensive income	88,224,741	10,647,365	1,045,311
3. Hedging derivatives	50,880	3,235,890	314
4. Property, plant and equipment	-	-	46,412
5. Intangible assets	-	-	-
<b>Total</b>	<b>133,204,458</b>	<b>70,413,325</b>	<b>5,406,637</b>
1. Financial liabilities held for trading	14,362,035	36,718,737	1,372,874
2. Financial liabilities designated at fair value	419,716	7,747,439	357,340
3. Hedging derivatives	1,688,429	1,639,382	58,063
<b>Total</b>	<b>16,470,180</b>	<b>46,105,558</b>	<b>1,788,277</b>

Transfers between level of fair value occurring between 31 December 2017 and 30 June 2018 mainly reflect the evolution of market of reference in the period and the enhancement of processes for fair value level attribution in some Group entities.

The item "1. c) Financial assets mandatorily at fair value" at level 3 as at 30 June 2018 includes the investments in Atlante and Italian Recovery Fund, former Atlante II (carrying value €353 million) and in "Schema Volontario" (carrying value €5 million).

See Part B - Section 2 - Financial assets mandatorily at fair value income for further information.

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 & loss (financial assets held for trading, designated at fair value and mandatorily at fair value) for approximately €423 million;
  - of financial assets measured at fair value through reserves (financial assets at fair value through other comprehensive income) for approximately €48 million;
  - of financial liabilities measured at fair value through profit & loss (financial liabilities held for trading and designated at fair value) for approximately €8 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 process:
  - of financial assets measured at fair value through profit & loss (financial assets held for trading, designed at fair value and mandatorily at fair value) for approximately €1,708 million;
  - of financial assets measured at fair value through reserves (financial assets at fair value through other comprehensive income) for approximately €305 million;
  - of financial liabilities measured at fair value through profit & loss (financial liabilities held for trading and designed at fair value) for approximately €2 million.

The table prepared pursuant to IAS39 and to previous Circular 262 of Banca d'Italia (4<sup>th</sup> update of 15 December 2015) is reported below for the purpose of comparability.

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

(€ '000)

FINANCIAL ASSETS/LIABILITIES MEASURED AT FAIR VALUE	AMOUNTS AS AT 12.31.2017		
	LEVEL 1	LEVEL 2	LEVEL 3
1. Financial assets held for trading	33,318,221	39,882,888	1,484,781
2. Financial assets at fair value through P&L	7,067,178	14,960,870	45,295
3. Available for sale financial assets	92,344,616	9,806,925	1,488,481
4. Hedging derivatives	1	3,428,674	2,395
5. Property, plant and equipment	-	-	47,380
6. Intangible assets	-	-	-
<b>Total</b>	<b>132,730,016</b>	<b>68,079,357</b>	<b>3,068,332</b>
1. Financial liabilities held for Trading	14,994,487	38,874,678	1,914,560
2. Financial liabilities at fair value through P&L	-	2,980,270	30,259
3. Hedging derivatives	79	3,509,219	58,547
<b>Total</b>	<b>14,994,566</b>	<b>45,364,167</b>	<b>2,003,366</b>

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

(€ '000)

	CHANGES IN FIRST HALF 2018							
	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 VALUE	OF WHICH: C) FINANCIAL ASSETS MANDATORILY AT FAIR VALUE	FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME			
1. Opening balances	3,738,773	1,451,193	1	2,287,579	1,070,251	2,394	47,380	-
2. Increases	1,539,846	987,034	-	552,812	214,883	4,412	1,681	-
2.1 Purchases	845,311	596,379	-	248,932	9,342	-	-	-
2.2 Profits recognised in	399,087	295,992	-	103,095	26,194	316	-	-
2.2.1 Income statement	399,087	295,992	-	103,095	35	316	-	-
- of which unrealised gains	262,574	187,414	-	75,160	-	-	-	-
2.2.2 Equity	X	X	X	X	26,159	-	-	-
2.3 Transfers from other levels	70,364	63,643	-	6,721	-	-	-	-
2.4 Other increases	225,084	31,020	-	194,064	179,347	4,096	1,681	-
3. Decreases	964,019	752,791	1	211,227	239,823	6,492	2,649	-
3.1 Sales	333,786	311,266	-	22,520	40,987	-	-	-
3.2 Redemptions	1,776	68	-	1,708	134	-	-	-
3.3 Losses recognised in	403,496	357,012	-	46,484	29,055	2,271	625	-
3.3.1 Income statement	403,496	357,012	-	46,484	163	293	625	-
- of which unrealised losses	236,710	200,832	-	35,878	-	-	625	-
3.3.2 Equity	X	X	X	X	28,892	1,978	-	-
3.4 Transfers to other levels	82,267	36,693	-	45,574	-	-	-	-
3.5 Other decreases	142,694	47,752	1	94,941	169,647	4,221	2,024	-
4. Closing balances	4,314,600	1,685,436	-	2,629,164	1,045,311	314	46,412	-

The items "2. Increases" and "3. Decreases" in financial assets are included in the profit and loss in the following items:

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

## Part A - Accounting policies

The sub-item "2.2 Profits" and the sub-item "3.3 Losses" on fair value on financial assets at fair value through other comprehensive income are accounted in item "120. Revaluation reserves" of Shareholder's Equity, with the exception of impairment and gains and losses on exchange rates on monetary assets (liabilities) which are reported respectively within item "130. Net losses/recoveries on credit impairment: b) financial assets/liabilities at fair value through other comprehensive income" and item "80. Gains and losses on financial assets and liabilities held for trading" until the financial asset is not sold, instant in which cumulative gains and losses are reported at Income Statement at item "100. b) Gains and losses on financial assets at fair value through other comprehensive".

Transfers between levels of fair value occurring between 31 December 2017 and 30 June 2018 mainly reflect the evolution of market of reference in the period and the enhancement of processes for fair value level attribution in some Group entities and mostly refer to exposure held by UniCredit Bank AG.

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

	CHANGES IN FIRST HALF 2018		
	FINANCIAL LIABILITIES HELD FOR TRADING	FINANCIAL LIABILITIES DESIGNATED AT FAIR VALUE	HEDGING DERIVATIVES
<b>1. Opening balances</b>	<b>1,380,019</b>	<b>581,280</b>	<b>58,546</b>
<b>2. Increases</b>	<b>803,076</b>	<b>106,987</b>	<b>17,115</b>
2.1 Issuance	363,179	75,765	-
2.2 Losses recognised in	398,840	6,872	16,276
2.2.1 Income statement	398,840	6,461	8,708
- of which unrealised losses	257,431	5,473	-
2.2.2 Equity	X	411	7,568
2.3 Transfers from other levels	29,703	23,803	-
2.4 Other increases	11,354	547	839
<b>3. Decreases</b>	<b>810,221</b>	<b>330,927</b>	<b>17,598</b>
3.1 Redemptions	311,907	12,466	-
3.2 Purchases	-	128,989	-
3.3 Profits recognised in	300,415	5,403	13,747
3.3.1 Income statement	300,415	5,403	13,747
- of which unrealised gains	248,168	5,098	-
3.3.2 Equity	X	-	-
3.4 Transfers to other levels	158,148	181,675	-
3.5 Other decreases	39,751	2,394	3,851
<b>4. Closing balances</b>	<b>1,372,874</b>	<b>357,340</b>	<b>58,063</b>

The items "2. Increases" and "3. Decreases" in financial assets are included in the profit and loss in the following items:

- Item 80: Gains and losses on financial assets and liabilities held for trading;
- Item 90: Fair value adjustments in 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 between 31 December 2017 and 30 June 2018 mainly reflect the evolution of market of reference in the period and the enhancement of processes for fair value level attribution in some Group entities and mostly refer to exposure held by UniCredit Bank AG.





## Part B - Consolidated balance sheet

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## Part B - Consolidated balance sheet - Assets

### Assets

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

##### 2.1 Financial assets held for trading: breakdown by product

ITEMS/VALUES	(€ '000)				
	AMOUNTS AS AT	06.30.2018	LEVEL 1	LEVEL 2	LEVEL 3
<b>A. Financial assets (non-derivatives)</b>					
1. Debt securities	18,860,791	2,889,432	18,860,791	2,889,432	645,817
1.1 Structured securities	150,998	1,735,165	150,998	1,735,165	111
1.2 Other debt securities	18,709,793	1,154,267	18,709,793	1,154,267	645,706
2. Equity instruments	12,701,487	6,086	12,701,487	6,086	4,864
3. Units in investment funds	2,447,717	176,995	2,447,717	176,995	6,667
4. Loans	1,335,364	8,519,355	1,335,364	8,519,355	4,311
4.1 Reverse Repos	-	5,108,610	5,108,610	5,108,610	-
4.2 Other	1,335,364	3,410,745	1,335,364	3,410,745	4,311
<b>Total (A)</b>	<b>35,345,359</b>	<b>11,591,868</b>	<b>35,345,359</b>	<b>11,591,868</b>	<b>661,659</b>
<b>B. Derivative instruments</b>					
1. Financial derivatives	1,878,186	32,541,136	1,878,186	32,541,136	1,013,711
1.1 Trading	1,878,165	31,142,413	1,878,165	31,142,413	1,011,228
1.2 Related to fair value option	-	42,037	42,037	42,037	-
1.3 Other	21	1,356,686	21	1,356,686	2,483
2. Credit derivatives	26,682	192,892	26,682	192,892	10,066
2.1 Trading	26,682	191,876	26,682	191,876	10,066
2.2 Related to fair value option	-	-	-	-	-
2.3 Other	-	1,016	1,016	1,016	-
<b>Total (B)</b>	<b>1,904,868</b>	<b>32,734,028</b>	<b>1,904,868</b>	<b>32,734,028</b>	<b>1,023,777</b>
<b>Total (A+B)</b>	<b>37,250,227</b>	<b>44,325,896</b>	<b>37,250,227</b>	<b>44,325,896</b>	<b>1,685,436</b>
<b>Total Level 1, Level 2 and Level 3</b>					<b>83,261,559</b>

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.

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 effect as at 30 June 2018, already included in the net presentation of these transactions, totaled €14,485,441 thousand (€14,314,420 thousand as at 31 December 2017).

##### 2.3 Financial assets designated at fair value: breakdown by product

ITEMS/VALUES	(€ '000)				
	AMOUNTS AS AT	06.30.2018	LEVEL 1	LEVEL 2	LEVEL 3
<b>1. Debt securities</b>			3	103	-
1.1 Structured securities	3	-	3	-	-
1.2 Other debt securities	-	103	-	103	-
<b>2. Loans</b>			-	-	-
2.1 Structured	-	-	-	-	-
2.2 Other	-	-	-	-	-
<b>Total</b>	<b>3</b>	<b>103</b>	<b>3</b>	<b>103</b>	<b>-</b>
<b>Total Level 1, Level 2 and Level 3</b>					<b>106</b>

Assets 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.

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

ITEMS/VALUES	AMOUNTS AS AT 06.30.2018 (€ '000)		
	LEVEL 1	LEVEL 2	LEVEL 3
<b>1. Debt securities</b>	<b>7,205,744</b>	<b>10,459,731</b>	<b>568,777</b>
1.1 Structured securities	74,360	4,657	28,647
1.2 Other debt securities	7,131,384	10,455,074	540,130
<b>2. Equity instruments</b>	<b>425,234</b>	<b>43,345</b>	<b>318,981</b>
<b>3. Units in investment funds</b>	<b>47,629</b>	<b>30,241</b>	<b>870,576</b>
<b>4. Loans</b>	<b>-</b>	<b>1,670,754</b>	<b>870,830</b>
4.1 Structured	-	-	-
4.2 Other	-	1,670,754	870,830
<b>Total</b>	<b>7,678,607</b>	<b>12,204,071</b>	<b>2,629,164</b>
<b>Total Level 1, Level 2 and Level 3</b>			<b>22,511,842</b>

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 related to FINO Project in Junior note and in a part of Mezzanine note with a value of €64 million as at 30 June 2018.

The item "2. Equity instruments" includes the investment in a "Schema Volontario" (presented among level 3 instruments) with a value of €5 million and the residual shares of Bank Pekao S.A. with a value of €425 million as at 30 June 2018, reclassified into such category after the sale of the 32.8% stake to PZU and PFR (with subsequent loss of control) occurred in the first half of 2017. This classification is consistent with the recognition of the "mandatorily settled secured equity-linked" certificate into financial liabilities at fair value through profit and loss.

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 2018.

## Part B - Consolidated balance sheet - Assets

The tables prepared pursuant to IAS39 and to previous Circular 262 of Banca d'Italia (4<sup>th</sup> update of 15 December 2015) are reported below for the purpose of comparability.

### 2.1 Financial assets held for trading: product breakdown

(€ '000)

ITEMS/VALUES	AMOUNTS AS AT 12.31.2017		
	LEVEL 1	LEVEL 2	LEVEL 3
<b>A) Financial assets (non-derivatives)</b>			
1. Debt securities	15,342,291	2,717,730	295,378
1.1 Structured securities	49,791	1,482,592	3,713
1.2 Other debt securities	15,292,500	1,235,138	291,665
2. Equity instruments	12,628,952	1,293	846
3. Units in investment funds	2,218,885	387,331	71,058
4. Loans	1,377,563	4,867,312	7,917
4.1 Reverse Repos	-	4,150,057	-
4.2 Other	1,377,563	717,255	7,917
<b>Total (A)</b>	<b>31,567,691</b>	<b>7,973,666</b>	<b>375,199</b>
<b>B) Derivative instruments</b>			
1. Financial derivatives	1,738,187	31,676,886	1,093,616
1.1 Trading	1,738,187	30,301,914	1,093,616
1.2 Related to fair value option	-	-	-
1.3 Other	-	1,374,972	-
2. Credit derivatives	12,343	232,336	15,966
2.1 Trading	12,343	231,893	15,966
2.2 Related to fair value option	-	-	-
2.3 Other	-	443	-
<b>Total (B)</b>	<b>1,750,530</b>	<b>31,909,222</b>	<b>1,109,582</b>
<b>Total (A+B)</b>	<b>33,318,221</b>	<b>39,882,888</b>	<b>1,484,781</b>
<b>Total Level 1, Level 2 and Level 3</b>			<b>74,685,890</b>

### 3.1 Financial assets at fair value through profit or loss: breakdown by product

(€ '000)

ITEMS/VALUES	AMOUNTS AS AT 12.31.2017		
	LEVEL 1	LEVEL 2	LEVEL 3
<b>1. Debt securities</b>	<b>6,540,805</b>	<b>13,851,379</b>	<b>39,927</b>
1.1 Structured securities	-	-	-
1.2 Other debt securities	6,540,805	13,851,379	39,927
<b>2. Equity instruments</b>	<b>509,382</b>	<b>-</b>	<b>-</b>
<b>3. Units in investment funds</b>	<b>16,991</b>	<b>-</b>	<b>5,368</b>
<b>4. Loans</b>	<b>-</b>	<b>1,109,491</b>	<b>-</b>
4.1 Structured	-	-	-
4.2 Other	-	1,109,491	-
<b>Total</b>	<b>7,067,178</b>	<b>14,960,870</b>	<b>45,295</b>
<b>Cost</b>	<b>6,541,219</b>	<b>14,800,533</b>	<b>102,331</b>
<b>Total Level 1, Level 2 and Level 3</b>			<b>22,073,343</b>

### 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 2018, UniCredit S.p.A. holds shares classified as financial assets mandatory at fair value (till 2017, before adoption of new principle IFRS9, shares were classified as available for sale) with a carrying value of €169 million. The year-to-date overall cash investments are equal to €844 million (€64 million carried in first six months of 2018) 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, ridenominated 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 2018, UniCredit S.p.A. holds shares with a carrying value of €185 million, classified as financial assets mandatory at fair value (till 2017, before adoption of new principle IFRS9, shares were classified as available for sale. During the first half of 2018, the investments made in the fund amounted to €86 million.

In addition UniCredit S.p.A. has a residual commitment to invest in Italian Recovery Fund for about €10 million.

The book value of both funds is substantially in line with the information provided by the management company Quaestio SGR relating to the shares valuation. This valuation, based on the value of the assets held by the funds, determined, with respect to the value of 31 December 2017 based on an internal model, respectively a higher value of €9 million for the Atlante fund and a lower value of €1 million for the Italian Recovery fund booked in the Income statement as at 30 June 2018.

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 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)**

UniCredit group has joined to the "Schema Volontario", introduced by FITD, with appropriate modification of its statute, in November 2015.

The "Schema Volontario" is an instrument for the resolution of bank crises through support measures in favor of its member banks, if specific conditions laid down by the legislation occurring. The "Schema Volontario" has an independent funding and the participating banks are committed to supply the relevant resources upon demand, when resources are needed to fund interventions.

The "Schema Volontario", as a private entity, has provided in April 2016 the restructuring of the support of the action that FITD had operated in July 2014 in favor of Bank Tercas, operation that generated no further charges for participating banks. Subsequently, the participating size of the "Schema Volontario" was increased up to €700 million (of which €127 million of UniCredit group).

In this context, on June 2016 the "Schema Volontario" approved an action in support of Cassa di Risparmio di Cesena (CariCesena), in relation to a capital increase approved by the same bank on 8 June 2016 for €280 million (commitment relating to UniCredit group amounted to €51 million). On 30 September 2016 this commitment has been converted into a monetary payment which has led to the recognition of capital instruments classified as "available for sale" for €51 million (consistent with the monetary payment). Update of evaluation of the instruments as at 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 related equity/capital needs, has brought to full impairment of the position.

In September 2017, 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 for €464 million and subscription of bonds from NPL securitisation of these banks for €170 million), the fund has increased its capital endowment till to €795 million (share of total investments attributable to UniCredit group equal to approximately €146 million). Further in the same month, UniCredit group has paid €10 million to the fund in respect of the part of the intervention related to the capital increase of Carim and Carismi. During December UniCredit group has paid the remaining €85 million (€52 million referred to capital increase of the banks and €33 million referred to the subscription of securitisation's notes). Following these events, UniCredit group's residual commitment towards "Schema Volontario" substantially nil.

All payments referred to capital increase of the banks have brought to the recognition of capital instruments classified as "available for sale" for the same amount of €63 million, 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 subscription of "Schema Volontario" of Junior and Mezzanine quotes of the securitisation, initial value (€33 million) has been rectified in 2017 to reflect fair value valuation declared by the "Schema Volontario" (€5 million), as resulting from analysis conducted by the advisors in charge for the underlying credits evaluation, conducted according to a discounted cash flow model based on recovery plans elaborated by SPV's special servicer; these amounts are confirmed as at 30 June 2018.

## Part B - Consolidated balance sheet - Assets

### 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

ITEMS/VALUES	AMOUNTS AS AT 06.30.2018		
	LEVEL 1	LEVEL 2	LEVEL 3
<b>1. Debt securities</b>	<b>88,220,984</b>	<b>9,571,428</b>	<b>232,318</b>
1.1 Structured securities	54,955	-	-
1.2 Other	88,166,029	9,571,428	232,318
<b>2. Equity instruments</b>	<b>3,757</b>	<b>1,075,937</b>	<b>812,993</b>
<b>3. Loans</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total</b>	<b>88,224,741</b>	<b>10,647,365</b>	<b>1,045,311</b>
<b>Total Level 1, Level 2 and Level 3</b>			<b>99,917,417</b>

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.

Item "1. Debt Securities" includes investments FINO Project's in instrument Senior and in part in instrument Mezzanine notes with a value of €255 million as at 30 June 2018.

Item "2. Equity instruments" includes (i) Banca d'Italia stake (presented among level 2 instruments), with a value of €1,028 million and (ii) ABH Holding SA investments (presented among level 3 instruments and being hedged against Fx Risk) acquired in contemplation of the sale of PJSC Ukrsootbank to Alfa Group, with a value at 30 June 2018 of €358 million.

The table prepared pursuant to IAS39 and to previous Circular 262 of Banca d'Italia (4<sup>th</sup> update of 15 December 2015) is reported below for the purpose of comparability.

ITEMS/VALUES	AMOUNTS AS AT 12.31.2017		
	LEVEL 1	LEVEL 2	LEVEL 3
<b>1. Debt securities</b>	<b>92,161,088</b>	<b>8,592,241</b>	<b>347,986</b>
1.1 Structured securities	74,029	4,753	15,434
1.2 Other debt securities	92,087,059	8,587,488	332,552
<b>2. Equity instruments</b>	<b>99,314</b>	<b>1,163,479</b>	<b>991,633</b>
2.1 Measured at fair value	99,313	1,163,479	680,270
2.2 Carried at cost	1	-	311,363
<b>3. Units in investment funds</b>	<b>84,213</b>	<b>32,161</b>	<b>609,871</b>
<b>4. Loans</b>	<b>1</b>	<b>19,044</b>	<b>-</b>
<b>Total</b>	<b>92,344,616</b>	<b>9,806,925</b>	<b>1,949,490</b>
<b>Total Level 1, Level 2 and Level 3</b>			<b>104,101,031</b>

#### Information about the shareholding in Banca d'Italia

Since the third quarter of 2015, UniCredit S.p.A. started the disposal of its stake in Banca d'Italia, for an amount corresponding to its carrying value. UniCredit S.p.A. completed, until now, the disposal of about 8.4% of Banca d'Italia share capital for an amount over €630 million, of which about €34 million in the first semester of 2018, reducing its shareholding to 13.7% (carrying value equal to about €1,028 million).

The disposal process is the result of a capital increase carried out in 2013 when, in order to facilitate the redistribution of shares, a limit of 3% was introduced in respect of holding shares: after an interim period of no more than 36 months, no economic rights are applicable to shares exceeding the above limit.

During last years shareholders with excess shares started the disposal process, finalising sales for about 27% of the total capital. The carrying value at 30 June 2018, 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 transactions that took place since 2015. The relevant measurement was therefore confirmed as level 2 in the fair value classification.

With regard to regulatory treatment as at 30 June 2018, 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).

## Section 4 - Financial assets at amortised cost - Item 40

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

TYPE OF TRANSACTIONS/VALUES	AMOUNTS AS AT 06.30.2018			(€ '000)
	BOOK VALUE			
	STAGE 1 AND STAGE 2	STAGE 3	OF WHICH: PURCHASED OR ORIGINATED CREDIT- IMPAIRED FINANCIAL ASSETS	
<b>A. Loans to Central Banks</b>	<b>19,887,752</b>	-	-	
1. Time deposits	507,443	-	-	
2. Compulsory reserves	6,558,893	-	-	
3. Reverse repos	12,412,737	-	-	
4. Other	408,679	-	-	
<b>B. Loans to banks</b>	<b>55,502,355</b>	<b>5,295</b>	-	
1. Loans	53,064,448	5,295	-	
1.1 Current accounts and demand deposits	13,764,566	-	-	
1.2 Time deposits	8,592,953	333	-	
1.3 Other loans	30,706,929	4,962	-	
- Reverse repos	22,005,204	-	-	
- Finance leases	1,169	-	-	
- Other	8,700,556	4,962	-	
2. Debt securities	2,437,907	-	-	
2.1 Structured	1,976	-	-	
2.2 Other	2,435,931	-	-	
<b>Total</b>	<b>75,390,107</b>	<b>5,295</b>	-	

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

TYPE OF TRANSACTIONS/VALUES	AMOUNTS AS AT 06.30.2018			(€ '000)
	BOOK VALUE			
	STAGE 1 AND STAGE 2	STAGE 3	OF WHICH: PURCHASED OR ORIGINATED CREDIT- IMPAIRED FINANCIAL ASSETS	
<b>1. Loans</b>	<b>439,721,399</b>	<b>16,570,631</b>	<b>15,124</b>	
1.1 Current accounts	32,428,529	1,712,627	4,166	
1.2 Reverse repos	35,840,945	-	-	
1.3 Mortgages	157,114,105	6,517,143	10,366	
1.4 Credit cards and personal loans, including wage assignment	17,617,705	281,875	-	
1.5 Finance leases	18,120,636	2,655,532	-	
1.6 Factoring	11,304,976	208,895	-	
1.7 Other loans	167,294,503	5,194,559	592	
<b>2. Debt securities</b>	<b>19,906,885</b>	<b>56,325</b>	-	
2.1 Structured securities	9,806	-	-	
2.2 Other debt securities	19,897,079	56,325	-	
<b>Total</b>	<b>459,628,284</b>	<b>16,626,956</b>	<b>15,124</b>	

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 €7,792 million of trade receivables as at 30 June 2018.

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

## Part B - Consolidated balance sheet - Assets

The tables prepared pursuant to IAS39 and to previous Circular 262 of Banca d'Italia (4<sup>th</sup> update of 15 December 2015) are reported below for the purpose of comparability.

### 5.1 Held-to-maturity investments: breakdown by product (€ '000)

		AMOUNTS AS AT 12.31.2017			
		BOOK VALUE	FAIR VALUE		
			LEVEL 1	LEVEL 2	LEVEL 3
<b>1. Debt securities</b>		<b>6,277,022</b>	<b>5,096,861</b>	<b>1,189,062</b>	<b>60,735</b>
- structured		-	-	-	-
- other		6,277,022	5,096,861	1,189,062	60,735
<b>2. Loans</b>		-	-	-	-
<b>Total</b>		<b>6,277,022</b>	<b>5,096,861</b>	<b>1,189,062</b>	<b>60,735</b>
<b>Total Level 1, Level 2 and Level 3</b>					<b>6,346,658</b>

### 6.1 Loans and receivables with banks: breakdown by product (€ '000)

TYPE OF TRANSACTIONS/VALUES		AMOUNTS AS AT 12.31.2017			
		BOOK VALUE	FAIR VALUE		
			LEVEL 1	LEVEL 2	LEVEL 3
<b>A. Loans to Central Banks</b>		<b>25,225,529</b>	-	<b>9,081,452</b>	<b>15,928,089</b>
1. Time deposits		761,034	X	X	X
2. Compulsory reserve		15,498,979	X	X	X
3. Reverse repos		8,407,069	X	X	X
4. Other		558,447	X	X	X
<b>B. Loans to banks</b>		<b>45,757,214</b>	<b>526,248</b>	<b>38,874,324</b>	<b>6,941,095</b>
<b>1. Loans</b>		<b>43,485,129</b>	-	<b>37,080,658</b>	<b>6,904,291</b>
1.1 Current accounts and demand deposits		11,350,779	X	X	X
1.2 Time deposits		7,307,880	X	X	X
1.3 Other loans:		24,826,470	X	X	X
- Reverse repos		16,776,718	X	X	X
- Finance leases		1,876	X	X	X
- Other		8,047,876	X	X	X
<b>2. Debt securities</b>		<b>2,272,085</b>	<b>526,248</b>	<b>1,793,666</b>	<b>36,804</b>
2.1 Structured		29,511	X	X	X
2.2 Other		2,242,574	X	X	X
<b>Total</b>		<b>70,982,743</b>	<b>526,248</b>	<b>47,955,776</b>	<b>22,869,184</b>

### Total impaired assets 5,186

### 7.1 Loans and receivables with customers: breakdown by product (€ '000)

TYPE OF TRANSACTION/VALUES		AMOUNTS AS AT 12.31.2017							
		BOOK VALUE	FAIR VALUE						
			NON-PERFORMING <sup>(*)</sup>	PERFORMING	PURCHASED	OTHERS	LEVEL 1	LEVEL 2	LEVEL 3
<b>Loans</b>		<b>417,782,135</b>	<b>10,383</b>	<b>21,102,075</b>	-	<b>135,834,624</b>	<b>309,668,971</b>		
1. Current accounts		32,770,361	1,234	2,423,866	X	X	X		
2. Reverse repos		25,880,540	-	81	X	X	X		
3. Mortgages		153,425,370	8,484	9,537,835	X	X	X		
4. Credit cards and personal loans, including wage assignment loans		15,457,682	1	225,853	X	X	X		
5. Finance leases		18,659,861	-	2,998,217	X	X	X		
6. Factoring		10,764,039	-	254,395	X	X	X		
7. Other loans		160,824,282	664	5,661,828	X	X	X		
<b>Debt securities</b>		<b>8,753,167</b>	-	<b>79,153</b>	<b>1,115,810</b>	<b>6,361,409</b>	<b>1,556,068</b>		
8. Structured securities		-	-	-	X	X	X		
9. Other debt securities		8,753,167	-	79,153	X	X	X		
<b>Total</b>		<b>426,535,302</b>	<b>10,383</b>	<b>21,181,228</b>	<b>1,115,810</b>	<b>142,196,033</b>	<b>311,225,039</b>		

### Total carrying amount Performing and Non- Performing

447,726,913

Note:

(\*) The perimeter of impaired loans is substantially equivalent to the perimeter of EBA Non-Performing Exposures (NPE).

## Section 10 - Intangible assets - Item 100

An intangible asset is an identifiable non-monetary asset without physical substance, to be used for several years. Intangible assets include goodwill and, among "other intangible assets", brands, customer relationships and software.

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 2018 intangible assets amounted to €3,348 million, decreased in comparison to €3,385 million as at 31 December 2017.

The decrease is mainly related to the amortisation of the period partially offset by the increase in software generated internally.

### 10.1 Intangible assets: breakdown by asset type

ASSETS/VALUES	AMOUNTS AS AT 06.30.2018		AMOUNTS AS AT 12.31.2017		(€ '000)
	FINITE LIFE	INDEFINITE LIFE	FINITE LIFE	INDEFINITE LIFE	
<b>A.1 Goodwill</b>	<b>X</b>	<b>1,483,721</b>	<b>X</b>	<b>1,483,721</b>	
A.1.1 Attributable to the Group	X	1,483,721	X	1,483,721	
A.1.2 Attributable to minorities	X	-	X	-	
<b>A.2 Other intangible assets</b>	<b>1,770,938</b>	<b>92,957</b>	<b>1,808,632</b>	<b>92,957</b>	
A.2.1 Assets carried at cost	1,770,938	92,957	1,808,632	92,957	
a) Intangible assets generated internally	1,367,530	-	1,358,851	-	
b) Other assets	403,408	92,957	449,781	92,957	
A.2.2 Assets measured at fair value	-	-	-	-	
a) Intangible assets generated internally	-	-	-	-	
b) Other assets	-	-	-	-	
<b>Total</b>	<b>1,770,938</b>	<b>1,576,678</b>	<b>1,808,632</b>	<b>1,576,678</b>	
<b>Total finite and indefinite life</b>		<b>3,347,616</b>		<b>3,385,310</b>	

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

Other intangible assets - Other assets - Indefinite life include trademarks (brands) referred to FinecoBank S.p.A.

Other intangible assets - Other assets - Definite life, valued at cost, include:

- Customer Relationships of €1 million;
- Software of €394 million.

## Part B - Consolidated balance sheet - Assets

### 10.2 Intangible assets: annual changes

	CHANGES IN FIRST HALF 2018					(€ '000)	
	OTHER INTANGIBLE ASSETS						
	GENERATED INTERNALLY		OTHER				
	GOODWILL	FINITE LIFE	INDEFINITE LIFE	FINITE LIFE	INDEFINITE LIFE		
<b>A. Gross opening balance</b>	<b>16,835,308</b>	<b>3,247,120</b>	-	<b>5,565,786</b>	<b>994,734</b>	<b>26,642,948</b>	
A.1 Total net reduction in value	(15,351,587)	(1,888,269)	-	(5,116,005)	(901,777)	(23,257,638)	
<b>A.2 Net opening balance</b>	<b>1,483,721</b>	<b>1,358,851</b>	-	<b>449,781</b>	<b>92,957</b>	<b>3,385,310</b>	
<b>B. Increases</b>	-	<b>160,365</b>	-	<b>45,928</b>	-	<b>206,293</b>	
B.1 Purchases	-	11,487	-	36,525	-	48,012	
B.2 Increases in intangible assets generated internally	X	134,550	-	-	-	134,550	
B.3 Write-backs	X	-	-	-	-	-	
B.4 Increases in fair value	-	-	-	-	-	-	
- In equity	X	-	-	-	-	-	
- Through profit or loss	X	-	-	-	-	-	
B.5 Positive exchange differences	-	169	-	4,125	-	4,294	
B.6 Other changes	-	14,159	-	5,278	-	19,437	
<b>C. Reduction</b>	-	<b>151,686</b>	-	<b>92,301</b>	-	<b>243,987</b>	
C.1 Disposals	-	111	-	3,777	-	3,888	
C.2 Write-downs	-	145,263	-	59,214	-	204,477	
- Amortisation	X	140,496	-	59,192	-	199,688	
- Write-downs	-	4,767	-	22	-	4,789	
+ In equity	X	-	-	-	-	-	
+ Through profit or loss	-	4,767	-	22	-	4,789	
C.3 Reduction in fair value	-	-	-	-	-	-	
- In equity	X	-	-	-	-	-	
- Through profit or loss	X	-	-	-	-	-	
C.4 Transfer to non-current assets held for sale	-	-	-	400	-	400	
C.5 Negative exchange differences	-	4,275	-	8,141	-	12,416	
C.6 Other changes	-	2,037	-	20,769	-	22,806	
<b>D. Net Closing Balance</b>	<b>1,483,721</b>	<b>1,367,530</b>	-	<b>403,408</b>	<b>92,957</b>	<b>3,347,616</b>	
D.1 Total net write-down	(15,333,073)	(2,029,409)	-	(4,649,103)	(901,777)	(22,913,362)	
<b>E. Gross closing balance</b>	<b>16,816,794</b>	<b>3,396,939</b>	-	<b>5,052,511</b>	<b>994,734</b>	<b>26,260,978</b>	
<b>F. Carried at cost</b>	-	-	-	-	-	-	

The book value of goodwill as at 30 June 2018 (€1,484 million) remained unchanged in comparison to the value as at 31 December 2017 since it refers to subsidiaries belonging to the Euro area.

Instead the semiannual changes in gross closing balance and total net write-down, 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 with definite and indefinite life, recognised during business combinations, refer to the following pages.

### 10.3 Other information

#### Impairment testing of intangible assets during business combinations

The carrying amount of goodwill as at 30 June 2018 was €1,484 million, in line with the figure as at 31 December 2017.

According to IAS36.99, the results of the goodwill impairment test executed as at 31 December 2017 were also used for the test as at 30 June 2018 (for the Group and for the Cash Generating Units - CGUs - to which residual goodwill is allocated). More in details, an analysis of qualitative indicators has been performed on the main hypotheses underlying the calculations for the goodwill impairment test as at 31 December 2017.

#### Estimating cash flows to determine the value in use as at 31 December 2017

The impairment test as at 31 December 2017 was performed on the basis of the financial projections (Net Profit and RWA) included in the updated of the Strategic Plan approved by the Board of Directors on 11 December 2017.

For more details about the impairment test and of the sensitivity of the recoverable amount to the key parameters see the Consolidated Financial Statements as at 31 December 2017.

### **Analysis of indicators as at 30 June 2018**

With the aim of assessing potential variations occurred in the first half of 2018 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 2018 compared to 31 December 2017 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 2017; following this analysis, the results have therefore been confirmed also with respect to the 30 June 2018 impairment test.

In particular, the following considerations have been made:

- there are no substantial changes in assets and liabilities making up the CGU structure;
- Net Profit actual results are above budget target, at both Group and for most of the CGUs' level;
- at Group level and for every CGUs, RWAs are below budget target;
- cost of Equity updated as at June 2018 at about 9.0% is in line with the level recorded as at December 2017 (about 8.9%);
- 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 planning macro-scenario broadly in line with 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 Transform 2019;
- latest forecasts, coherently with the Strategic Plan, confirm a negative short term interest rate in Eurozone for 2018.

### **Results of the impairment test**

Based on analysis of events that have occurred and circumstances that have changed since 31 December 2017, pursuant to IAS36.99, the results of 31 December 2017 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 2018.

It must be emphasised 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.

## **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 2018, compared with 31 December 2017, the companies Mobility Concept GmbH, i-Faber S.p.A. and BA Betriebsobjekte Praha - Spol.S.R.O have been sold and the following has been attributed to the non-current assets and asset disposal groups pursuant to IFRS5: companies Uni IT S.r.l., Oesterreichische Hotel-und TourismusBank Gesellschaft M.B.H., CrediFarma S.p.A., Trieste Adriatic Maritime Initiatives S.r.l., Megapark O.O.D., the assets and liabilities related to pledge credit business in Italy and to non-performing loans related to sale initiatives of portfolios.

For further details related to the transfer of the assets and liabilities of pledge credit business and to the sale of non-performing loans refer to the disclosure reported in section "Subsequent events" in Consolidated Interim Report on Operations.

As at 30 June 2018 in the same item are also included the tangible assets and real-estate properties held by some Group's companies.

As regards the data for asset related to discontinued operations, and associated liabilities, the figure at 30 June 2018 refers to the following companies:

- the companies of the Pioneer Group Baroda Pioneer Asset Management Company Ltd. and Baroda Pioneer Trustee Company PVT Ltd.;
- the companies of the Immobilien Holding group.

## Part B - Consolidated balance sheet - Assets

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

	AMOUNTS AS AT	
	06.30.2018	12.31.2017
<b>A. Assets available for sale</b>		
A.1 Financial assets	349,155	302,990
A.2 Equity investments	23,486	387
A.3 Property, Plant and Equipment	472,901	672,503
<i>of which: obtained by taking possession of collateral</i>	-	
A.4 Intangible assets	458	12,464
A.5 Other non-current assets	2,407	20,503
<b>Total (A)</b>	<b>848,407</b>	<b>1,008,847</b>
<i>of which: carried at cost</i>	591,744	826,248
<i>of which: designated at fair value - level 1</i>	-	-
<i>of which: designated at fair value - level 2</i>	83,295	79,305
<i>of which: designated at fair value - level 3</i>	173,368	103,294
<b>B. Discontinued operations</b>		
B.1 Financial assets at fair value through profit and loss	6,753	
- Financial assets held for trading	6,753	
- Financial assets designed at fair value	-	
- Other financial assets mandatorily at fair value	-	
<i>Financial assets held for trading (ex IAS39)</i>	-	
<i>Financial assets at fair value through profit or loss (ex IAS39)</i>	-	
B.2 Financial assets at fair value through other comprehensive income	6	
<i>Available for sale financial assets (ex IAS39)</i>		4,073
B.3 Financial assets at amortised cost	-	
<i>Held to maturity investments (ex IAS39)</i>	-	
<i>Loans and receivables with banks (ex IAS39)</i>		3,955
<i>Loans and receivables with customers (ex IAS39)</i>	-	
B.4 Equity investments	22,675	22,624
B.5 Property, Plant and Equipment	-	19
<i>of which: obtained by taking possession of collateral</i>	-	
B.6 Intangible assets	119	14
B.7 Other assets	36,934	71,428
<b>Total (B)</b>	<b>66,487</b>	<b>102,113</b>
<i>of which: carried at cost</i>	9,002	9,466
<i>of which: designated at fair value - level 1</i>	-	-
<i>of which: designated at fair value - level 2</i>	-	-
<i>of which: designated at fair value - level 3</i>	57,485	92,647

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

<b>C. Liabilities associated with assets available for sale</b>		
C.1 Deposits	15,456	77,904
C.2 Securities	-	-
C.3 Other liabilities	14,742	51,822
<b>Total (C)</b>	<b>30,198</b>	<b>129,726</b>
of which: carried at cost	25,346	104,478
of which: designated at fair value - level 1	-	-
of which: designated at fair value - level 2	2,521	-
of which: designated at fair value - level 3	2,331	25,248
<b>D. Liabilities associated with discontinued operations</b>		
D.1 Financial liabilities at amortised cost	-	
Deposits from banks (ex IAS39)		-
Deposits from customers (ex IAS39)		-
Debt securities in issue (ex IAS39)		-
D.2 Financial liabilities held for trading	-	
Financial liabilities held for trading (ex IAS39)		-
D.3 Financial liabilities designated at fair value	-	
Financial liabilities at fair value through profit or loss (ex IAS39)		-
D.4 Provisions	-	297
D.5 Other liabilities	48,330	54,806
<b>Total (D)</b>	<b>48,330</b>	<b>55,103</b>
of which: carried at cost	1,252	1,467
of which: designated at fair value - level 1	-	-
of which: designated at fair value - level 2	-	-
of which: designated at fair value - level 3	47,078	53,636

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 2018 among level 3 assets and liabilities (the same as at 31 December 2017) reflecting their measurement using a valuation model. Figures referred to companies of the Pioneer group, not yet sold, are presented among assets and liabilities at cost (the same as at 31 December 2017).

## 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

TYPE OF TRANSACTION/GROUP COMPONENTS	(€ '000)	AMOUNTS AS AT 06.30.2018
<b>1. Deposits from central banks</b>		<b>56,026,944</b>
<b>2. Deposits from banks</b>		<b>73,719,749</b>
2.1 Current accounts and demand deposits		14,117,989
2.2 Time deposits		12,193,238
2.3 Loans		46,037,358
2.3.1 Repos		30,150,233
2.3.2 Other		15,887,125
2.4 Liabilities relating to commitments to repurchase treasury shares		-
2.5 Other liabilities		1,371,164
<b>Total</b>		<b>129,746,693</b>

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 does not include the type of securities lending transactions collateralised by securities or not collateralised.

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

TYPE OF TRANSACTION/GROUP COMPONENTS	(€ '000)	AMOUNTS AS AT 06.30.2018
1. Current accounts and demand deposits		342,072,099
2. Time deposits		62,338,994
3. Loans		48,156,187
3.1 Repos		42,334,882
3.2 Other		5,821,305
4. Liabilities relating to commitments to repurchase treasury shares		-
5. Other liabilities		3,526,957
<b>Total</b>		<b>456,094,237</b>

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 item does not include the type of securities lending transactions collateralised by securities or not collateralised.

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

TYPE OF SECURITIES/VALUES	(€ '000)	AMOUNTS AS AT 06.30.2018
<b>A. Debt securities</b>		
1. Bonds		78,808,893
1.1 Structured		2,629,577
1.2 Other		76,179,316
2. Other securities		8,758,269
2.1 Structured		108,973
2.2 Other		8,649,296
<b>Total</b>		<b>87,567,162</b>

The sum of the sub-items "1.1 Bonds - Structured" and "2.1 Other securities - structured" was equal to €2,739 million and accounted for 3% 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.

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 €39 million negative.

The tables prepared pursuant to IAS39 and to previous Circular 262 of Banca d'Italia (4<sup>th</sup> update of 15 December 2015) are reported below for the purpose of comparability.

1.1 Deposits from banks: product breakdown

(€ '000)

TYPE OF TRANSACTIONS/GROUP COMPONENTS	AMOUNTS AS AT 12.31.2017
<b>1. Deposits from central banks</b>	<b>58,774,849</b>
<b>2. Deposits from banks</b>	<b>64,469,231</b>
2.1 Current accounts and demand deposits	13,182,724
2.2 Time deposits	5,533,054
2.3 Loans	44,486,155
2.3.1 repos	19,945,553
2.3.2 other	24,540,602
2.4 Liabilities in respect of commitments to repurchase treasury shares	-
2.5 Other liabilities	1,267,298
<b>Total</b>	<b>123,244,080</b>
Fair value - level 1	-
Fair value - level 2	56,419,195
Fair value - level 3	66,675,209
<b>Total fair value</b>	<b>123,094,404</b>

2.1 Deposits from customers: breakdown by product

(€ '000)

TYPE OF TRANSACTIONS/GROUP COMPONENTS	AMOUNTS AS AT 12.31.2017
1. Current accounts and demand deposits	329,267,455
2. Time deposits	67,828,496
3. Loans	60,371,399
3.1 repos	49,104,213
3.2 other	11,267,186
4. Liabilities in respect of commitments to repurchase treasury shares	-
5. Other liabilities	5,427,911
<b>Total</b>	<b>462,895,261</b>
Fair value - level 1	-
Fair value - level 2	162,598,619
Fair value - level 3	301,045,127
<b>Total fair value</b>	<b>463,643,746</b>

3.1 Debt securities in issue: breakdown by product

(€ '000)

TYPE OF SECURITIES/VALUES	BOOK VALUE	AMOUNTS AS AT 12.31.2017			
		FAIR VALUE	LEVEL 1	LEVEL 2	LEVEL 3
<b>A. Listed securities</b>					
1. Bonds	86,448,072	43,856,076	33,570,769	14,087,520	
1.1 structured	2,810,141	194,966	2,640,760	-	
1.2 other	83,637,931	43,661,110	30,930,009	14,087,520	
2. Other securities	12,154,560	-	3,407,937	8,806,396	
2.1 structured	127,570	-	144,446	-	
2.2 other	12,026,990	-	3,263,491	8,806,396	
<b>Total</b>	<b>98,602,632</b>	<b>43,856,076</b>	<b>36,978,706</b>	<b>22,893,916</b>	
<b>Total Level 1, Level 2 and Level 3</b>					<b>103,728,698</b>

## Part B - Consolidated balance sheet - Liabilities

### Section 2 - Financial liabilities held for trading - Item 20

#### 2.1 Financial liabilities held for trading: breakdown by product

TYPE OF TRANSACTIONS/GROUP COMPONENTS	NOMINAL VALUE	AMOUNTS AS AT 06.30.2018			FAIR VALUE*	
		FAIR VALUE		LEVEL 3		
		LEVEL 1	LEVEL 2			
<b>A. Financial liabilities</b>						
1. Deposits from banks	1,513,301	1,691,718	677,191	1	2,368,909	
2. Deposits from customers	7,172,381	10,540,239	3,619,174	3,370	14,162,783	
3. Debt securities	3,152,813	-	2,815,810	403,227	3,219,035	
3.1 Bonds	1,639,713	-	1,308,081	284,823	1,592,903	
3.1.1 Structured	1,639,713	-	1,308,081	284,823	X	
3.1.2 Other	-	-	-	-	X	
3.2 Other securities	1,513,100	-	1,507,729	118,404	1,626,132	
3.2.1 Structured	1,513,100	-	1,507,729	118,404	X	
3.2.2 Other	-	-	-	-	X	
<b>Total (A)</b>	<b>11,838,495</b>	<b>12,231,957</b>	<b>7,112,175</b>	<b>406,598</b>	<b>19,750,727</b>	
<b>B. Derivatives instruments</b>						
1. Financial derivatives	X	2,100,321	29,352,324	858,068	X	
1.1 Trading	X	2,100,321	29,062,157	818,192	X	
1.2 Related to fair value option	X	-	65,943	-	X	
1.3 Other	X	-	224,224	39,876	X	
2. Credit derivatives	X	29,757	254,238	108,208	X	
2.1 Trading derivatives	X	29,757	253,810	108,208	X	
2.2 Related to fair value option	X	-	-	-	X	
2.3 Other	X	-	428	-	X	
<b>Total (B)</b>	<b>X</b>	<b>2,130,078</b>	<b>29,606,562</b>	<b>966,276</b>	<b>X</b>	
<b>Total (A+B)</b>	<b>X</b>	<b>14,362,035</b>	<b>36,718,737</b>	<b>1,372,874</b>	<b>X</b>	
<b>Total Level 1, Level 2 and Level 3</b>				<b>52,453,646</b>		

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.

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 effect as at 30 June 2018, already included in the net presentation of these transactions, totaled €16,575,458 thousand (€15,009,452 thousand as at 31 December 2017).

The sub-items "Deposits from banks" and "Deposits from customers" include short selling totaling €12,395 million as at 30 June 2018 and €13,365 as at 31 December 2017, in respect of which no nominal amount was attributed.

The table prepared pursuant to IAS39 and to previous Circular 262 of Banca d'Italia (4<sup>th</sup> update of 15 December 2015) is reported below for the purpose of comparability.

4.1 Financial liabilities held for trading: breakdown by product

(€'000)

TYPE OF OPERATIONS/GROUP COMPONENTS	NOMINAL VALUE	AMOUNTS AS AT 12.31.2017			FAIR VALUE*	
		FAIR VALUE		LEVEL 3		
		LEVEL 1	LEVEL 2			
<b>A. Financial liabilities</b>						
1. Deposits from banks	266,135	1,513,171	484,213	-	1,992,134	
2. Deposits from customers	2,985,910	11,485,833	3,090,485	62,294	14,583,551	
3. Debt securities	6,517,659	-	6,253,503	914,890	7,228,447	
3.1 Bonds	5,291,022	-	4,453,294	783,291	5,296,639	
3.1.1 Structured	4,911,980	-	4,113,415	783,291	X	
3.1.2 Other	379,042	-	339,879	-	X	
3.2 Other securities	1,226,637	-	1,800,209	131,599	1,931,808	
3.2.1 Structured	1,226,637	-	1,800,209	131,599	X	
3.2.2 Other	-	-	-	-	X	
<b>Total A</b>	<b>9,769,704</b>	<b>12,999,004</b>	<b>9,828,201</b>	<b>977,184</b>	<b>23,804,132</b>	
<b>B. Derivatives instruments</b>						
1. Financial derivatives	X	1,983,595	28,754,334	880,604	X	
1.1 Trading	X	1,983,595	28,487,256	819,149	X	
1.2 Related to fair value option	X	-	134,565	-	X	
1.3 Other	X	-	132,513	61,455	X	
2. Credit derivatives	X	11,888	292,143	56,772	X	
2.1 Trading derivatives	X	11,888	291,615	56,772	X	
2.2 Related to fair value option	X	-	-	-	X	
2.3 Other	X	-	528	-	X	
<b>Total B</b>	<b>X</b>	<b>1,995,483</b>	<b>29,046,477</b>	<b>937,376</b>	<b>X</b>	
<b>Total A+B</b>	<b>X</b>	<b>14,994,487</b>	<b>38,874,678</b>	<b>1,914,560</b>	<b>X</b>	
<b>Total Level 1, Level 2 and Level 3</b>				<b>55,783,725</b>		

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.

## 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

TYPE OF TRANSACTIONS/GROUP COMPONENTS	NOMINAL VALUE	AMOUNTS AS AT 06.30.2018			(€ '000)	
		FAIR VALUE				
		LEVEL 1	LEVEL 2	LEVEL 3		
<b>1. Deposits from banks</b>	<b>15,096</b>	-	2,052	1,263	<b>3,315</b>	
1.1 Structured	-	-	-	-	X	
1.2 Other	15,096	-	2,052	1,263	X	
of which:						
- loan commitments given	-	X	X	X	X	
- financial guarantees given	-	X	X	X	X	
<b>2. Deposits from customers</b>	<b>532,874</b>	-	<b>492,303</b>	<b>84,222</b>	<b>547,687</b>	
2.1 Structured	-	-	-	-	X	
2.2 Other	532,874	-	492,303	84,222	X	
of which:						
- loan commitments given	-	X	X	X	X	
- financial guarantees given	-	X	X	X	X	
<b>3. Debt securities</b>	<b>7,916,750</b>	<b>419,716</b>	<b>7,253,084</b>	<b>271,855</b>	<b>7,964,054</b>	
3.1 Structured	7,088,474	-	6,852,238	248,050	X	
3.2 Other	828,276	419,716	400,846	23,805	X	
<b>Total</b>	<b>8,464,720</b>	<b>419,716</b>	<b>7,747,439</b>	<b>357,340</b>	<b>8,515,056</b>	
<b>Total Level 1, Level 2 and Level 3</b>					<b>8,524,495</b>	

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.

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 €398 million of "mandatorily-settled secured equity linked certificate" referred to the disposal of Bank Pekao S.A. These securities are classified as measured at fair value through profit or loss not being separable their embedded derivative component.

The table prepared pursuant to IAS39 and to previous Circular 262 of Banca d'Italia (4<sup>th</sup> update of 15 December 2015) is reported below for the purpose of comparability.

#### 5.1 Financial liabilities at fair value through profit or loss: breakdown by product

TYPE OF OPERATIONS/GROUP COMPONENT	NOMINAL VALUE	AMOUNTS AS AT 12.31.2017			(€ '000)	
		FAIR VALUE				
		LEVEL 1	LEVEL 2	LEVEL 3		
<b>1. Deposits from banks</b>	<b>-</b>	-	-	-	<b>-</b>	
1.1 Structured	-	-	-	-	X	
1.2 Other	-	-	-	-	X	
<b>2. Deposits from customers</b>	<b>28,838</b>	-	-	<b>28,838</b>	<b>28,838</b>	
2.1 Structured	-	-	-	-	X	
2.2 Other	28,838	-	-	28,838	X	
<b>3. Debt securities</b>	<b>2,892,483</b>	-	<b>2,980,270</b>	<b>1,421</b>	<b>2,922,524</b>	
3.1 Structured	2,891,062	-	2,980,270	-	X	
3.2 Other	1,421	-	-	1,421	X	
<b>Total</b>	<b>2,921,321</b>	-	<b>2,980,270</b>	<b>30,259</b>	<b>2,951,362</b>	
<b>Total Level 1, Level 2 and Level 3</b>					<b>3,010,529</b>	

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.

## 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

ITEMS/COMPONENTS	AMOUNTS AS AT	
	06.30.2018	12.31.2017
1. Provisions for credit risk on commitments and financial guarantees given	1,037,100	-
2. Provisions for other commitments and other guarantees given	2,486	-
3. Pensions and other post-retirement benefit obligations	4,550,497	4,522,188
4. Other provisions for risks and charges	4,390,919	4,128,280
4.1 Legal and tax disputes	1,723,053	1,309,129
4.2 Staff expenses	940,824	1,127,314
4.3 Other	1,727,042	1,691,837
<b>Total</b>	<b>9,981,002</b>	<b>8,650,468</b>

As at 30 June 2018 Provision for risks and charges amounted to €9,981 million, of which about €1,040 million related to total impairment losses on off-balance sheet exposures recognised in this item following the application of IFRS9 and the Banca d'Italia Circular.

The item "4. Other provisions for risks and charges" consists of:

- legal disputes: cases in which the Group is a defendant, and post-insolvency clawback petitions (more information on litigation is set out in Part E - section 2 "Risks of the prudential consolidated perimeter" - 1.5 Operational risks - B. Legal risks);
- staff expenses mainly also 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.

### Pensions and other post-retirement 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 60% 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) (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 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, UCG refined its Discount Rate setting methodology by limiting the number of "investment grade" bonds whose rating is lower than AA (No.14 securities ranging in 15-30y maturity), for which an adjustment is made to reduce the excess-return. In addition, a Nelson Siegel methodology has been applied in modelling the yield-curve expressed by the basket of securities (adjusted above 25 years in order to stick the long-term maturity segments of the curve to the Euribor implied-forward rate).

## Part B - Consolidated balance sheet - Liabilities

The remeasurement of commitments as at 30 June 2018 (including those relating to employee severance pay for so-called Trattamento di Fine Rapporto del personale) leads to an increase in the negative balance of the valuation reserve relating to actuarial gains/losses on defined benefit plans of €54 million, net of taxes (for a negative balance which move from €2,408 million as at 31 December 2017 to €2,462 million as at 30 June 2018).

For more information and details on the amount, timing and uncertainty of financial flows (sensitivities), refer to the Consolidated Financial Statements as at 31 December 2017.

### 10.6 Provisions for risks and charges - other provisions

	(€ '000)	
	AMOUNTS AS AT	
	06.30.2018	12.31.2017
<b>4.3 Other provisions for risks and charges - other</b>		
Real estate risks and costs	137,331	68,021
Restructuring costs	99,116	94,413
Out-of-court settlements and legal costs	-	11,706
Allowances payable to agents	168,576	167,947
Disputes regarding financial instruments and derivatives	79,270	93,835
Tax Disputes	116,590	118,518
Costs for liabilities arising from equity investment disposals	187,072	163,322
Other	939,087	974,075
<b>Total</b>	<b>1,727,042</b>	<b>1,691,837</b>

The sub-items:

- "Real estate risks and costs" is increased following the reclassification of funds of the subsidiaries UniCredit Bank AG and Ocean Breeze Energy GMBH & CO. KG from the sub-item "others" in this category that represents better the nature of these funds;
- "Disputes regarding financial instruments and derivatives" reduces mainly due to utilizations made by the holding UniCredit S.p.A. and its subsidiary UniCredit Bank Austria.

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

At 30 June 2018 the Group shareholders' equity, including the profit for the period of €2,136 million, amounted to €55,462 million, against €59,331 million at the end of 2017.

The table below shows a breakdown of Group equity and the changes over the previous year.

### Group Shareholders' Equity: breakdown

	(€ '000)		CHANGES	
	06.30.2018	12.31.2017	AMOUNT	%
1. Share capital	20,940,398	20,880,550	59,848	0.3%
2. Share premium reserve	13,392,918	13,399,799	-6,881	-0.1%
3. Reserves	20,859,733	19,296,907	1,562,826	8.1%
4. Treasury shares	(3,284)	(2,695)	-589	-21.9%
a. Parent Company	(2,440)	(2,440)	-	-
b. Subsidiaries	(844)	(255)	-589	-231.0%
5. Revaluation reserve	(6,474,365)	(4,327,092)	-2,147,273	-49.6%
6. Equity instruments	4,610,073	4,610,073	-	-
7. Net profit (loss)	2,136,249	5,473,075	-3,336,826	-61.0%
<b>Total</b>	<b>55,461,722</b>	<b>59,330,617</b>	<b>-3,868,895</b>	<b>-6.5%</b>

		(€ million)
Capital increase:		
- the increase of €60 million in share capital 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.	60	
Use of "Share premium reserve":		
- for the payment of premium for saving shares conversion.	(7)	
The increase in the reserves, including the change in treasury shares arising from:		1,562
- the attribution to the reserve, net of dividends and other allocations, of the result of the previous year;	4,759	
- inclusion of equity reserves deriving from the first time adoption of accounting standard IFRS9 Financial Instruments (net of taxes);	(3,004)	
- the impact arising from valuation of the companies valued at net equity method mainly arising from the first time adoption of accounting standard IFRS9;	103	
- an increase in the reserves connected to Share Based Payments;	33	
- the 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;	(120)	
- reserve for the unsustainable amount of Deferred Tax Assets relating to tax losses carried forward linked to shareholders' equity items;	(73)	
- the use of the reserve for the usufruct fee associated with UniCredit shares relating to the so-called "Cashes";	(30)	
- 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 amount previously reported in revaluation reserve;	(19)	
- 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 7 February 2018;	(60)	
- other changes of reserves.	(27)	
The change in valuation reserves due to:		(2,147)
- inclusion of valuation reserves deriving from the first time adoption of accounting standard IFRS9 Financial Instruments (net of taxes);	(324)	
- decrease of valuation reserves related to financial assets and liabilities valued at fair value;	(1,136)	
- decrease in the value of the valuation reserve of companies carried at equity;	(323)	
- decrease in exchange rate differences;	(213)	
- decrease in the value of hedging for financial risks;	(98)	
- decrease in the value of the reserve on actuarial gains (losses) on defined-benefit plans.	(54)	
The change of the profit for the period compared with that of 31 December 2017.		(3,337)

In the course of first half 2018 share capital, which as at 31 December 2017 was represented by No.2,225,692,806 ordinary shares and No.252,489 savings shares with no per-share face value, changed as described below.

On 12 March 2018, the mandatory conversion of savings shares into ordinary shares, approved by the Extraordinary Shareholders' Meeting and by the Special Meeting of Savings Shareholders on 4 December 2017, became effective. The conversion of the No.252,489 outstanding savings shares involved the issue of No.964,508 new ordinary shares with regular economic rights according to the conversion ratio of 3.82 ordinary shares for each savings share converted; the conversion did not involve variation of the overall share capital value.

On 7 February 2018 UniCredit's Board of Directors resolved a free share capital increase by €60 million by issuing No.3,519,352 ordinary shares to be granted to the employees of UniCredit and of Group banks and companies executed through the concurrent withdrawal from the specifically constituted "Reserves related to the medium-term incentive program for Group staff".

At 30 June 2018 after the aforementioned transactions the fully subscribed and paid-up share capital of UniCredit S.p.A. amounts to €20,940 million divided into No.2,230,176,665 ordinary shares with no nominal value.

## Part B - Consolidated balance sheet - Liabilities

### 13.4 Reserves from allocation of profit: other information

	AMOUNTS AS AT	
	06.30.2018	12.31.2017
Legal Reserve <sup>(*)</sup>	1,517,514	1,517,514
Statutory Reserve	6,160,551	679,464
Other Reserves	5,549,930	9,276,270
<b>Total</b>	<b>13,227,995</b>	<b>11,473,248</b>

**Note:**  
<sup>(\*)</sup> The Legal Reserve of UniCredit S.p.A. also includes €2,683,391 thousand 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 and therefore not classified among reserves from allocation of profit from previous year.

Following the resolutions of the Shareholders' Meeting of 12 April 2018 on allocation of the net profit of the year 2017 occurred €5,481 million allocated to the Statutory reserve.

### 13.6 Other information

#### Revaluation reserve: breakdown

ITEM/TYPES	AMOUNTS AS AT	
	06.30.2018	12.31.2017
1. Equity instruments designated at fair value through other comprehensive income	(250,946)	
2. Financial Assets (other than equity instruments) at fair value through other comprehensive income	260,986	
<i>Available for sale financial assets (ex IAS39)</i>		1,474,818
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)	(5,468)	
5. Hedging instruments (non-designated elements)	-	
6. Property, plant and equipment	-	-
7. Intangible assets	-	-
8. Hedges of foreign investments	-	-
9. Cash-flow hedges	105,208	202,846
10. Exchange differences	(2,151,791)	(1,938,330)
11. Non-current assets classified as held for sale	(50)	(100)
12. Actuarial gains (losses) on defined-benefit plans	(2,462,529)	(2,408,473)
13. Revaluation reserves of investments valued at net equity	(2,246,795)	(1,934,873)
14. Special revaluation laws	277,020	277,020
<b>Total</b>	<b>(6,474,365)</b>	<b>(4,327,092)</b>

The FX currency reserves as at 30 June 2018 mainly refer to the following currencies:

- Turkish Lira: €2,441 million (negative), included in the share of the revaluation reserves of the investments valued at equity in accordance with IFRS11;
- Ruble: €1,902 million (negative), included in exchange differences reserve.

The main variations in comparison to 31 December 2017 refer to:

- negative variation of financial assets at fair value through other comprehensive income (available for sale financial assets ex IAS39) for €1,465 million mainly due to Italian Government securities;
- negative variation of Turkish Lira for €344 million;
- negative variation of Ruble for €137 million.





## Part C - Consolidated income statement

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## Part C - Consolidated income statement

### Section 1 - Interests - Items 10 and 20

#### 1.1 Interest income and similar revenues: breakdown

ITEMS/TYPE	AS AT 06.30.2018			(€ '000)	AS AT 06.30.2017 TOTAL
	DEBT SECURITIES	LOANS	OTHER TRANSACTIONS		
<b>1. Financial assets at fair value through profit or loss</b>	<b>176,816</b>	<b>48,697</b>	<b>230,671</b>	<b>456,184</b>	
1.1 Financial assets held for trading	89,081	1,171	230,671	320,923	
1.2 Financial assets designated at fair value	-	-	-	-	
1.3 Other financial assets mandatorily at fair value	87,735	47,526	-	135,261	
<i>Financial assets held for trading (ex IAS39)</i>					327,617
<i>Financial assets at fair value through profit or loss (ex IAS39)</i>					89,801
<b>2. Financial assets at fair value through other comprehensive income</b>	<b>559,594</b>	<b>22</b>	<b>X</b>	<b>559,616</b>	
<i>Available-for-sale financial assets (ex IAS39)</i>					675,654
<b>3. Financial assets at amortised cost</b>	<b>150,389</b>	<b>5,652,316</b>	<b>X</b>	<b>5,802,705</b>	
3.1 Loans and advances to banks	11,246	267,604	X	278,850	
3.2 Loans and advances to customers	139,143	5,384,712	X	5,523,855	
<i>Held-to-maturity investments (ex IAS39)</i>					28,081
<i>Loans and receivables with banks (ex IAS39)</i>					135,484
<i>Loans and receivables with customers (ex IAS39)</i>					5,593,250
<b>4. Hedging derivatives</b>	<b>X</b>	<b>X</b>	<b>250,079</b>	<b>250,079</b>	<b>560,491</b>
<b>5. Other assets</b>	<b>X</b>	<b>X</b>	<b>79,511</b>	<b>79,511</b>	<b>81,036</b>
<b>6. Other financial liabilities</b>	<b>X</b>	<b>X</b>	<b>X</b>	<b>334,235</b>	
<b>Total</b>	<b>886,799</b>	<b>5,701,035</b>	<b>560,261</b>	<b>7,482,330</b>	<b>7,491,414</b>
<i>of which: interest income on credit impaired financial assets</i>	357	346,122	-	346,479	

#### 1.3 Interest expenses and similar charges: breakdown

ITEMS/TYPE	AS AT 06.30.2018			(€ '000)	AS AT 06.30.2017 TOTAL
	DEBTS	SECURITIES	OTHER TRANSACTIONS		
<b>1. Financial liabilities at amortised cost</b>	<b>(683,521)</b>	<b>(1,114,653)</b>	<b>X</b>	<b>(1,798,174)</b>	
1.1 Deposits from central banks	(34,763)	X	X	(34,763)	
1.2 Deposits from banks	(176,015)	X	X	(176,015)	
1.3 Deposits from customers	(472,743)	X	X	(472,743)	
1.4 Debt securities in issue	X	(1,114,653)	X	(1,114,653)	
<i>Deposits from central banks (ex IAS39)</i>					62,557
<i>Deposits from banks (ex IAS39)</i>					(128,039)
<i>Deposits from customers (ex IAS39)</i>					(398,738)
<i>Debt securities in issue (ex IAS39)</i>					(1,406,814)
<b>2. Financial liabilities held for trading</b>	<b>(863)</b>	<b>(19,280)</b>	<b>(372,596)</b>	<b>(392,739)</b>	
<i>Financial liabilities held for trading (ex IAS39)</i>					(445,505)
<b>3. Financial liabilities designated at fair value</b>	<b>(4,210)</b>	<b>(52,825)</b>	<b>-</b>	<b>(57,035)</b>	
<i>Financial liabilities at fair value through profit or loss (ex IAS39)</i>					(1,256)
<b>4. Other liabilities and funds</b>	<b>X</b>	<b>X</b>	<b>(32,087)</b>	<b>(32,087)</b>	<b>41,959</b>
<b>5. Hedging derivatives</b>	<b>X</b>	<b>X</b>	<b>274,759</b>	<b>274,759</b>	<b>-</b>
<b>6. Financial assets</b>	<b>X</b>	<b>X</b>	<b>X</b>	<b>(164,876)</b>	
<b>Total</b>	<b>(688,594)</b>	<b>(1,186,758)</b>	<b>(129,924)</b>	<b>(2,170,152)</b>	<b>(2,275,836)</b>

## Section 2 - Fees and commissions - Items 40 and 50

### 2.1 Fees and commissions income: breakdown

TYPE OF SERVICE/VALUES	AS AT 06.30.2018	(€ '000) AS AT 06.30.2017
a) Guarantees given	241,127	257,004
b) Credit derivatives	1,014	(89)
c) Management, brokerage and consultancy services	1,974,544	1,558,689
1. Securities trading	129,427	127,999
2. Currency trading	48,045	51,600
3. Portfolio management	179,307	176,164
3.1 Individual	80,052	76,499
3.2 Collective	99,255	99,665
4. Custody and administration of securities	123,256	96,513
5. Custodian bank	16,177	17,381
6. Placement of securities	338,770	324,741
7. Reception and transmission of orders	63,626	74,226
8. Advisory services	94,146	40,527
8.1 Related to investments	73,218	30,102
8.2 Related to financial structure	20,928	10,425
9. Distribution of third party services	981,790	649,538
9.1 Portfolio management	431,305	168,046
9.1.1 Individual	1,608	246
9.1.2 Collective	429,697	167,800
9.2 Insurance products	539,839	464,295
9.3 Other products	10,646	17,197
d) Collection and payment services	687,879	751,135
e) Securitisation servicing	104	1,769
f) Factoring	37,167	37,897
g) Tax collection services	-	-
h) Management of multilateral trading facilities	103	-
i) Management of current accounts	660,415	615,185
j) Other services	527,044	446,405
k) Security lending	20,220	11,742
<b>Total</b>	<b>4,149,617</b>	<b>3,679,737</b>

Item "j) other services" mainly comprise:

- fees on loans granted: €204 million in 2018, €276 million in 2017 (-26%);
- fees for foreign transactions and services of €37 million in 2018, €37 million in 2017 (+1%);
- fees for various services provided to customers (e.g. treasury, merchant banking, etc.) of €32 million in 2018, €34 million in 2017 (-7%);
- fees for ATM and credit card services not included in collection and payment services, amounting to €143 million in 2018, €37 million in 2017 (+287%).

## Part C - Consolidated income statement

### 2.2 Fees and commissions expenses: breakdown

SERVICES/VALUES	AS AT 06.30.2018	AS AT 06.30.2017
a) Guarantees received	(68,924)	(64,117)
b) Credit derivatives	(63)	-
c) Management, brokerage and consultancy services	(270,045)	(285,348)
1. Trading financial instruments	(30,044)	(28,709)
2. Currency trading	(5,584)	(6,008)
3. Portfolio management	(13,673)	(11,316)
3.1 Own portfolio	(7,306)	(4,826)
3.2 Third party portfolio	(6,367)	(6,490)
4. Custody and administration of securities	(73,861)	(81,261)
5. Placement of financial instruments	(9,051)	(18,327)
6. Off-site distribution of financial instruments, products and services	(137,832)	(139,727)
d) Collection and payment services	(218,001)	(200,454)
e) Other services	(48,197)	(56,071)
f) Security borrowing	(16,159)	(13,954)
<b>Total</b>	<b>(621,389)</b>	<b>(619,944)</b>

### Section 3 - Dividend income and similar revenue - Item 70

Dividends are recognised in the income statement when distribution is approved.

In the first half 2018 dividend income, totaled €312 million (€316 million if income from units in investment funds is also considered), as against overall €230 million (€248 million if income from units in investment funds is also considered) for the previous period.

### 3.1 Dividend income and similar revenues: breakdown

ITEMS/REVENUES	AS AT 06.30.2018		AS AT 06.30.2017	
	DIVIDENDS	SIMILAR REVENUES	DIVIDENDS	SIMILAR REVENUES
A. Financial assets held for trading	277,577	-	204,754	7,857
<i>Financial assets held for trading (ex IAS39)</i>				
B. Other financial assets mandatorily at fair value	9,678	3,402	-	-
<i>Financial assets at fair value through profit or loss (ex IAS39)</i>				
C. Financial assets at fair value through other comprehensive income	19,999	-	24,460	10,323
<i>Available for sale financial assets (ex IAS39)</i>				
D. Equity investments	5,236	-	544	X
<b>Total</b>	<b>312,490</b>	<b>3,402</b>	<b>229,758</b>	<b>18,180</b>
<b>Total dividends and similar revenues</b>		<b>315,892</b>		<b>247,938</b>

The item "A. Financial assets held for trading" includes mainly 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 the first half of 2017 as well).

## Section 4 - Gains (Losses) on financial assets and liabilities held for trading - Item 80

### 4.1 Gains and losses on financial assets and liabilities held for trading: breakdown

TRANSACTIONS/P&L ITEMS	AS AT 06.30.2018				(`000)
	UNREALISED PROFITS (A)	REALISED PROFITS (B)	UNREALISED LOSSES (C)	REALISED LOSSES (D)	
					[(A + B) - (C + D)]
<b>1. Financial assets held for trading</b>	<b>2,518,314</b>	<b>1,576,156</b>	<b>(1,348,036)</b>	<b>(1,797,240)</b>	<b>949,194</b>
1.1 Debt securities	265,231	365,691	(388,510)	(418,375)	(175,963)
1.2 Equity instruments	518,521	684,212	(602,419)	(1,153,863)	(553,549)
1.3 Units in investment funds	23,996	61,894	(63,193)	(74,497)	(51,800)
1.4 Loans	150,427	434,175	(103,433)	(1,555)	479,614
1.5 Other	1,560,139	30,184	(190,481)	(148,950)	1,250,892
<b>2. Financial liabilities held for trading</b>	<b>319,918</b>	<b>278,760</b>	<b>(168,615)</b>	<b>(324,101)</b>	<b>105,962</b>
2.1 Debt securities	221,517	72,662	(65,119)	(70,642)	158,418
2.2 Deposits	6	-	(79)	(2,606)	(2,679)
2.3 Other	98,395	206,098	(103,417)	(250,853)	(49,777)
<b>3. Financial assets and liabilities: exchange differences</b>	<b>X</b>	<b>X</b>	<b>X</b>	<b>X</b>	<b>(45,887)</b>
<b>4. Derivatives</b>	<b>20,285,589</b>	<b>18,689,770</b>	<b>(21,119,488)</b>	<b>(19,063,894)</b>	<b>(725,108)</b>
4.1 Financial derivatives	19,964,505	18,306,469	(20,718,965)	(18,784,405)	(1,232,396)
- On debt securities and interest rates	16,410,667	15,005,033	(16,121,330)	(15,106,995)	187,375
- On equity securities and share indices	2,450,291	2,377,765	(2,078,048)	(2,457,347)	292,661
- On currency and gold	X	X	X	X	482,915
- Other	1,103,547	923,671	(2,519,587)	(1,220,063)	(1,712,432)
4.2 Credit derivatives	321,084	383,301	(400,523)	(279,489)	24,373
of which: economic hedges related to the fair value option	X	X	X	X	-
<b>Total</b>	<b>23,123,821</b>	<b>20,544,686</b>	<b>(22,636,139)</b>	<b>(21,185,235)</b>	<b>284,161</b>

The table prepared pursuant to IAS39 and to previous Circular 262 of Banca d'Italia (4<sup>th</sup> update of 15 December 2015) is reported below for the purpose of comparability.

### 4.1 Gains and losses on financial assets and liabilities held for trading: breakdown

TRANSACTIONS/P&L ITEMS	AS AT 06.30.2017				(`000)
	UNREALISED PROFITS	REALISED PROFITS	UNREALISED LOSSES	REALISED LOSSES	
					NET PROFIT
<b>1. Financial assets held for trading</b>	<b>1,048,410</b>	<b>2,458,255</b>	<b>(1,676,914)</b>	<b>(1,627,692)</b>	<b>202,059</b>
1.1 Debt securities	240,921	416,605	(215,236)	(404,470)	37,820
1.2 Equity instruments	197,180	1,953,634	(1,336,179)	(430,224)	384,411
1.3 Units in investment funds	36,283	63,854	(26,830)	(18,426)	54,881
1.4 Loans	238,734	5,413	(98,066)	(179,610)	(33,529)
1.5 Other	335,292	18,749	(603)	(594,962)	(241,524)
<b>2. Financial liabilities held for trading</b>	<b>249,371</b>	<b>241,845</b>	<b>(335,108)</b>	<b>(278,851)</b>	<b>(122,743)</b>
2.1 Debt securities	130,032	74,834	(228,317)	(108,393)	(131,844)
2.2 Deposits	-	-	(133)	(2,015)	(2,148)
2.3 Other	119,339	167,011	(106,658)	(168,443)	11,249
<b>3. Financial assets and liabilities: exchange differences</b>	<b>X</b>	<b>X</b>	<b>X</b>	<b>X</b>	<b>701,776</b>
<b>4. Derivatives</b>	<b>41,321,194</b>	<b>22,865,548</b>	<b>(41,350,280)</b>	<b>(22,586,814)</b>	<b>(114,389)</b>
4.1 Financial derivatives:	40,407,894	22,558,735	(40,443,613)	(22,265,614)	(106,635)
- on debt securities and interest rates	33,338,502	19,202,412	(33,572,040)	(18,635,425)	333,449
- on equity securities and share indices	6,347,676	2,647,978	(6,263,407)	(3,017,053)	(284,806)
- on currency and gold	X	X	X	X	(364,037)
- other	721,716	708,345	(608,166)	(613,136)	208,759
4.2 Credit derivatives	913,300	306,813	(906,667)	(321,200)	(7,754)
<b>Total</b>	<b>42,618,975</b>	<b>25,565,648</b>	<b>(43,362,302)</b>	<b>(24,493,357)</b>	<b>666,703</b>

## Part C - Consolidated income statement

### Section 5 - Fair value adjustments in hedge accounting - Item 90

#### 5.1 Fair value adjustments in hedge accounting: breakdown

P&L COMPONENT/VALUES	AS AT 06.30.2018	AS AT 06.30.2017
<b>A. Gains on</b>		
A.1 Fair value hedging instruments	2,571,293	7,044,210
A.2 Hedged financial assets (in fair value hedge relationship)	465,769	630,939
A.3 Hedged financial liabilities (in fair value hedge relationship)	187,551	1,265,053
A.4 Cash-flow hedging derivatives	11,740	4,283
A.5 Assets and liabilities denominated in currency	27	1,961
<b>Total gains on hedging activities (A)</b>	<b>3,236,380</b>	<b>8,946,446</b>
<b>B. Losses on</b>		
B.1 Fair value hedging instruments	(2,741,467)	(7,651,538)
B.2 Hedged financial assets (in fair value hedge relationship)	(369,381)	(1,222,748)
B.3 Hedged financial liabilities (in fair value hedge relationship)	(96,084)	(16,141)
B.4 Cash-flow hedging derivatives	(13,741)	(4,196)
B.5 Assets and liabilities denominated in currency	(27)	-
<b>Total losses on hedging activities (B)</b>	<b>(3,220,700)</b>	<b>(8,894,623)</b>
<b>C. Net hedging result (A – B)</b>	<b>15,680</b>	<b>51,823</b>
of which: net gains (losses) of hedge accounting on net positions	-	-

### Section 6 - Gains (Losses) on disposals/repurchases - Item 100

As at 30 June 2018 the disposal/repurchase of financial assets/liabilities generates net gains in the amount of +€130 million, of which about +€133 million on assets and about -€2 million on liabilities.

The net result on financial asset (+€133 million) principally refers to sub-item "2. Financial assets at fair value through other comprehensive income - 2.1 Debt securities" that is equal to +€131 million and includes gains on disposal realised by UniCredit S.p.A. (+€69 million, mainly due to disposal of Italian Government securities), AO UniCredit Bank (+€21 million, mainly due to disposal of Russian Government securities), UniCredit Bank Ireland PLC (+€16 million, mainly due to disposal of Italian and Spanish Government securities), UniCredit Bulbank AD (+€6 million, mainly due to disposal of Bulgarian Government securities).

#### 6.1 Gains (Losses) on disposal/repurchase: breakdown

ITEMS/P&L ITEMS	AS AT 06.30.2018	(€ '000)	
	GAINS	LOSSES	NET PROFIT
<b>A. Financial assets</b>			
1. Financial assets at amortised cost	84,997	(83,245)	1,752
1.1 Loans and advances to banks	3,367	(6,053)	(2,686)
1.2 Loans and advances to customers	81,630	(77,192)	4,438
2. Financial assets at fair value through other comprehensive income	243,646	(112,818)	130,828
2.1 Debt securities	243,646	(112,818)	130,828
2.2 Loans	-	-	-
<b>Total assets (A)</b>	<b>328,643</b>	<b>(196,063)</b>	<b>132,580</b>
<b>B. Financial liabilities at amortised cost</b>			
1. Deposits from banks	-	-	-
2. Deposits from customers	1	-	1
3. Debt securities in issue	6,377	(8,658)	(2,281)
<b>Total liabilities (B)</b>	<b>6,378</b>	<b>(8,658)</b>	<b>(2,280)</b>
<b>Total financial assets/liabilities</b>			<b>130,300</b>

The table prepared pursuant to IAS39 and to previous Circular 262 of Banca d'Italia (4<sup>th</sup> update of 15 December 2015) is reported below for the purpose of comparability.

#### 6.1 Gains and losses on disposals/repurchases: breakdown

(€ '000)

ITEMS/P&L ITEMS	AS AT 06.30.2017		
	GAINS	LOSSES	NET PROFIT
<b>Financial assets</b>			
1. Loans and receivables with banks	1,794	(8)	1,786
2. Loans and receivables with customers	80,991	(67,115)	13,876
3. Available-for-sale financial assets	409,098	(187,330)	221,768
3.1 Debt securities	404,455	(187,329)	217,126
3.2 Equity instruments	4,621	(1)	4,620
3.3 Units in Investment funds	22	-	22
3.4 Loans	-	-	-
4. Held-to-maturity investments	-	-	-
<b>Total assets</b>	491,883	(254,453)	237,430
<b>Financial liabilities</b>			
1. Deposits with banks	19,423	(10,463)	8,960
2. Deposits with customers	478	(2,719)	(2,241)
3. Debt securities in issue	56,706	(52,456)	4,250
<b>Total liabilities</b>	76,607	(65,638)	10,969
<b>Total financial assets and liabilities</b>			248,399

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

##### 7.1 Net change in other financial assets/liabilities at fair value through profit or loss: breakdown of financial assets and liabilities designated at fair value

(€ '000)

TRANSACTIONS/P&L ITEMS	AS AT 06.30.2018				
	UNREALISED PROFITS (A)	REALISED PROFITS (B)	UNREALISED LOSSES (C)	REALISED LOSSES (D)	NET PROFIT [(A + B) - (C + D)]
<b>1. Financial assets</b>	-	-	(32)	-	(32)
1.1 Debt securities	-	-	(32)	-	(32)
1.2 Loans	-	-	-	-	-
<b>2. Financial liabilities</b>	353,629	49,029	(167,782)	(67,762)	167,114
2.1 Debt securities	340,138	49,029	(165,412)	(63,756)	159,999
2.2 Deposits from banks	5,701	-	-	-	5,701
2.3 Deposits from customers	7,790	-	(2,370)	(4,006)	1,414
<b>3. Financial assets and liabilities in foreign currency: exchange differences</b>	X	X	X	X	-
<b>Total</b>	353,629	49,029	(167,814)	(67,762)	167,082

##### 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

(€ '000)

TRANSACTIONS/P&L ITEMS	AS AT 06.30.2018				
	UNREALISED PROFITS (A)	REALISED PROFITS (B)	UNREALISED LOSSES (C)	REALISED LOSSES (D)	NET PROFIT [(A + B) - (C + D)]
<b>1. Financial assets</b>	249,127	85,642	(292,696)	(106,179)	(64,106)
1.1 Debt securities	111,270	66,051	(156,810)	(97,612)	(77,101)
1.2 Equity securities	39,838	17,953	(86,686)	(11)	(28,906)
1.3 Units in investment funds	50,225	1,547	(12,910)	(904)	37,958
1.4 Loans	47,794	91	(36,290)	(7,652)	3,943
<b>2. Financial assets: exchange differences</b>	X	X	X	X	-
<b>Total</b>	249,127	85,642	(292,696)	(106,179)	(64,106)

## Part C - Consolidated income statement

The table prepared pursuant to IAS39 and to previous Circular 262 of Banca d'Italia (4<sup>th</sup> update of 15 December 2015) is reported below for the purpose of comparability.

### 7.1 Net change in financial assets and liabilities at fair value through profit or loss: breakdown (€ '000)

TRANSACTIONS/P&L ITEMS	AS AT 06.30.2017				
	UNREALISED PROFITS	REALISED PROFITS	UNREALISED LOSSES	REALISED LOSSES	NET PROFIT
<b>1. Financial assets</b>	<b>30,214</b>	<b>38,487</b>	<b>(224,872)</b>	<b>(26,198)</b>	<b>(182,369)</b>
1.1 Debt securities	27,842	36,894	(183,996)	(24,400)	(143,660)
1.2 Equity securities	-	-	(2,295)	-	(2,295)
1.3 Units in investment funds	588	1,593	(629)	-	1,552
1.4 Loans	1,784	-	(37,952)	(1,798)	(37,966)
<b>2. Financial liabilities</b>	<b>18,040</b>	<b>115</b>	<b>(142,045)</b>	<b>(16,663)</b>	<b>(140,553)</b>
2.1 Debt securities	9,383	115	(142,045)	(16,663)	(149,210)
2.2 Deposits from banks	-	-	-	-	-
2.3 Deposits from customers	8,657	-	-	-	8,657
<b>3. Financial assets and liabilities in foreign currency: exchange differences</b>	<b>X</b>	<b>X</b>	<b>X</b>	<b>X</b>	<b>-</b>
<b>4. Credit and financial derivatives</b>	<b>403,564</b>	<b>35,465</b>	<b>(228,230)</b>	<b>(3,749)</b>	<b>207,050</b>
<b>Total</b>	<b>451,818</b>	<b>74,067</b>	<b>(595,147)</b>	<b>(46,610)</b>	<b>(115,872)</b>

### 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 (€ '000)

TRANSACTIONS/P&L ITEMS	AS AT 06.30.2018					
	WRITE-DOWNS		WRITE-BACKS		TOTAL	
	LEVEL 1 AND LEVEL 2	LEVEL 3	LEVEL 1 AND LEVEL 2	LEVEL 3		
<b>A. Loans and advances to banks</b>	<b>(13,463)</b>	-	<b>(2,973)</b>	<b>26,591</b>	<b>1,171</b>	<b>11,326</b>
- Loans	(13,143)	-	(2,973)	24,075	1,171	9,130
- Debt securities	(320)	-	-	2,516	-	2,196
of which: impaired related to purchase agreements	-	-	-	-	-	-
<b>B. Loans and advances to customers</b>	<b>(965,862)</b>	<b>(227,331)</b>	<b>(2,713,021)</b>	<b>1,163,197</b>	<b>1,669,065</b>	<b>(1,073,952)</b>
- Loans	(955,441)	(227,331)	(2,713,021)	1,130,362	1,669,065	(1,096,366)
- Debt securities	(10,421)	-	-	32,835	-	22,414
of which: impaired related to purchase agreements	(6,248)	(11,689)	(6,502)	4,845	12,281	(7,313)
<b>Total</b>	<b>(979,325)</b>	<b>(227,331)</b>	<b>(2,715,994)</b>	<b>1,189,788</b>	<b>1,670,236</b>	<b>(1,062,626)</b>

#### 8.2 Net change for credit risk relating to financial assets/liabilities at fair value through other comprehensive income: breakdown (€ '000)

TRANSACTIONS/P&L ITEMS	AS AT 06.30.2018					
	WRITE-DOWNS		WRITE-BACKS		TOTAL	
	LEVEL 1 AND LEVEL 2	LEVEL 3	LEVEL 1 AND LEVEL 2	LEVEL 3		
<b>A. Debt securities</b>	<b>(12,976)</b>	-	<b>1</b>	<b>5,855</b>	<b>-</b>	<b>(7,120)</b>
<b>B. Loans</b>	-	-	-	<b>17</b>	-	<b>17</b>
- Loans and advances to customers	-	-	-	-	-	-
- Loans and advances to banks	-	-	-	17	-	17
of which: Impaired related to purchase agreements	-	-	-	-	-	-
<b>Total</b>	<b>(12,976)</b>	-	<b>1</b>	<b>5,872</b>	<b>-</b>	<b>(7,103)</b>

The table prepared pursuant to IAS39 and to previous Circular 262 of Banca d'Italia (4<sup>th</sup> update of 15 December 2015) is reported below for the purpose of comparability.

#### 8.1 Impairment losses on loans and receivables: breakdown

(€ '000)

TRANSACTIONS/P&L ITEMS	AS AT 06.30.2017							
	WRITE-DOWNS		WRITE-BACKS				TOTAL	
	SPECIFIC	OTHER	PORTFOLIO	SPECIFIC	OTHER	INTEREST	OTHER	
<b>A. Loans and receivables with banks</b>	-	(112)	(74,667)	1	1,131	-	11,504	(62,143)
- Loans	-	(112)	(74,667)	1	1,131	-	11,104	(62,543)
- Debt securities	-	-	-	-	-	-	400	400
<b>B. Loans and receivables with customers</b>	(146,142)	(3,697,516)	(491,342)	270,383	2,092,792	-	619,579	(1,352,246)
<b>Impaired related to purchase agreements</b>	(133)	(6,787)	-	669	3,076	-	-	(3,175)
- Loans	(133)	(6,787)	X	669	3,076	X	X	(3,175)
- Debt securities	-	-	X	-	-	X	X	-
<b>Other loans</b>	(146,009)	(3,690,729)	(491,342)	269,714	2,089,716	-	619,579	(1,349,071)
- Loans	(146,009)	(3,599,352)	(491,022)	269,714	2,088,717	-	614,892	(1,263,060)
- Debt securities	-	(91,377)	(320)	-	999	-	4,687	(86,011)
<b>C. Total</b>	<b>(146,142)</b>	<b>(3,697,628)</b>	<b>(566,009)</b>	<b>270,384</b>	<b>2,093,923</b>	-	<b>631,083</b>	<b>(1,414,389)</b>

## Section 12 - Administrative expenses - Item 190

#### 12.1 Staff expenses: breakdown

(€ '000)

TYPE OF EXPENSE/SECTORS	AS AT 06.30.2018	AS AT 06.30.2017
<b>1) Employees</b>	<b>(3,229,285)</b>	<b>(3,484,139)</b>
a) Wages and salaries	(2,296,015)	(2,463,021)
b) Social charges	(548,746)	(609,483)
c) Severance pay	(15,402)	(23,739)
d) Social security costs	-	-
e) Allocation to employee severance pay provision	(8,628)	(8,780)
f) Provision for retirements and similar provisions	(85,665)	(89,663)
- Defined contribution	(1,039)	(518)
- Defined benefit	(84,626)	(89,145)
g) Payments to external pension funds	(119,564)	(131,129)
- Defined contribution	(119,049)	(130,580)
- Defined benefit	(515)	(549)
h) Costs related to share-based payments	(36,225)	(34,697)
i) Other employee benefits	(134,770)	(137,646)
l) Recovery payments seconded employees	15,730	14,019
<b>2) Other staff</b>	<b>(26,357)</b>	<b>(23,756)</b>
<b>3) Directors and Statutory Auditors</b>	<b>(4,845)</b>	<b>(4,684)</b>
<b>4) Early retirement costs</b>	<b>-</b>	<b>-</b>
<b>Total</b>	<b>(3,260,487)</b>	<b>(3,512,579)</b>

The sub-item "1. h) costs related to share-based payments" includes also costs for plans referred to equity instruments of other Group's entities (e.g. FinecoBank S.p.A.).

## Part C - Consolidated income statement

### 12.5 Other administrative expenses: breakdown

TYPE OF EXPENSES/SECTORS	AS AT 06.30.2018	AS AT 06.30.2017 (€ '000)
<b>1) Indirect taxes and duties</b>	<b>(399,433)</b>	<b>(381,235)</b>
1a. Settled	(399,082)	(380,562)
1b. Unsettled	(351)	(673)
<b>2) Contributions to Resolution Funds and Deposit Guarantee Schemes (DGS)</b>	<b>(487,618)</b>	<b>(383,156)</b>
<b>3) Guarantee fee for DTA conversion</b>	<b>(57,798)</b>	<b>10,062</b>
<b>4) Miscellaneous costs and expenses</b>	<b>(1,797,608)</b>	<b>(1,958,186)</b>
a) Advertising marketing and communication	(119,197)	(130,271)
b) Expenses related to credit risk	(133,046)	(175,051)
c) Indirect expenses related to personnel	(80,461)	(79,124)
d) Information & Communication Technology expenses	(611,605)	(625,518)
Lease of ICT equipment and software	(35,101)	(35,315)
Software expenses: lease and maintenance	(114,450)	(115,743)
ICT communication systems	(37,076)	(35,796)
Services ICT in outsourcing	(360,425)	(373,237)
Financial information providers	(64,553)	(65,427)
e) Consulting and professionals services	(116,786)	(154,229)
Consulting	(93,289)	(127,193)
Legal expenses	(23,497)	(27,036)
f) Real estate expenses	(395,581)	(432,903)
Premises rentals	(214,746)	(243,199)
Utilities	(74,234)	(77,920)
Other real estate expenses	(106,601)	(111,784)
g) Operating costs	(340,932)	(361,090)
Surveillance and security services	(24,305)	(24,942)
Money counting services and transport	(26,884)	(27,493)
Printing and stationery	(18,159)	(19,289)
Postage and transport of documents	(41,759)	(43,639)
Administrative and logistic services	(127,789)	(126,393)
Insurance	(46,675)	(46,963)
Association dues and fees and Contributions to the administrative expenses Deposit Guarantee Schemes	(42,568)	(40,675)
Other administrative expenses - other	(12,793)	(31,696)
<b>Total (1+2+3+4)</b>	<b>(2,742,457)</b>	<b>(2,712,515)</b>

### Contributions to Resolution and Guarantee Funds

The item Other administrative expenses holds the contributions to resolution funds ("SRF") and guarantee funds ("DGS"), harmonised and non-harmonised, respectively equal to €400 million (of which €52 million as extraordinary as contributions) and €88 million.

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 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 will result in expenses in future periods as 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 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 a further four years if the funding mechanisms have made cumulative disbursements for a percentage higher than 0.5% of the covered deposits. If, after the accumulation period, the available financial resources fall below the target level, the collection of contributions shall resume until that level has been recovered. Additionally, 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 the level which allows the target level to be reached 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 the losses and costs of the 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, 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 3 July 2024. The contribution resumes when the financing capacity is below the target level, at least until the target level is reached. If, after the target level has been reached for the first time, the available financial resources have been reduced to below two thirds of the target level, the regular contribution shall be set at a level to achieve the target level within six years. The 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):

- 2018 ordinary contribution amounts to €140 million. For years 2015, 2016 and 2017 contributions have been respectively €73 million, €107 million and €109 million;
- 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, this related 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", held to be sold through a competitive selling procedure on the market. As a result of this intervention, the aforementioned ministerial measures led to a request for extraordinary contributions for 2015, in accordance with Directive 59, established at the maximum rate of three times the ordinary contribution due for 2015. Therefore, UniCredit S.p.A. made an extraordinary contribution of €219 million (equal to 3 times the ordinary annual contribution due in 2015 for the Single Resolution Fund). Further, Italian Legislative Decree 183/2015 (converted into Law 208/2015) also introduced an additional payment commitment for 2016, due to the National Resolution Fund, for the payment of contributions of up to twice the ordinary contribution quotas to the Single Resolution Fund, which could be activated if the funds available to the National Resolution Fund 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 additional €214 million (two times the ordinary contribution) have been requested by Banca d'Italia and posted into UniCredit S.p.A. profit and loss and subsequently paid during 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 National Resolution Fund 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 National Resolution Fund for a numina equal to €516 million (portion of a total loan of €1,550 million disbursed together with other banks) and the payment commitment to the National Resolution Fund 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.

In respect of the loan and the commitment, Cassa Depositi e Prestiti has assumed a commitment of financial support in favour of National Resolution Fund in the event of insufficient liquidity to the date of loan maturity, while awaiting that the National Resolution Fund finds the necessary resources through ordinary and/or extraordinary contributions.

For facing the reimbursement commitments of capital and interests' payment, in 2018 €52 million were required 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 million and €12 million. Referring to ordinary contribution for 2017, only UniCredit Bank AG has adopted this faculty for an amount of €14 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, UniCredit S.p.A. has not adopted this faculty.

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

## Part C - Consolidated income statement

### Guarantee fees for DTA conversion

Guarantee fee for DTA conversion, introduced by D.L. 3 May 2016 No.59, Art.11 ("Decreto Banche", converted into Law No.119 of 30 June 2016), 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"). According to the original wording of the law, the DTA fee had to be corresponded annually for the period 2015-2029, subsequently the D.L. No.237 of 23 December 2016 ("Decreto salva-risparmio"), converted into Law No.15 of 17 February 2017, modified such period to 2016-2030.

In respect of financial year 2018, accounted to income statement on accrual basis for an amount of €58 million, the fee has been paid on 27 June 2018 for an amount of €115.8 million for the whole Italian Tax Group, out of which €111 million for UniCredit S.p.A., €4.5 million for UniCredit Leasing S.p.A. and €0.3 million for UniCredit Factoring S.p.A.

## 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

	AS AT 06.30.2018			(€ '000)
	PROVISIONS	REALLOCATION SURPLUS	TOTAL	
Loan commitments	(106,132)	152,984	46,852	
Financial guarantees given	(248,575)	279,226	30,651	

### 13.2 Net provisions for other commitments and guarantees given: breakdown

	AS AT 06.30.2018			(€ '000)
	PROVISIONS	REALLOCATION SURPLUS	TOTAL	
Other commitments	(4,342)	20,441	16,099	
Other guarantees given	-	-	-	

### 13.3 Net provisions for risks and charges: breakdown

ASSETS/P&L ITEMS	AS AT 06.30.2018			AS AT 06.30.2017 TOTAL
	PROVISIONS	REALLOCATION SURPLUS	TOTAL	
<b>1. Other provisions</b>				
1.1 Legal disputes	(528,772)	53,738	(475,034)	(14,934)
1.2 Staff costs	-	98	98	(1,227)
1.3 Other	(263,301)	178,228	(85,073)	(132,050)
<b>Total</b>	<b>(792,073)</b>	<b>232,064</b>	<b>(560,009)</b>	<b>(148,211)</b>

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 provisions made by holding UniCredit S.p.A. and its subsidiary UniCredit Bank AG (see Part E- Section 2 "Risks of the prudential consolidated perimeter" - 1.5 Operational risks - 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 - Section 2 "Risks of the prudential consolidated" - 1.5 Operational risks - F. Other claims by customers.

## Section 16 - Other operating expenses/income - Item 230

### Other net operating income: breakdown

P&L ITEMS/VALUE	AS AT 06.30.2018	AS AT 06.30.2017
Total other operating expenses	(322,011)	(354,027)
Total other operating income	863,015	870,399
<b>Other net operating income</b>	<b>541,004</b>	<b>516,372</b>

### 16.1 Other operating expenses: breakdown

TYPE OF EXPENSE/VALUE	(€ '000)	AS AT 06.30.2018	AS AT 06.30.2017
Costs for operating leases		(2,043)	(2,585)
Non-deductible tax and other fiscal charges		(602)	(735)
Write-downs on leasehold improvements		(29,472)	(34,401)
Costs related to the specific service of financial leasing		(41,536)	(45,704)
Other		(248,358)	(270,602)
<b>Total other operating expenses</b>		<b>(322,011)</b>	<b>(354,027)</b>

The item "Other" includes:

- various settlements and indemnities of €70 million, €94 million in 2017;
- additional costs for the leasing business of €13 million, €19 million in 2017;
- non-banking business costs €62 million, €47 million in 2017;
- charges relating to Group property of €1 million, €16 million in 2017;
- additional costs relating to customer accounts of €12 million, €11 million in 2017.

### 16.2 Other operating income: breakdown

TYPE OF REVENUE/VALUES	(€ '000)	AS AT 06.30.2018	AS AT 06.30.2017
<b>A) Recovery of costs</b>		<b>323,775</b>	<b>308,439</b>
<b>B) Other revenues</b>		<b>539,240</b>	<b>561,960</b>
Revenues from administrative services		21,609	24,148
Revenues on rentals Real Estate investments (net of operating direct costs)		60,787	62,750
Revenues from operating leases		86,690	79,542
Recovery of miscellaneous costs paid in previous years		6,186	5,397
Revenues on Financial Leases activities		48,067	62,158
Others		315,901	327,965
<b>Total operating income (A+B)</b>		<b>863,015</b>	<b>870,399</b>

The sub-item "Others" includes:

- additional income received from leasing business of €20 million, €17 million in 2017;
- income from non-banking business of €184 million, €171 million in 2017;
- various income from Group property of €4 million, €10 million in 2017;
- payments of indemnities and compensation of €13 million, €32 million in 2017.

## Section 25 - Earnings per share

### 25.1 and 25.2 Average number of diluted shares and other information

	AS AT 06.30.2018	AS AT 06.30.2017
Net profit (loss) attributable to the Group (thousand of €)	2,106,244	1,820,514
Average number of outstanding shares	2,218,297,344	1,674,177,976
Average number of potential dilutive shares	10,042,871	8,959,132
Average number of diluted shares	2,228,340,215	1,683,137,109
<b>Earnings per share (€)</b>	<b>0.949</b>	<b>1.087</b>
<b>Diluted earnings per share (€)</b>	<b>0.945</b>	<b>1.082</b>

€30,005 thousand has been deducted from 2018 first half net profit of €2,136,249 thousand due to disbursements charged to equity made in connection with the contract of usufruct on treasury shares agreed under the "Cashes" transaction (€32,131 thousand was deducted from 2017 first half net profit).

Net of the average number of treasury shares and of further No.9,675,641 shares held under a contract of usufruct.



# Part E - Information on risks and hedging policies

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## 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 the phases of the economic cycle.

The control and steering of the Group's risks is performed by the Parent Company's Group Risk Management function, which pursues its steering, coordination and control role in particular through the "Portfolio Risk Managers" which are responsible for the relevant risks from a Group perspective, and through the Group Lending Office, set up since 2 February 2018, responsible for the credit activities, following risk management strategies, policies and guidelines.

In particular, the Risk Management function is responsible for the following tasks:

- optimising the quality of the Group's assets and minimising the cost of risk in accordance with the risk/profitability goals set for the business areas;
- ensuring the strategic steering and the definition of the Group's risk management policies;
- defining and issuing to the Legal Entities the guidelines and rules for assessing, managing, measuring, monitoring and reporting risk. It also ensures that the procedures and systems designed to control risk at Group and individual Entity level are coherent;
- strengthening a risk culture across the Group by risk training initiatives and developing highly qualified staff, in cooperation with the competent COO functions;
- helping to find ways to rectify asset imbalances, where needed in cooperation with Planning, Finance and Administration;
- supporting the Business Functions to achieve their goals, including support in the development of products and business initiatives (e.g. innovation of credit products, competitive business opportunities);
- supporting the CEO in defining 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 annual and multi-year budget plan pertaining to the CFO.

In addition, the Risk Management function is responsible for ensuring the CEO and the Board of Directors the coherence of the Group Risk Appetite with the Group strategic guidelines, as well as the coherence of the budget goals with the Group Risk Appetite setting and the periodical monitoring of the Risk Appetite Framework (RAF). The CFO remains 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.

Consistently with the Risk Management function architecture and 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, four distinct levels of Risk Committees are in place:

- the "Group Risk & Internal Control Committee" responsible for the Group strategic risk decisions: establishing policies, guidelines, operational limits and the methodologies for the measurement, management and control of risks. In addition it supports the Group CEO in the management and oversight of the Internal Control System ("ICS");
- the "Group Portfolio Risks Committees", tasked with addressing, controlling and managing the different portfolio risks;
- the "Group Credit Risk Governance Committee", responsible for ensuring steering, coordination and control on 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 Holding Company and the different Group Legal Entities;
- the "Transactional Committees" in charge of evaluating and approving the single counterparties/transactions impacting the overall portfolio risk profile.

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 Control & Risk 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, inclusive of the Internal Control & Risk Committee and the number of times this committee has met, 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 under severe loss events, like those caused by an economic downturn.

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

- risk identification and mapping;
- risk measurement and stress testing;
- risk appetite setting and capital allocation;
- monitoring and reporting.

#### **1. Risk identification and mapping**

The first step is the identification and mapping of all risks embedded in the Group and relevant Legal Entities, with particular focus on the risks not explicitly covered by the Pillar 1 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 the measurement and quantification of the different risk profiles, resulting into the calculation of Group Internal Capital. Firm-wide stress tests are also performed as a fundamental part of a 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 tool 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, and it is 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 process. The Bank monitors its main risk profile with a frequency coherent 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 an 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 the 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 AFR components should meet the following criteria:

- loss absorbency;
- permanence;
- flexibility of payments.

Since these criteria are the same identified by Regulators to calculate regulatory own funds, the amount of regulatory own funds is the natural basis for the quantification of AFR. According to the Going Concern approach, 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 covered by 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 pursuing of 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 that the Group develops within the desired risk return profile set by the Board. 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:

- to assess 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;
- to specify the types of risk UniCredit group intends to assume by setting the targets, triggers and limits, under both normal and stressed operating conditions;
- to ensure an "ex ante" risk-return profile consistent with long term sustainability, in coherence with multi-year strategic plan/budget;
- to ensure that the business develops within the risk tolerance set by the Holding Company Board of Directors, also in respect of national and international regulations;
- to support the evaluation of future strategic options with reference to the risk profile;
- to address internal and external stakeholders' view on risk profile coherent with strategic positioning;
- to provide 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 *Group Risk Appetite* to allow the effective implementation of risk reward remuneration for bonus definition and payments.

## Part E - Information on risks and hedging policies

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 coherence 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. strategic, reputational) in order to ensure prevention/early intervention on emerging risks.

The quantitative elements of the risk appetite framework instead are 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 to:

- 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 Holding Company steering (e.g. Credit Risk, Liquidity Risk and Profitability);
- Specific Risks KPI: complementary with the above categories, to ensure steering of all key risks (e.g. Market Risk, Operational Risk, Interest Rate Risk, Shadow Banking, 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 acting 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 coherence with 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, every year ICAAP information are 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 Officer and the Chief Risk Officer declared in the Capital Adequacy Statement submitted to the last Board of Directors held in 11 April 2018 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 regulatory and/or internal capital trigger/limit breaches.

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

PORTFOLIOS/QUALITY	BAD EXPOSURES	UNLIKELY TO PAY	NON-PERFORMING PAST-DUE EXPOSURES	PERFORMING PAST-DUE EXPOSURES	OTHER PERFORMING EXPOSURES	(€ '000) TOTAL
1. Financial assets at amortised cost	6,356,389	9,614,666	661,196	10,218,436	524,799,955	551,650,642
2. Financial assets at fair value through other comprehensive income	-	-	-	2,016	98,022,714	98,024,730
3. Financial assets designated at fair value	-	-	-	-	106	106
4. Other financial assets mandatorily at fair value	52,417	78,023	-	412	20,644,984	20,775,836
5. Financial instruments classified as held for sale	60,647	34,721	2,461	2,657	248,660	349,146
<b>Total 06.30.2018</b>	<b>6,469,453</b>	<b>9,727,410</b>	<b>663,657</b>	<b>10,223,521</b>	<b>643,716,419</b>	<b>670,800,460</b>

The table prepared pursuant to IAS39 and to previous Circular 262 of Banca d'Italia (4<sup>th</sup> update of 15 December 2015) is reported below for the purpose of comparability.

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

PORTFOLIOS/QUALITY	BAD EXPOSURES	UNLIKELY TO PAY	NON-PERFORMING PAST-DUE EXPOSURES	OTHER NON-PERFORMING EXPOSURES	PERFORMING EXPOSURES	(€ '000) TOTAL
1. Available-for-sale financial assets	4,830	26,318	-	-	101,089,212	101,120,360
2. Held-to-maturity financial instruments	-	7,077	-	-	6,269,945	6,277,022
3. Loans and receivables with banks	186	4,999	1	-	70,977,557	70,982,743
4. Loans and receivables with customers	9,498,270	11,023,722	660,247	9,372	426,535,302	447,726,913
5. Financial assets at fair value	-	22,374	-	-	21,519,228	21,541,602
6. Financial instruments classified as held for sale	432	102,114	-	-	204,395	306,941
<b>Total 12.31.2017</b>	<b>9,503,718</b>	<b>11,186,604</b>	<b>660,248</b>	<b>9,372</b>	<b>626,595,639</b>	<b>647,955,581</b>

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

PORTFOLIOS/QUALITY	NON-PERFORMING ASSETS				PERFORMING ASSETS			(€ '000) TOTAL (NET EXPOSURE)
	GROSS EXPOSURE	TOTAL WRITEDOWNS	NET EXPOSURE	TOTAL PARTIAL WRITE-OFF <sup>(*)</sup>	GROSS EXPOSURE	TOTAL WRITEDOWNS	NET EXPOSURE	
1. Financial assets at amortised cost	42,543,371	25,911,120	16,632,251	3,264,411	537,596,686	2,578,295	535,018,391	551,650,642
2. Financial assets at fair value through other comprehensive income	-	-	-	-	98,056,003	31,273	98,024,730	98,024,730
3. Financial assets designated at fair value	-	-	-	-	X	X	106	106
4. Other financial assets mandatorily at fair value	252,811	122,371	130,440	-	X	X	20,645,396	20,775,836
5. Financial instruments classified as held for sale	563,562	465,733	97,829	146,110	253,798	2,481	251,317	349,146
<b>Total 06.30.2018</b>	<b>43,359,744</b>	<b>26,499,224</b>	<b>16,860,520</b>	<b>3,410,521</b>	<b>635,906,487</b>	<b>2,612,049</b>	<b>653,939,940</b>	<b>670,800,460</b>

Note:

(\*) Value shown for information purposes only.

## Part E - Information on risks and hedging policies

The table prepared pursuant to IAS39 and to previous Circular 262 of Banca d'Italia (4<sup>th</sup> update of 15 December 2015) is reported below for the purpose of comparability.

A.1.2 Breakdown of credit exposures by portfolio and credit quality (gross and net values) (€ '000)

PORTFOLIOS/QUALITY	NON-PERFORMING ASSETS			PERFORMING ASSETS			TOTAL (NET EXPOSURE)
	GROSS EXPOSURE	SPECIFIC WRITEDOWNS	NET EXPOSURE	GROSS EXPOSURE	PORTFOLIO ADJUSTMENTS	NET EXPOSURE	
1. Available-for-sale financial assets	55,898	24,750	31,148	101,089,212	-	101,089,212	101,120,360
2. Held-to-maturity financial instruments	8,197	1,120	7,077	6,269,945	-	6,269,945	6,277,022
3. Loans and receivables with banks	55,469	50,283	5,186	71,002,851	25,294	70,977,557	70,982,743
4. Loans and receivables with customers	48,431,952	27,240,341	21,191,611	428,550,015	2,014,713	426,535,302	447,726,913
5. Financial assets at fair value	23,469	1,095	22,374	X	X	21,519,228	21,541,602
6. Financial instruments classified as held for sale	173,698	71,152	102,546	204,834	439	204,395	306,941
<b>Total 12.31.2017</b>	<b>48,748,683</b>	<b>27,388,741</b>	<b>21,359,942</b>	<b>607,116,857</b>	<b>2,040,446</b>	<b>626,595,639</b>	<b>647,955,581</b>

PORTFOLIOS/QUALITY	LOW CREDIT QUALITY ASSETS		NET EXPOSURE	OTHER ASSETS
	CUMULATED LOSSES	NET EXPOSURE		
1. Financial assets held for trading	153,417		114,841	67,802,902
2. Hedging derivatives	-	-	-	3,287,084
<b>Total 06.30.2018</b>	<b>153,417</b>		<b>114,841</b>	<b>71,089,986</b>

The table prepared pursuant to IAS39 and to previous Circular 262 of Banca d'Italia (4<sup>th</sup> update of 15 December 2015) is reported below for the purpose of comparability.

Breakdown of credit exposures by portfolio and credit quality - Financial assets held for trading and Hedging instruments (gross and net values)

(€ '000)

PORTFOLIOS/QUALITY	LOW CREDIT QUALITY ASSETS		NET EXPOSURE	OTHER ASSETS
	CUMULATED LOSSES	NET EXPOSURE		
1. Financial assets held for trading	214,774		311,534	59,065,991
2. Hedging derivatives	-	-	-	3,431,070
<b>Total 12.31.2017</b>	<b>214,774</b>		<b>311,534</b>	<b>62,497,061</b>

## Section 2 - Risks of the prudential consolidated perimeter

### 1.1 Credit risk

#### **Qualitative information**

##### **1. General aspects**

With reference to the Group's risk management model, the risk governance has two levels of control: the Group Risk Governance functions and the Risk functions by Countries. The Group Risk Governance functions perform a managerial coordination with respect to the relevant Group Legal Entities' functions, which perform the control and the management of the risks portfolio at country level.

In the context of the Risk Appetite Framework approval, UniCredit Board of Directors also approves the Credit Risk Strategies.

Since March 2008 Banca d'Italia authorised UniCredit group to use the Advanced approach for calculating the capital requirement for credit and operational risks. With reference to credit risk, the Group has been authorised to use internal PD, LGD and EAD calculations for group-wide credit portfolios (Sovereign, Banks, Multinationals and Global Project Finance) and for credit portfolios (corporate and retail) of the relevant subsidiaries.

With reference to the Italian mid-corporate and small business portfolios, PD and LGD parameters are used under regulatory approach; for mortgages loans in UniCredit S.p.A., beyond PD and LGD, also EAD parameter is used for regulatory purposes.

In the first stage, the Advanced method has been adopted for the relevant portfolios by the Parent Company and by some Italian subsidiaries, subsequently merged in UniCredit S.p.A. in 2010, by UniCredit Bank AG and UniCredit Bank Austria AG. According to the rollout plan for progressive extension of the IRB rating system, approved by the Group and shared with the Supervisor, starting from 2008 these methods have been extended to UniCredit Bank Luxembourg S.A., UniCredit Finance GmbH (and its subsidiaries) and UniCredit Bank Czech Republic and Slovakia a.s. (portfolio in Czech Republic), UniCredit Bulbank AD, as well as, through the adoption of the IRB Foundation method, to UniCredit Bank Ireland P.I.C, UniCredit Banka Slovenija dd, UniCredit Bank Czech Republic and Slovakia a.s. (portfolio in Slovakia), UniCredit Bank Hungary, UniCredit Bank a.s.in Romania and ZAO UniCredit Bank in Russia.

Credit economic capital estimation is available on a unique technological platform ("CPM") and with a common methodology for Holding functions and several Legal Entities of UniCredit group. The roll-out of CPM across CEE Legal Entities allows to cover most of the relevant geographies.

##### **2. Credit risk management policies**

###### **2.1 Organisational aspects**

The credit risk management in Holding Company breaks down into two Departments:

- Group Risk Management
- Group Lending Office

which internally have different organisational levels:

- functions with responsibilities at Group level;
- functions with responsibilities at Country level.

Regarding Group Risk Management, 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 Top Management. It is responsible for the controls requested by internal and external regulations, relating to Special Entities and for the definition of their value. In addition it ensures that risk control activities on risks assumed in the Foreign Branches of UniCredit S.p.A. are monitored and reported to the Group Chief Risk Officer;
- the "Group Credit Risk Governance" structure responsible for guaranteeing at Group level the coordination and steering of Pillar 1 Credit Risk models and architectural framework/information flow and processes also ensuring their integration and alignment. Furthermore it is responsible for cooperating with other Group competent functions on Risk Weighted Assets contents;
- the structure "Group Internal Validation", 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, providing adequate reporting for Company Bodies and the Supervisory Authority, managing the Group monitoring process relating to the recommendations issued in response to the validation activities, ensuring their correct implementation within UniCredit S.p.A. and the Legal Entities. It is also responsible for verifying the adequacy and implementation of the corrective actions adopted in response to requests from the Supervisory Authority on the IRB models within its the area of competence according to internal regulations in place (i.e. Global Policy on Internal Validation and linked Global Process Regulations);
- the "CRO CEE" structure, responsible for the management and control of credit operations activities and for credit risk steering of "CEE Division". It is responsible for credit operation activities for the "CEE Division" files booked in UniCredit S.p.A. as well as for credit risk steering and control activities over the "CEE 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 entire Group.

## Part E - Information on risks and hedging policies

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 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, loans disbursement, monitoring, etc.) falls under the responsibility of the CRO function of the controlled subsidiaries.

With reference to the Italian perimeter of UniCredit S.p.A., reporting to the "Group Lending Office":

- "CLO Italy" responsible for managing credit, operational and reputational risks through the coordination and management of credit underwriting activities for UniCredit S.p.A. customers, the overseeing of the post-decision phases of the credit process as well as the coordination and management of restructuring and workout files of the Italian perimeter of UniCredit S.p.A. including the Debt to Equity and Debt to Asset transactions and the related equity participations/assets. The structure is also responsible for the managerial coordination of the credit activities of UniCredit S.p.A. Italian Legal Entities.

With respect to credit risk, the following specific Committees are active:

- the "Group Risk & Internal Control Committee" is a "Top management Committee" and is responsible for steering, coordinating and monitoring the risks at Group level as well as supporting the CEO in the management and oversight of the Group's and UC 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 scope, the Committee has consulting and suggestion functions for the definition and periodic review of the Group's Risk Appetite Framework (RAF), special reference for the overall risk control framework, in order to ensure their consistency with the strategic guidelines and risk appetite established for the limit setting relating to the various types of risks and respective allocation;
- 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 Credit Risk Governance Committee" responsible for ensuring, at Group level, a steering, coordination and control of Credit Risk Governance (focusing on Credit risk Pillar I, Pillar II, limited to Credit Portfolio ModelCPM and managerial models) as well as a consistency among the Holding Company and the different Legal Entities, including the management of possible issues raised by LEs to Group CRO;
- 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 Holding Company and different 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 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;
- the "Italian Transactional Credit Committee" responsible, within its assigned sub-delegations of powers for credit activities and the related thresholds, to evaluate and approve the underwriting and the review of the credit lines and to evaluate and approve the loan loss provisions, asset value adjustments and releases of capital and/or capitalised interests related to counterparts UniCredit S.p.A.;
- the "Italian Special & Transactional Credit Committee" responsible, within its assigned credit decision making powers and related thresholds, to evaluating and approving the underwriting and the review of the credit lines and to evaluate and approve the loan loss provisions, asset value adjustments and releases of capital and/or capitalised interests relating to UniCredit S.p.A. counterparts. Particularly the Committee is responsible for proposals concerning the credit transactions for files belonging to the so-called "Portfolio Alfa UCI", including the proposals on strategies and corrective actions to be taken on the watch-list files and for proposals on credit files classified in restructuring, INC or workout;
- the "Group Rating Committee" responsible, within its delegated powers, for approving rating overrides.

### 2.1.1 Factors that generate credit risk

In the course of its credit 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 inherent in traditional lending operations regardless of the form of the credit facility (whether cash or credit commitments, secured or unsecured, etc.).

The main reasons for a default lie in the borrower's lacking the autonomous ability to service and repay the debt (due to a lack of liquidity, insolvency, etc.), as well as the occurrence of events that are affecting the debtor's operating and financial condition, such as country risk or the

impact of operational risk. Other banking operations, in addition to traditional lending and deposit activities, can expose the Group to other credit risks. For example, 'non-traditional' credit risk may arise from:

- entering into derivative contracts;
- purchasing and selling 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, operating problems 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 operations, financial condition and operating results. The Group therefore monitors and manages the specific risk of each counterparty as well as the overall risk of loan portfolios through procedures, structures and rules that steer, govern and standardise the assessment and management of credit risk, in line with the Group principles and best practice, also aimed at extending their effectiveness to all phases of the economic cycle.

### 2.1.2 Country risk

Country risk is the risk of losses caused by events identified at country level and not at level of specific transaction, counterparty or counterparty group. It is therefore a collection of risks that mainly includes sovereign risk, transfer and convertibility risk, delivery risk, risk related business environment and jurisdiction, political and geopolitical risk, and economic risk. Country risk is primarily managed by determining the appropriate group-wide maximum risk levels (Country Plafonds), that can be assumed by the Legal Entities belonging to the Group towards all the counterparties (sovereigns, government entities, banks, financial institutions, corporate customers, small businesses, individuals, project finance, etc.) residing in or relating to the country for cross-border transactions (from the standpoint of the Entity providing the loan).

Country risk management processes are mainly concentrated at Holding Company in terms of both methodological aspects and the decision-making process, in order to ensure a uniform assessment and monitoring approach, particularly for the rating assignment, PD (probability of default) and LGD (loss given default), as well as control of risk concentration.

The Country rating assignment (both in terms of PD and LGD) is performed by using the specific internal rating model. The analysis, focused on both qualitative and quantitative factors, is an integral part of the rating calculation process. In case the rating resulting from the model does not appropriately reflect the credit profile of the Country, an override is requested from the competent Body. Both the calculation of PD and LGD values are mandatory and must be assigned before any decision on cross-border credit transactions is taken. The rating has to be updated at least once a year or whenever any material information impacting the country creditworthiness becomes available.

Group-wide cross-border Country risk Plafonds are calculated at single Country level in a top-down/bottom-up process considering, among other factors, the risk of the Country (included the rating), the size of the Country, the amount of business opportunities, the guidance of the valid Risk Appetite Framework as well as the current exposure and Country plafond utilisation. Cross-border plafonds are renewed at least on a yearly basis. The evolution country risk, included the macroeconomic and political risk assessment, is constantly monitored. Country risk monitoring activities aim at detecting and promptly reacting to the symptoms of possible deterioration of the risk quality of a Country with cross-border credit exposures.

In case of need, necessary countermeasures may be defined. As one of the countermeasures, the Internal Ratings of the mentioned countries may be updated to reflect any changes in Country risk assessment.

With specific reference to sovereign risk, the direct counterparty risk referred to sovereigns (and central administrations) is managed through the normal counterparty approval process. Limits and exposures to sovereigns, in both the trading and banking books, are managed in a prudent way to ensure such limits/exposures are sized primarily by both regulatory and liquidity requirements of the Group.

## 2.2 Credit risk management, measurement and control

### 2.2.1 Reporting and monitoring activities

The Group Risk Management function is responsible for the credit risk reporting at portfolio level, producing reports both recurring and specific (upon request of Senior Management or external entities, e.g. regulators or rating agencies). Credit portfolio performance is analysed with reference to its main risk drivers (such as growth and risk indicators) customer segments, industrial sectors, regions, and impaired credits performance and related coverage.

The key objective of the reporting and monitoring of the credit portfolio is to detect any signs of deterioration and, therefore, to take appropriate corrective action by analysing the main components of credit risk such as EAD (Exposure to Default), EL (Expected Loss), Migration, Risk Cost, etc. Portfolio reporting activities are performed in close collaboration with the Risk Management Functions at Legal Entities level.

At Group level, reporting and monitoring activities are assigned to different Organisational Units in the "Group Credit & Integrated Risks" Department.

The "Group Credit Risk Standards & Reporting" Function is in charge of defining the Group framework for reporting on risks and producing standard/customised reporting on credit risk, and is a reference point for the Supervisory Authorities in case of credit risk reporting and data requests. It is also in charge of defining the taxonomies and data processing rules for reporting requirements on credit risk, interfacing with Group Data Office for their implementation, for developing convergence strategies of risk management information system and for promoting the use of business intelligence tools at Group level.

The structure "Group Credit Risk Strategies and Monitoring" is in charge of analysing and monitoring the breakdown and risk of the loan portfolio according to the main credit risk metrics at Group/LE/Division level, thereby providing to the CFO and the competent Planning & Finance structures with useful factors to highlight deviations from budgets/forecasts and produce the periodic analyses that provide the Top Management with a comprehensive view of Group risks.

## Part E - Information on risks and hedging policies

Finally, the "Group Integrated Risks" structure is in charge of the integrated risk reporting regularly providing to Board of Directors and Senior Management with a comprehensive view of the Group' risks profile evolution with the appropriate level of detail, for each risk type (credit, market, interest rate, liquidity and operational) and the main geographical areas, as well as the analyses for Rating Agencies, Investors, and "customised" requests from external/internal Entities/Bodies. In addition the structure performs a periodical reporting of Group Risk Appetite framework monitoring process.

The Group's reporting and monitoring activities have benefited from the completion of the pursued activities as part of PERDAR Project, focused to ensure compliance with the principles established by the Basel Committee on the subject of "data aggregation & reporting" (so-called BCBS239 Principles). The initiative has been a key factor in achieving the goal of streamlining risks in their reporting to Senior Management and Regulators in terms of quality, completeness, reduced data representation, convergence towards single reporting on Integrated risks and the process to support their consolidation with the subsequent implementation of Integrated Risk Reporting that meets the requirements of the new framework.

### 2.2.2 Governance and policies

Specific credit governance rules define the allocation of responsibilities and mechanisms of interaction between the Holding Company and the Group Legal Entities with respect to credit risk management topics and ensure compliance of the overall Group Credit Risk Management framework with the regulatory framework to which the Holding Company is subject to. In this context, the Holding Company is assigned with the role of guidance, support and control for 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 particular, Group Legal Entities are required to request the Group Lending Office's opinion before granting new or reviewing existing credit lines to individual borrowers or economic groups, whenever they exceed defined thresholds, also with reference to compliance with the credit risk concentration limits being measured with respect to the regulatory capital.

According to the role assigned by the Group governance to the Holding 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 Group best practice.

The general rules are supplemented by policies governing specific topics (e.g. business areas, segment activities, type of counterpart/transaction). Such policies are divided into two categories:

- policies on Group-wide topics, drafted and issued by the Holding 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 developed locally by single Legal Entities. Such documents provide detailed credit rules for specific regions, subsidiaries, etc., if required by local market peculiarities, and are applicable only within the specific Legal Entity perimeter.

At both Legal Entity and Holding Company level, the policies (if necessary) are further detailed through operating instructions, describing specific rules and instructions for the management of day-by-day activities.

Credit Policies have generally a static approach and are revised when necessary. Therefore, they are supplemented with Credit Risk Strategies that are updated at least annually and define customers/products, industry segments and geographical areas and form the target of the Legal Entity/the Group's relevant credit business.

### 2.2.3 Management and measurement methods

Credit risk generally represents the risk of losses of the value of a credit exposure arising from an unexpected worsening of the counterparty's credit quality.

For the purpose of credit risk measurement, credit risk can be defined as the risk of incurring losses arising from the possibility that a counterparty, a borrower or an issuer of a financial obligation (bond, note, etc.) is not able to repay interest and/or principal or any other amount due (default risk). In a broader sense, credit risk can also be defined as potential losses arising either from default of the borrower/issuer or a decrease of the market value of financial obligation due to a deterioration in its credit quality.

Credit risk is measured both by single borrower/transaction and for the whole portfolio. The tools and processes used for lending to single borrowers during both the approval and monitoring phases include a credit rating process, which is differentiated by customer segment/product to ensure maximum effectiveness.

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 behavior within the Legal Entity and the banking system, and results in a rating, i.e. the counterpart's probability of default (PD) on a one-year time horizon.

Regular monitoring focuses on the borrower's performance, using all available internal and external information in order to arrive at a synthetic assessment of the risk associated to each monitored customer. This synthesis is obtained using a statistical function that summarises available information using a set of proven significant variables that are predictors of an event of default within a 12-months horizon.

The internal rating, or risk level assigned to the customer/transaction, is considered in the delegated credit approval powers. In other words, at a constant credit amount the approval powers granted to the competent Bodies are gradually reduced in proportion to an increased borrower/transaction-related risk level.

The organisational model 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 model.

Each borrower's credit rating is reviewed at least annually on the basis of new/updated information. Each borrower is also assessed in the context of the economic group with which it is affiliated by, as a general rule, taking into account the calculated maximum risk for the entire economic group. In addition to one-year horizon risk parameters, multi-period risk parameters are estimated according to a point-in-time and forward looking perspective allowing for compliance with the recent updates of accounting principles and a more robust risk adjusted performance evaluation.

Besides the methodologies summarised in the rating systems, the Risk Management function uses portfolio models enabled to measure credit risk on an aggregated portfolio basis and, at the same time, to identify sub-portfolio, or single obligor contributions to the overall risk position.

The Group Credit Portfolio Model (GCPM) is the methodology and tool developed to capture both credit default and migration risk in the context of Pillar 2. Under the going concern approach GCPM assesses, when relevant according to the Risk Inventory process the following credit related risks:

- default risk;
- default for counterparty risk of OTC and Securities Financing Transactions in Banking Book and Trading Book;
- credit concentration risk;
- participation risk of illiquid positions (equity and funds in Banking Book);
- country transfer risk;
- securitisation risk;
- sovereign risk.

The most common approach to measure concentration risk is through systemic factors affecting multiple borrowers. In GCPM framework the systemic risk factor is made of a composition between geographic and industry sectors which represent the risk drivers. Given a certain realisation of the correlated systemic drivers, the credit quality of each individual exposure can react in different ways according to how much idiosyncratic risk it bears. Therefore obligors in the same geographic and industry sector can react in a different way to systemic shocks but obligors running business in the same sector have the tendency of defaulting together. The GCPM calculates the credit Economic Capital for all the controlled companies credit risk relevant according the risk map, processing granular portfolios; from the Group perspective a fully consolidated view is used.

In credit risk measurement, EL is deducted from Value at Risk to obtain EC which measures only unexpected losses, therefore the potential mismatch between credit risk provisions and expected losses in performing portfolios (also named Pillar 2 shortfall or managerial shortfall) represents also a component of capital which can be used for protecting the Group against insolvency: excess of provisions contributes positively while an excess of expected loss reduces the Available Financial Resources (AFR). Managerial risk parameters are used for calculating the expected losses on both IRB and Standard portfolios.

The confidence level for ICAAP is set to 99.90% according to the general ICAAP set-up.

The Economic Capital numbers per legal entity are produced running the Group Portfolio, allocating EC by transaction and aggregating by legal entity.

The Expected Shortfall (ES) measure is preferred in order to properly allocate the EC to the different obligors: it is defined as the obligor expected loss for those scenarios in which the total portfolio losses exceed the VaR. This risk measure is preferred as it better allows to account for portfolio diversification benefits and because of its logical consistency (coherent measure of risk).

The Group-wide IT platform delivering the portfolio credit risk measures is common to most of UniCredit subsidiaries. All the relevant legal entities identified according to the Risk Map are required to deliver and update sufficient granular data for the estimation of credit risk and the feeding of GCPM.

The Pillar 1 and Pillar 2 credit risk parameters are mostly aligned with few exceptions. In particular, liquid banking book equity investments and real estate positions are treated in Market Risk methodologies and via a specific model (Real Estate Risk) respectively. A dedicated document is compiled to compare Pillar 1 and Pillar 2 contributions where both perimeter and methodological differences are described.

To evaluate the effectiveness of securitisations in transferring credit risk, a tool (Structured Credit Risk Analyser) has been developed. It allows to simulate credit losses in collateral portfolios and allocate the resulting losses to the tranches which characterise the liability side of the securitisation, both for cash and synthetic structure types (where credit risk is transferred via credit derivatives).

#### 2.2.4 Credit risk strategies

Group credit risk strategies are an effective instrument for governing credit risk, contributing to the setting of the Group ambitions within the budget process in coherence with the Group Risk Appetite, of which they are an integral part. Being the concrete deployment of the Group Risk Appetite metrics, credit risk strategies constitute also an operational tool.

Starting from the macroeconomic and credit scenario, the outlook at industry level and the business strategy initiatives, credit risk strategies define a set of guidelines and operative targets for all the Group countries and business lines. The aim is to identify their risk profile and to steer the Group growth coherent with that.

Portfolio risk management pays special attention to credit concentration risk, defined as any single exposure or group of interlinked exposures with the potential to generate losses large enough (relating to a bank's capital, total assets, or overall risk level) to threaten the Group's health or ability to maintain its core operations and requires that the bank has in place effective internal policies, systems and controls to identify, measure, monitor, and control their credit concentration risk.

## Part E - Information on risks and hedging policies

UniCredit group, in compliance with the regulatory framework, manages credit concentration risk through dedicated limits, which represent the maximum risk the Group is willing to accept towards:

- individual counterparties or a group of related counterparties (single name bulk risk);
- counterparties in the same economic sector (industry concentration risk).

Stress test simulations are a comprehensive part of credit risk strategies definition.

### 2.2.5 Credit risk Stress Test

The aim of Credit risk stress test is to analyse portfolio vulnerability in case of an economic downturn or a structural change of the macroeconomic framework. Different scenarios are considered while performing the stress test exercise, 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 as well for the estimation of Forward Looking component within 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) 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 enough 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 normative (Pillar I) and economic (Pillar II) perspective.

Pillar 1 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 method for expected losses

#### *Risk management practices*

The Credit Risk Management, Measurement and Control processes described in the previous paragraph, are also the basis for the calculation of impairment of Loans and debt securities classified as financial assets at amortised cost, financial assets at fair value through 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 pillars:

- the stage allocation of the credit exposure;
- the associated calculation of expected credit loss.

In the Group the Stage allocation is based on a combination of relative and absolute elements. The main elements 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 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);
- 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, the Group is opting for 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: it includes (i) newly issued or acquired credit exposures, (ii) exposures for which credit risk has not significantly deteriorated since initial recognition, (iii) exposures having low credit risk (low credit risk exemption);
- Stage 2: it includes credit exposures that, although performing, have seen their credit risk significantly deteriorating since initial recognition;
- Stage 3: it includes impaired credit exposures.

The outcome of Stage allocation drives the calculation of impairment. In fact, 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.

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 to correctly allocate each transaction within the proper stage and related expected loss calculation model.

With reference to the calculation of expected credit loss, note that this amount is based on PD, LGD and EAD parameters adjusted, starting from the parameters used for regulatory purposes, in order to ensure consistency with accounting regulation.

The main adjustments performed to the parameters used for regulatory purposes include those adjustments needed to arrive to the calculation of a point-in-time and forward-looking expected credit loss as well as those needed to include multiple scenarios.

The expected credit loss either one year or lifetime depending on the stage considers “forward looking” information and macroeconomic forecasts under the baseline scenario through a direct adjustment of the credit risk parameters while the multiple scenarios effect is captured through the application of an overlay factor directly applied to the portfolio expected credit loss.

The process defined to include macroeconomic scenarios is fully consistent with macroeconomic forecast processes used by the Group for additional risk management objectives (as 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. The starting point is therefore fully aligned while the application is differentiated in order to comply with different requirements using internal scenarios.

With reference to stage 3, it should be noted that it includes impaired exposures corresponding to the aggregate Non-Performing Exposures as ITS EBA (EBA/ITS /2013/03/rev1 24/7/2014), in accordance with Banca d’Italia rules, defined in Circular No.272 of 30 July 2008 and subsequent updates.

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

With particular reference to UniCredit S.p.A., the assessment of impaired exposures (stage 3) also considers sale scenarios whereas the Group’s Non-Performing Asset Strategy for the period 2018-2020 foresees the sale on the market as a recovery method.

For this purpose, the presumed recovery value of credit exposures included in the aforementioned *Non Performing Asset Strategy* 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.

## 2.4 Credit risk mitigation techniques

UniCredit group uses various credit risk mitigation techniques to reduce potential credit losses in case of the obligor default. Consistent with the “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 (CRR) and amending Regulation (EU) No.648/2012, the Group is firmly committed to satisfy the requirements for recognition of credit risk mitigation techniques for regulatory capital purposes, according to the different approaches adopted (Standardised, Foundation IRB or Advanced IRB), both for internal use in operations and for the purposes of calculating the credit risk capital requirement.

With specific reference to credit risk mitigation, general guidelines are in force, issued by the Parent Company, defining group-wide rules and principles with the aim of guiding, governing and standardising the credit risk mitigation management, in line with Group principles and best practice, as well as in accordance with the relevant regulatory requirements.

Following the general Group Credit Risk Mitigation Guidelines, all the Legal Entities have adopted internal regulations, specifying processes, strategies and procedures for collateral management. In particular, such internal regulations detail collateral eligibility, valuation and monitoring rules and ensure the soundness, legal enforceability and timely liquidation of valuable collateral according to each Country’s local legal system.

Collateral management assessments and credit risk mitigation compliance verification have been performed by the Legal Entities, specifically as part of Internal Rating System applications, in order to assess the presence of adequate documentation and procedure concerning the credit risk mitigation instruments used for supervisory capital.

According to the credit policy, collaterals or guarantees can be accepted only to support loans but cannot serve as a substitute for the borrower’s ability to meet its obligations. For this reason, in addition to the overall analysis of the credit worthiness and of the repayment capacity of the borrower, they are subject to specific evaluation and analysis of the support role for the repayment of the exposure.

Collaterals accepted in support of credit lines granted by the Group’s Legal Entities, primarily include real estate, both residential and commercial, financial collateral (including cash deposits, debt securities, equities, and units of Undertakings for Collective Investment in Transferable Securities (UCITS)). Other types of collateral (pledged goods or pledged loans and life insurance policies) are less common. The Group also makes use of bilateral netting agreements for OTC derivatives (by means of ISDA and CSA agreements), Repos and securities lending.

Another type of protections are guarantees, their use is widespread within the Group, though their characteristics differ among the different local markets. Personal guarantees can be accepted as module complementary and accessory to the granting of loans, for which the risk mitigation serves as additional security for repayment. At consolidated level, personal guarantees are provided by banks, government, central banks and other public entities and others. The last category includes the personal guarantees provided by natural persons, whose eligibility for CRM depends on the approach used by the different Legal Entities.

Credit derivative protection providers are mainly banks and institutional counterparties.

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The list of eligible protection providers depends on the specific approach adopted by each single Legal Entity. Specifically, under the standardised approach, eligible protection providers pertain to a restricted list of counterparts, such as Central Government and Central Banks, public sector entities and regional and local authorities, multilateral development banks, supervised institutions and corporate entities that have a credit assessment by an eligible ECAI. Legal Entities adopting IRB-A may recognise guarantees provided that the relevant minimum requirements are satisfied and, particularly, provided that the Legal Entity can evaluate the protection provider risk profile at the time that the guarantee is established and over its entire duration.

Regarding netting agreements on balance sheet of reciprocal credit exposures between the Bank and its counterparty, they are considered eligible if they are legally effective and enforceable in all the relevant jurisdictions, including in the event of default or bankruptcy of counterparty, and if they meet the following operational conditions:

- provide for the netting of gains and losses on transactions cleared under the master agreement;
- fulfil the minimum requirements for recognition of financial collateral (valuation requirements and monitoring).

In general, Group Legal Entities can apply netting agreements only if they are able at any time to determine the position netting value (assets and liabilities with the same counterparty that are subject to the netting agreement), monitoring and controlling debts, credit and netting value.

The Group makes use of netting instruments mainly for OTC derivatives, repos and securities lending transactions where the counterparties are, generally, Financial Institutions.

The management system of credit risk mitigation techniques is embedded in the credit approval process and in the credit risk monitoring process, which widely support the evaluation and data quality checks of collaterals/guarantees and their appropriate linking to the categories defined for LGD estimates purposes. Controls and related responsibilities are duly formalised and documented in internal rules. In addition processes are implemented to control that all the relevant information regarding the identification and evaluation of the credit protection are correctly registered in the system.

When accepting a credit risk mitigation technique, UniCredit group emphasises the importance of processes and controls of the legal certainty requirements of the protection, as well as the assessment of the suitability of the collateral or guarantee. In case of personal guarantees, the protection provider (or the protection seller in case of credit default swap) has to be assessed in order to measure his/her credit worthiness and risk profile.

Monitoring processes of credit risk mitigation techniques ensure that general and specific requirements established by credit policies, internal and regulatory rules are met over the time.

Among such processes it is pointed out that one connected to concentration risk, which occurs when the major part of Group-wide collateral financial assets (at portfolio level) are concentrated in a small number of collateral types, protection instruments, or specific providers of collaterals.

Such concentration is monitored and controlled by the following processes/mechanisms:

- in case of personal guarantees/credit derivatives, a contingent liability (indirect risk) is charged to the protection provider. In the evaluation of the credit application, a secondary commitment is added to the guarantor and it is reflected in the guarantor's total credit exposure as deemed competent and approved in accordance with the bank's system of authority;
- in case the protection provider, directly or indirectly, is a Central Bank or a Sovereign country, a specific credit limit has to be instructed and, if the guarantor is a foreign subject, a country limit must be obtained, if necessary.

### 3. Non-performing credit exposures

#### 3.1 Management strategies and policies

As at 30 June the decrease of the non-performing loans to customers stock of the Group is in line with the target reduction set for 2018. This result was made possible by accelerating the run-down on NPEs loans of the "Non Core" portfolio already appreciated in the first quarter: in this regard, UniCredit group confirms the complete closure of the Non Core division by 2021 thanks to a continuous and growing attention to the disposal activity and improving on recovery operations.

In particular, the reduction in NPEs of the Corporate segment occurs through:

- effective restructuring, also leveraging on recovery platforms;
- NPEs portfolios Disposal;
- particular attention to extrajudicial activities, timely execution of collateral and conclusion of judicial activities with high vintage.

For residential mortgages, the Group has pursued effective actions on the perimeter of non-performing loans already in the first quarter through the activities of disposals and write-off.

The non-performing exposures of the Core portfolio are also positively influenced by an improvement in new originations, across the regions, also due to a positive macroeconomic environment. On top of that, a better performance both on "soft" recovery activities and a more industrialised approach for restructuring operations are in place, with continuous screening and active portfolio management, also in cooperation with the disposal of impaired loans.

About the non-performing classification and related management, the exposures are classified as revoked from Business network and from Restructuring and "INC" Departments, when the prospects of repayment or stabilization of financial instability are no longer credible and, therefore, from the point of view of credit protection, the activities of liquidatory nature preparatory to recovery must be carried out.

Clearly it is still possible to settle extrajudicial recovery even after the credit line revocation without aiming to a turnaround perspective but with scope to closing the position collecting of as much as possible.

With regard to provisioning, for companies with an exposure higher than €1 million at the moment of classification, the Direct Workout manager (within 6 months from classification with an update at least annually) is called to compile the analytical Business Plan with indication of the recovery estimations (that are constantly monitored with effective cash-inflow) and related timing. The typical elements of the assessment are: credit facility, guarantees (liquid, real, personal), available documents, possible bankruptcy proceedings in progress, interaction with principal debtor, status of any guarantors, third party assets. For the other type of exposures the provisioning follow a statistic approach applying a grid with coefficients.

Successful NPE Strategy execution requires effective interaction between Group Risk management in Holding Company and CLO Local NPE Operational units in all the Legal Entities.

Within Group Risk Management, Group NPE was set-up in order to ensure proper steering over NPE Strategy (and including Group Distressed Asset Solutions for NPEs disposals and Group Repossessed Assets for active real estate collateral management), in strict coordination with the other Group Risk Management functions.

In all the Group Legal Entities operational functions dedicated to non-performing exposures are present to cover all the different phases of credit and life cycle, with possible peculiarities due to local regulation or features of local portfolios, in order to monitor and manage the stock of NPE across the Group and ensure consistency with ECB guideline and Group organisational model.

Indeed, NPE operational units are tailored for all stages of NPE life cycle, starting from the tight monitoring of performing portfolio stock, proactive restructuring where possible, recovery including collateral new acquisition and disposal.

In particular, the monitoring activity is aimed at preventing flows to default and reducing NPE stock for past due by identifying risk deterioration signals and classifying exposures on the basis of early warning, as well as identifying corrective measures to manage potential non-performing clients at a very early stage.

Soft collection, door-to-door and re-management activity is focused on Individuals portfolio and performed by using multiple channels, also leveraging on external providers (e.g. for door to door activities).

The activities are aimed at:

- preventing flows to default and facilitating back to bonis (main focus);
- reducing NPE stock for past due.

In some Legal Entities these activities are managed within the Monitoring, Restructuring or Workout structures, while in UniCredit S.p.A. a dedicated structure is set-up (Customer recovery) within Special Credit.

The restructuring activity is focused on mitigating insolvency risks and improving credit exposure's quality through the negotiation of restructuring agreements and turnaround plans, reducing UTP stock either through recoveries or back-to-bonis (forbearance measures).

Recovery strategies on Corporate UTPs encompass also contribution to restructuring platforms (mainly in Italian market so far), single name disposals and M&A processes.

The coordination and execution of recovery activities for bad loans positions is performed by Workout structures, which identify optimal strategies to maximise recoveries, including the timely execution of collateral. In certain Legal Entities the activity is carried also leveraging on servicing agreements with external providers (e.g. DoBank in Italy).

Disposal activities are referring to setting-up, managing and executing disposal processes (for both portfolio and single name) through a market-based transparent competitive process. At Group level by a dedicated structure in UniCredit S.p.A. (Group Distressed Asset Solutions alias GDAS, within Group NPE), which oversees alternative recovery strategies with focus on disposals, also to ensure "one face to the market" approach, with local referents in Legal Entities for locally specific activities. On Corporate UTP, GDAS sets up and manages restructuring platforms focused on targeted sectors of UTP with the goal to enhance the skills available for turnarounds.

In addition, NPEs active real estate collateral management is coordinated at Holding Company level by a dedicated function (Group Repossessed Assets) which oversees the repossession strategy and the specific activities performed throughout the Group, in particular in the specialised Legal Entities for repossession (i.e. UCTAM). In addition, the function is overseeing the ongoing set-up of a ReoCo in Italy.

Finally, the "Group NPE Governance Committee" (GNPC) was set up in order to ensure the effective steering, coordination and control of NPE Reduction Plan as well as an effective alignment on common goals of the Holding Company with the different Legal Entities, with the involvement of both Group Risk Management and Group Lending Officer functions taking care of NPEs management.

### 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 aspects, in particular, are taken into account:

- **exposures with prolonged arrears:** the recoverability relating to 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 written-off in a timely manner. Different thresholds may be adequate for different portfolios;

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- 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.

Here below a non-exhaustive list of hard evidences implying, with high likelihood, the non 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 unrecoverability 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;
- additional evidences of unrecoverability identified by each Legal Entity on the basis of its portfolios and local peculiarities considering, among others:
  - aging of the classification NPE/management in Restructuring/Workout (so-called "vintage");
  - type of portfolio (Retail, Corporate, etc.);
  - type of loans (secured versus unsecured);
  - insolvency procedure in progress or not;
  - other factors deemed relevant.

With reference to UniCredit S.p.A. residential bad loans with mortgage guarantee, the write-offs are due in case of (i) NPE classification higher than 7 years and collateral already executed or not recoverable or (ii) NPE classification between 2 and 7 years, collateral already executed or not recoverable and exposures lower than €110.000. With reference to residential bad loans with mortgage guarantee with NPE classification less than 2, the write-off is determined case-by case.

Expectations for the recovery of positions classified as unlikely to pay or bad loans are based on:

- analytical business plans for companies with Group exposure higher than €1 million;
- statistical grids differentiated by kind of product and year of classification in the impaired status of classification, for all other positions.

### 3.3 Acquired or originated impaired financial assets

Purchased or Originated Credit Impaired 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.

For these exposures the recognition of interest income also reflects the expected credit losses over the entire residual duration of the asset to reflect the real profitability of the exposure.

This expected credit loss is subject to periodic review on the basis of the processes described in 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 the instrument become performing subsequent to its initial recognition.

### 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 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.

Such changes are accounted on the basis of whether the modification is considered significant or not.

In this regard, renegotiations are considered significant when they determine the expiry of the right to receive cash flows according to the original contract. In particular, rights to receive cash flows are considered as expired in case of renegotiations that:

- introduce contractual clauses which determine a change in the financial instrument classification;
- imply a change in the currency;
- are carried out at market conditions, thus without being labelled as credit concessions.

If the renegotiation is assessed as significant, the original exposure is derecognised and a new one is recognised.

Conversely, if the renegotiation is assessed as not significant, which is typically the case for Forbearance initiatives, it is accounted by re-determining the gross exposure through the calculation of the present value of cash flows following the renegotiation at the original effective interest rate. In this case also the associated loan loss provision is consequently adjusted.

#### 4.1 Loan Categorisation in the risk categories and forborne exposures

In accordance with EBA Implementing Technical Standards, a transaction has to be considered as forborne when both of the following conditions are simultaneously met:

- a concession exists, either (i) contractual modification in favor of the debtor or (ii) refinancing aimed at ensuring the repayment of preexisting obligation;
- the debtor is facing or about to face financial difficulties.

In order to progressively converge to the above mentioned regulatory provisions, UniCredit S.p.A.:

- launched a series of activities to align the current credit process to the new classification rules;
- defined a monitoring process of the dynamics of Forborne Exposures;
- ensured 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;
- pool loans are subject to re-negotiation;
- the loan is subject to a refinancing practice.

For the evaluation of debtor's financial difficulty, UniCredit submits the positions (subject to concession) to an ad hoc test based on specific objective criteria (i.e. Troubled Debt Test).

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 consultation papers:

- "Draft Guidelines on management of non-performing and forborne exposures" that recalls the ECB "Guidance" issued in March 2017;
- "Draft Guidelines on disclosure of non-performing and forborne exposures" 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.

## Part E - Information on risks and hedging policies

### Quantitative information

#### A. Credit quality

##### A.1.1 Regulatory consolidation - Breakdown of financial assets by past-due buckets (carrying value)

PORTFOLIOS/RISK STAGES	STAGE 1			STAGE 2			STAGE 3			(`'000)
	OVER 30 FROM 1 TO 30 DAYS		OVER 90 AND UP TO 90 DAYS	OVER 30 FROM 1 TO 30 DAYS		OVER 90 AND UP TO 90 DAYS	OVER 30 FROM 1 TO 30 DAYS		OVER 90 AND UP TO 90 DAYS	
	OVER 30 FROM 1 TO 30 DAYS	OVER 90 AND UP TO 90 DAYS	OVER 90 DAYS	OVER 30 FROM 1 TO 30 DAYS	OVER 90 AND UP TO 90 DAYS	OVER 90 DAYS	OVER 30 FROM 1 TO 30 DAYS	OVER 90 AND UP TO 90 DAYS	OVER 90 DAYS	
1. Financial assets at amortised cost	3,559,719	95,565	81,714	910,329	1,775,041	1,900,056	284,718	616,816	13,790,810	
2. Financial assets at fair value through other comprehensive income	-	-	-	-	-	-	-	-	-	
<b>Total 06.30.2018</b>	<b>3,559,719</b>	<b>95,565</b>	<b>81,714</b>	<b>910,329</b>	<b>1,775,041</b>	<b>1,900,056</b>	<b>284,718</b>	<b>616,816</b>	<b>13,790,810</b>	

Regulatory consolidation - On- and off-balance sheet credit exposures with banks: gross and net values

EXPOSURE TYPES/AMOUNTS	AMOUNTS AS AT 06.30.2018					(`'000)	
	GROSS EXPOSURE		OVERALL WRITEDOWNS AND PROVISIONS				
	NON-PERFORMING	PERFORMING	NET EXPOSURE	OVERALL PARTIAL WRITE-OFFS			
<b>On-balance sheet credit exposures</b>							
a) Bad exposures	45,604	X	42,786	2,818	-		
- of which: forborne exposures	4,225	X	4,221	4	-		
b) Unlikely to pay	6,005	X	3,525	2,480	-		
- of which: forborne exposures	-	X	-	-	-		
c) Non-performing past due	26	X	26	-	-		
- of which: forborne exposures	-	X	-	-	-		
d) Performing past due	X	297,648	157	297,491	-		
- of which: forborne exposures	X	-	-	-	-		
e) Other performing exposures	X	115,832,062	30,266	115,801,796	2,113		
- of which: forborne exposures	X	-	-	-	-		
<b>Total</b>	<b>51,635</b>	<b>116,129,710</b>	<b>76,760</b>	<b>116,104,585</b>	<b>2,113</b>		

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).

Regulatory consolidation - On- and off-balance sheet credit exposures with customers: gross and net values

EXPOSURE TYPES/AMOUNTS	AMOUNTS AS AT 06.30.2018		(€ '000)		
	GROSS EXPOSURE		OVERALL WRITEDOWNS AND PROVISIONS	NET EXPOSURE	OVERALL PARTIAL WRITE-OFFS
	NON-PERFORMING	PERFORMING			
<b>On-balance sheet credit exposures</b>					
a) Bad exposures	25,220,098	X	18,658,199	6,561,899	3,349,761
- of which: forborne exposures	4,241,207	X	2,700,850	1,540,357	94,342
b) Unlikely to pay	18,302,823	X	8,204,693	10,098,130	55,703
- of which: forborne exposures	11,374,389	X	4,885,973	6,488,416	40,289
c) Non-performing past due	1,442,761	X	469,610	973,151	4,728
- of which: forborne exposures	255,525	X	64,715	190,810	398
d) Performing past due	X	10,572,651	457,871	10,114,780	108
- of which: forborne exposures	X	1,549,249	190,608	1,358,641	8
e) Other performing exposures	X	626,581,022	2,331,892	624,249,130	14,542
- of which: forborne exposures	X	4,087,431	189,632	3,897,799	8
<b>Total</b>	<b>44,965,682</b>	<b>637,153,673</b>	<b>30,122,265</b>	<b>651,997,090</b>	<b>3,424,842</b>

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).

*B. Distribution and concentration of credit exposures*

**B.4 Large exposures**

	06.30.2018
a) Amount book value (€ million)	225,886
b) Amount weighted value (€ million)	11,492
c) Number	9

In compliance with Art.4.1 39 of Regulation (EU) No.575/2013 (CRR), in case of exposures towards a group of connected clients formed by a Central Government and other groups of connected clients, such exposure towards the Central Government is reported for each group of connected clients when remitting regulatory reporting; despite the abovementioned regulatory approach, both the amounts shown in letter a), b) and the number in the letter c) in the table above disclose only once the exposure towards the Central Government originated following the method used. It should be noted that deferred tax assets towards Italian Central Government were considered as fully exempted and, as a consequence, the weighted amount reported is null.

**Information on Sovereign Exposures**

With reference to the Group's sovereign exposures<sup>25</sup>, the book value of sovereign debt securities as at 30 June 2018 amounted to €120,693 million, of which about 89% concentrated in eight countries; Italy, with €54,962 million, represents over 45% 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 2018.

<sup>25</sup> Sovereign exposures are bonds issued by and loans given to central and local governments and governmental bodies.

To the purpose of this risk exposure the following are not included:

- Sovereign exposures of Group's Legal entities classified as held for sale as at 30 June 2018;
- ABSs.

## Part E - Information on risks and hedging policies

### Breakdown of Sovereign Debt Securities by Country and Portfolio

(€ '000)

COUNTRY/PORTFOLIO	AMOUNTS AS AT 06.30.2018		
	NOMINAL VALUE	BOOK VALUE	FAIR VALUE
- Italy	<b>53,633,389</b>	<b>54,961,729</b>	<b>55,055,490</b>
financial assets/liabilities held for trading (net exposures) (*)	5,211,334	4,907,621	4,907,621
financial assets designated at fair value	3	3	3
financial assets mandatorily at fair value	799,678	810,118	810,118
financial assets at fair value through other comprehensive income	43,250,265	44,625,518	44,625,518
loans and receivables with customers	4,372,109	4,618,469	4,712,230
- Spain	<b>17,555,287</b>	<b>19,129,586</b>	<b>19,161,612</b>
financial assets/liabilities held for trading (net exposures) (*)	253,173	297,219	297,219
financial assets designated at fair value	-	-	-
financial assets mandatorily at fair value	-	-	-
financial assets at fair value through other comprehensive income	14,829,000	16,067,630	16,067,630
loans and receivables with customers	2,473,114	2,764,737	2,796,763
- Germany	<b>13,143,704</b>	<b>13,337,212</b>	<b>13,373,081</b>
financial assets/liabilities held for trading (net exposures) (*)	1,691,606	1,712,536	1,712,536
financial assets designated at fair value	-	-	-
financial assets mandatorily at fair value	9,408,698	9,519,498	9,519,498
financial assets at fair value through other comprehensive income	1,008,400	1,068,626	1,068,626
loans and receivables with customers	1,035,000	1,036,552	1,072,421
- Austria	<b>6,549,372</b>	<b>7,268,641</b>	<b>7,274,651</b>
financial assets/liabilities held for trading (net exposures) (*)	224,754	239,796	239,796
financial assets designated at fair value	-	-	-
financial assets mandatorily at fair value	80,000	95,846	95,846
financial assets at fair value through other comprehensive income	6,151,600	6,838,158	6,838,158
loans and receivables with customers	93,018	94,841	100,851
- Japan	<b>5,580,436</b>	<b>5,635,105</b>	<b>5,635,354</b>
financial assets/liabilities held for trading (net exposures) (*)	11	12	12
financial assets designated at fair value	-	-	-
financial assets mandatorily at fair value	77,495	77,755	77,755
financial assets at fair value through other comprehensive income	2,603,844	2,629,160	2,629,160
loans and receivables with customers	2,899,086	2,928,178	2,928,427
- France	<b>3,434,644</b>	<b>3,138,209</b>	<b>3,139,829</b>
financial assets/liabilities held for trading (net exposures) (*)	(618,356)	(1,086,851)	(1,086,851)
financial assets designated at fair value	-	-	-
financial assets mandatorily at fair value	423,000	428,531	428,531
financial assets at fair value through other comprehensive income	3,530,000	3,696,749	3,696,749
loans and receivables with customers	100,000	99,780	101,400
- Bulgaria	<b>1,625,080</b>	<b>1,798,699</b>	<b>1,798,699</b>
financial assets/liabilities held for trading (net exposures) (*)	985	735	735
financial assets designated at fair value	-	-	-
financial assets mandatorily at fair value	-	-	-
financial assets at fair value through other comprehensive income	1,622,126	1,795,980	1,795,980
loans and receivables with customers	1,969	1,984	1,984
- Hungary	<b>1,601,743</b>	<b>1,765,840</b>	<b>1,765,840</b>
financial assets/liabilities held for trading (net exposures) (*)	112,296	117,539	117,539
financial assets designated at fair value	-	-	-
financial assets mandatorily at fair value	-	-	-
financial assets at fair value through other comprehensive income	1,489,447	1,648,301	1,648,301
loans and receivables with customers	-	-	-
<b>Total on-balance sheet exposures</b>	<b>103,123,655</b>	<b>107,035,021</b>	<b>107,204,556</b>

**Note:**

(\*) Including exposures in Credit Derivatives.

Negative amount indicates the prevalence of liabilities positions.

The weighted duration of the sovereign bonds shown in the table above, divided by the banking<sup>26</sup> and trading book, is the following:

Weighted duration	BANKING BOOK	TRADING BOOK		(years)
		ASSETS POSITIONS	LIABILITIES POSITIONS	
- Italy	3.29	3.74	4.68	
- Spain	3.63	5.84	7.27	
- Germany	2.90	5.91	6.46	
- Austria	3.46	8.98	9.20	
- Japan	4.55	2.42	-	
- France	3.10	15.16	8.21	
- Bulgaria	5.40	8.42	6.88	
- Hungary	3.29	3.03	3.91	

The remaining 11% of the total of sovereign debt securities, amounting to €13,658 million with reference to the book values as at 30 June 2018, is divided into 37 countries, including Romania (€1,610 million), Croatia (€1,345 million), Czech Republic (€1,303 million), Poland (€1,214 million), Serbia (€887 million), U.S.A. (€653 million), Russia (€635 million) and Slovakia (€629 million). The sovereign exposure to Greece, Cyprus and Ukraine is immaterial.

With respect to these exposures, as at 30 June 2018 there were no indications that impairment may have occurred.

It should also be noted that among the aforementioned remaining part of sovereign debt securities as at 30 June 2018 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 €3,431 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		AMOUNTS AS AT 06.30.2018 (€ '000)			
		FINANCIAL ASSETS AT FAIR VALUE	FINANCIAL ASSETS MANDATORILY AT FAIR VALUE	FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME	LOANS
Book value	4	11,875,699	89,486,215	11,963,056	113,324,973
% Portfolio	3.77%	52.75%	89.56%	2.17%	16.81%

In addition to the exposures to sovereign debt securities, loans<sup>27</sup> given to central and local governments and governmental bodies must be taken into account.

The table below shows the total amount of loans as at 30 June 2018 given to countries towards which the overall exposure exceeds €130 million, representing over 93% of the total.

26 The banking book includes financial assets designated at fair value, mandatorily at fair value, at fair value through other comprehensive income and loans and receivables.

27 Tax items are not included.

## Part E - Information on risks and hedging policies

### Breakdown of Sovereign Loans by Country

COUNTRY	BOOK VALUE	(€ '000)
		AMOUNTS AS AT 06.30.2018
- Germany <sup>(*)</sup>	6,094,823	
- Italy <sup>(**)</sup>	5,470,373	
- Austria <sup>(***)</sup>	5,313,565	
- Croatia	2,254,840	
- Czech Republic	710,248	
- Kuwait	413,051	
- Slovenia	243,329	
- Indonesia	223,717	
- Bosnia and Herzegovina	182,543	
- Bulgaria	171,386	
- Turkey	165,185	
- Hungary <sup>(****)</sup>	160,164	
- Gabon	150,932	
- Angola	142,214	
- Laos	136,857	
- Oman	135,121	
<b>Total on-balance sheet exposures</b>	<b>21,968,348</b>	

Notes:

(\*) of which €1,633,983 thousand in financial assets held for trading and those mandatorily at fair value.

(\*\*) of which €3,568 thousand in financial assets mandatorily at fair value.

(\*\*\*) of which €285,522 thousand in financial assets held for trading and those mandatorily at fair value.

(\*\*\*\*) of which €2,705 thousand in financial assets 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 "Interest Rate Shock" scenarios in chapter Stress test of Section 2 - paragraph 1.2 Market risk below, and for liquidity management policies see Section 2 - paragraph 1.4 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 including accrued interest at 30 June 2018 (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 €808 million at 30 June 2018, 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 €808 million at 30 June 2018, with the economic purpose of obtaining the availability of more liquid 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. Financial assets held for trading" and of balance-sheet liability item "40. Financial liabilities held for trading".

For the purpose of the distinction between customers and banking counterparties, the definition contained in Banca d'Italia Circular No.262 as for its 5<sup>th</sup> update of 22 December 2017 (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.

## Part E - Information on risks and hedging policies

Fair values of OTC derivatives managed through Central Clearing counterparts are reported on a net basis. The related reduction of balances is €14.485 million and €16.575 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 €35,663 million (with a notional value of €936,511 million) including €19,270 million with customers. The notional value of derivatives with customers amounted to €479,783 million including €468,226 million in plain vanilla (with a fair value of €18,775 million) and €11,558 million in structured derivatives (with a fair value of €496 million).

The notional value of derivatives with banking counterparties totaled €456,728 million (fair value of €16,392 million) including €17,240 million relating to structured derivatives (fair value of €505 million).

The balance of item "20. Financial liabilities held for trading" of the consolidated accounts with regard to derivative contracts totaled €32,703 million (with a notional value of € 874,609 million) including €12,402 million with customers. The notional value of derivatives with customers amounted to €466,178 million including € 460,710 million in plain vanilla (with a fair value of €12,125 million) and €5,468 million in structured derivatives (with a fair value of €277 million). The notional value of derivatives with banking counterparties totaled €408,432 million (fair value of €20,301 million) including €16,301 million relating to structured derivatives (fair value of €247 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) with the following characteristics:

GEOGRAPHICAL LOCATION	OWNER	PERCENTAGE OF OWNERSHIP	DATE WHEN THE PLANT STARTED TO PRODUCE ENERGY	PERCENTAGE OF COMPLETION	INSTALLED CAPACITY	TOTAL VALUE OF THE ASSET AS AT 06.30.2018
German EEZ <sup>(1)</sup> , 100 km before the island of Borkum	Ocean Breeze Energy GmbH & Co. KG	100%	December 2010, final taking into operation	August 2013	100%	400 MW €1.26 billion

Note:

(1) Exclusive economic zone.

This power plant has been developed by the BARD Group on behalf of OBKG and has been classified as tangible asset since 31 December 2013 in OBKG's balance sheet.

The BARD Group itself has been fully financed by UniCredit Bank AG and, starting from 31 December 2013, fully consolidated by UniCredit Bank AG.

The total value of the wind farm and other ancillary tangible assets amounts to €1.26 billion and is net of €53 million grants provided by the European Union which have been classified as government grants in accordance with IAS20 and, in compliance with IAS20.24, deducted from the initial cost of the power plant on the assets side of the balance sheet.

The current book value of the wind farm has been confirmed by an appraisal exercise performed by an independent expert by 31 December 2017; no trigger events have been experienced in 2018 potentially affecting wind farm's carrying value.

At year-end 2013 the wind farm was finalised and transferred to OBKG; to cover dismantling/refurbishing costs of BO1 it has been posted a provision of about €27 million (€26 million as at December 2017) by OBKG.

After grid outage experienced in 2014, grid connection is available and stable; wind farm availability has improved steadily since 2015, with about 76 WECs on average available in 2018 and also feeding-in at 30 June 2018.

Final settlement of 2014 outage from grid operator (TenneT) according to relevant compensation regime is still pending and subject to court proceedings; all compensation payments revenues have been recognised only to the extent they have been accepted by TenneT (net of an invoice issued by grid operator to adjust wake-factor calculation). All additional amounts invoiced to TenneT have neither been recognised in income nor capitalised as receivables on the balance sheet.

### E. Credit risk measurement models

As at 31 March 2018 the Group expected loss on the credit risk perimeter, including off-balance exposures, was 0.35% of the total credit exposure. The result does not include the exposures which migrate to non-performing during the period. The ratio between credit economic capital and its related credit exposure amount is 2.3% with reference date end-March 2018. This risk metric decreased by 100bps compared to the previous quarter as at the end of December 2017 mainly due to a decrease of exposure towards the Republic of Italy and to the application of the "Significant Risk Transfer" on securitisations relating to the FINO transaction.

## 1.2 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 the 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 companies making up the Group.

The current organisational model guarantees the ability to steer, to coordinate and to 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 Local Entities. Market risk appetite is also fundamental for the development of the Group's business strategy, ensuring the consistency between the budgeted revenues and the setting of Value-at-Risk limits.

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, among others, 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 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 local functions.

In terms of monitoring, the LEs carries 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:

- own positions and 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.

## Part E - Information on risks and hedging policies

The essential requirement for the Regulatory Trading Book assignment is the above defined "trading intent", additionally the following requirements have to be assessed:

- 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. 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.

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;
- Equity risk: the risk that the value of the instrument decreases due to stock or index prices changes;
- Interest rate risk: the risk that the value of the instrument decreases due to interest rates changes;
- Currency risk: the risk that the value of the instrument decreases due to foreign exchange rates changes;
- Commodity risk: the risk that the value of the instrument decreases due to commodity prices (e.g. gold, crude oil) changes.

UniCredit group manages and monitors market risk through two sets of measures:

- Broad Market Risk measures:
  - Value at Risk (VaR), which represents the potential loss in value of a portfolio over a defined period for a given confidence interval;
  - Stressed VaR (SVaR), which represents the potential VaR of a portfolio subject to a continuous 12-month period of significant financial stress;
  - Incremental Risk Charge (IRC), which represents the amount of regulatory capital aimed at addressing the credit shortcomings (rating migration and default risks) that can affect a portfolio in a defined time period for a given confidence interval;
  - Loss Warning Level (LWL), which is defined as the 60 calendar days rolling period accumulated economic P&L of a risk taker;
  - Stress Test Warning Level (STWL), which represents the potential loss in value of a portfolio calculated on the basis of a distressed scenario.
- Granular Market Risk measures:
  - 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.

On the basis of these measures, two sets of limits are defined:

- Broad Market Risk limits (Loss Warning Levels, Stress Test Warning Level, VaR, SVaR, IRC): which are meant to set a boundary to the economic capital absorption and to the economic loss accepted for TB and/or the overall TB+BB activities (and/or BB). These must be consistent with assigned budget of revenues and the defined risk taking capacity (ICAAP process). Value at Risk on TB activities has also to be consistent with Group Risk Appetite KPIs. All VaR limitations (both on TB and on the sum of TB and BB (and/or BB) have to be consistent with the Stress Tests Warning Levels;
- Granular Market Risk limits (Sensitivity limits, Stress scenario limits, Nominal limits): which exist independently of, but act in concert with Broad Market Risk limits and operate in a consolidated fashion across the Legal Entities (if applicable); in order to control more effectively and more specifically different risk types, desks and products, these limits are generally granular sensitivity or stress-related limits. The levels set for Granular Market Risk measures aim at limiting the concentration in individual risk factors and the excessive exposure in risk factors which are not sufficiently covered by the Internal Model for market risk (IMOD).

#### 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 the reduction of net interest income volatility in a multiyear horizon. The strategy does not imply any intended directional or discretionary 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 behavior is estimated based on 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 behavior of the customers independent of the level of the interest rates. 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 CEE countries loan portfolio is deemed residual therefore no prepayment hedging strategy is applied.

The overall interest risk exposure on Banking Book perimeter is periodically reviewed, at least on a monthly basis, by the group ALCO. 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 FX risk. The sources of this exposure mainly refer to capital investment in foreign currency. The current strategy is not to hedge capital. The general policy is to hedge the foreign currency exposure relating to dividends and P&L 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 periodic basis.

## Part E - Information on risks and hedging policies

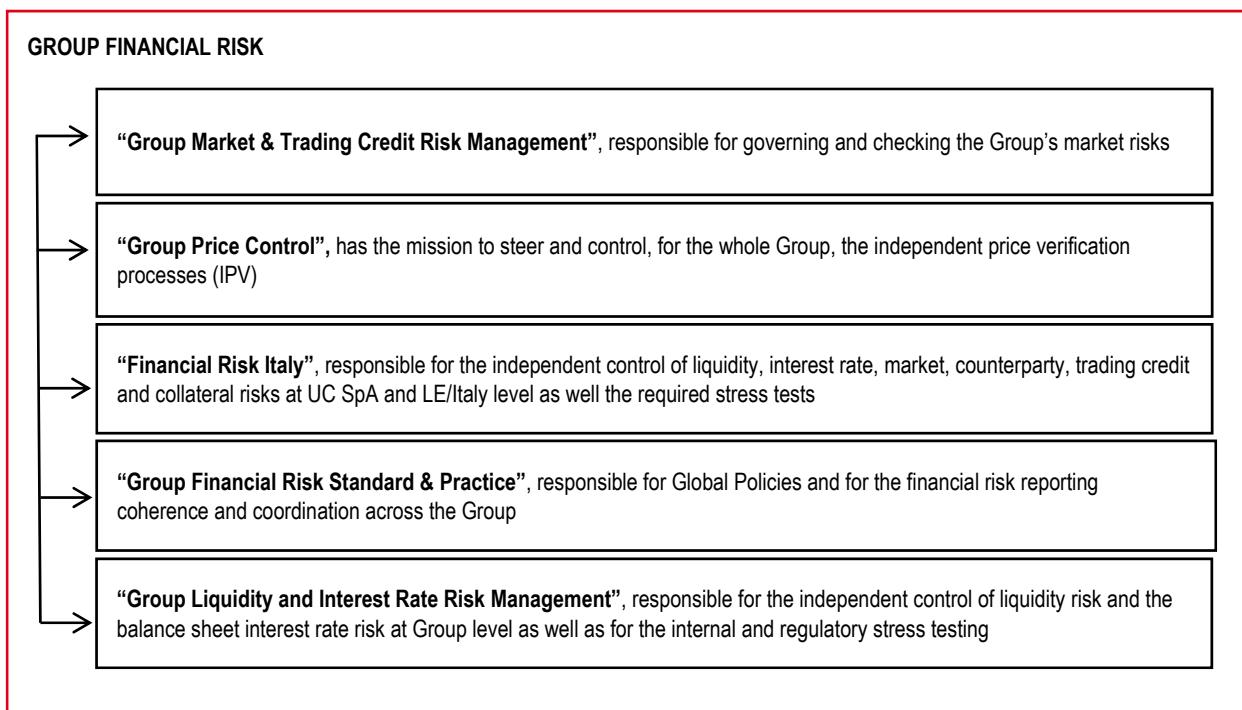
### Structure and organisation

The Group Financial Risk department is responsible for ensuring the implementation of strategies and processes relating to market risk at group-wide level. In terms of main issues relating to market risk matters, the department is accountable for:

- governing and controlling the Group's financial risks through the evaluation of strategies and the proposal to relevant the Bodies of risk limits and Global/Local Rules;
- providing decisions and NBO, when specifically required by Global Rules and sub-delegation of powers, for liquidity, interest rate, market, counterparty and trading credit risks of the Group;
- ensuring compliance of the Financial Risk Management framework to regulatory requirements.

Regarding the definition, setting up and maintenance of Group methodologies and architectures for the measurement and control of market, counterparty, interest rate and liquidity risk are in charge of Group Financial Risk Methodologies & Models which reports to Group Credit Risk Governance.

The department is composed of the following organisational structures with focus on market risk:



With reference to the communication mechanism between 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 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 Controller Committee", for approval or information, market risk strategies, policies, methodologies and limits as well as regular reporting on the market risk portfolio.

The Committee is also responsible for ensuring consistency in market risk policies, methodologies and practices across Divisions, Business Units and Legal Entities. It controls and monitors the Group market risk portfolio.

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 2018, 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 measurement, more details can be found 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 Operational Instruction 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, ceiling 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 Top Management and regulators regarding the market risk profile at consolidated level.

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 value and net interest income risk aspects.

More precisely, 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. In addition the economic value sensitivity for a 200bps parallel shock is included.
- **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 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 100bp 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.

Next 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**

On a quarterly basis a set of risk indicators is provided to the Group Risk Committee 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 and Stress Test results.

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 involved to establish the most appropriate course of action to restore exposure within the approved limits.

## Part E - Information on risks and hedging policies

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 comprehension 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.

Execution of structural hedges to mitigate the interest rate risk exposure on client business is responsibility of the treasury functions. 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*

Directive 2010/76/EU (CRD III) introduced several improvements to the capital regime for Trading Book positions fully incorporating the proposal from the Basel Committee. CRD III enhanced the consolidated Value-at-Risk (VaR)-based framework with other risk measures: an incremental risk capital charge (IRC) and a stressed Value-at-Risk (SVaR) aimed at reducing the pro-cyclicality of the minimum capital requirements for market risk.

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.

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 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 quarterly 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 changed in the first quarter of 2018, from the "Lehman Crisis" (2008/2009) to "Sovereign Debt Crisis" (2011/2012). For UniCredit S.p.A. and UniCredit Bank AG the stressed window corresponds to the "Sovereign Debt Crisis" (2011/2012), while for UniCredit Bank Austria AG to the "Lehman Crisis" (2008/2009).

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 99<sup>th</sup> percentile of the risk measures. The test is based on the last twelve months data (i.e. 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 parameterizations (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 so doing 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.

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 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).

## Part E - Information on risks and hedging policies

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 companies of the Group that are using the standardised approach for calculating capital requirements related to trading positions. However, the VaR measure is used for the management of market risk in these latter companies.

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 + 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 + 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.

Finally 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 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.

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 companies 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.

In the second half of 2017, the VaR 1d time series shows a decreasing trend, explained by the change in the FX risk exposure for the Banking Book and by a slowdown of the trading activities. A further reduction, during January and February 2018, was driven by the exit of punitive scenarios from the historical VaR window. During the second part of the first semester 2018, the increasing trend in the VaR time series is mainly due to higher volatilities in the financial markets.

In the first quarter of 2018, the stressed VaR calibration window for UniCredit group has been moved from the Lehman crisis period to the sovereign tension period, resulting in a regime change of the stressed VaR time series.

### Risk on trading book

#### Daily VaR on Regulatory Trading Book

(€ million)

I-MOD PERIMETER	END OF JUNE 2018	AVERAGE LAST 60 DAYS	2018			2017
			AVERAGE	MAX	MIN	
Diversified UniCredit group VaR	13.3	9.4	8.8	13.3	5.8	13.5

#### Daily VaR on Managerial Trading Book

(€ million)

STANDARDISED APPROACH PERIMETER	END OF JUNE 2018	AVERAGE LAST 60 DAYS	2018			2017
			AVERAGE	MAX	MIN	
Russia	1.4	1.1	1.8	4.6	0.9	2.1
Turkey	1.5	0.7	0.9	1.5	0.4	0.6
Bosnia Herzegovina	0.0	0.0	0.0	0.0	0.0	0.0
Serbia	0.1	0.1	0.1	0.1	0.0	0.1
Romania	0.5	0.4	0.4	0.6	0.2	0.3
Bulgaria	0.1	0.1	0.1	0.1	0.1	0.2
Hungary	0.4	0.5	0.6	0.9	0.3	0.7
Czech Republic	3.8	3.9	3.8	5.0	2.6	2.9
Croatia	0.3	0.2	0.2	0.5	0.0	0.2
Slovenia	0.1	0.1	0.1	0.2	0.1	0.1
Baltics	0.0	0.0	0.0	0.0	0.0	0.0
Fineco	0.1	0.1	0.1	0.4	0.0	0.3
Undiversified UniCredit group VaR	22.8	19.5	19.3	22.8	16.9	23.3

### Risk on trading book

#### SVaR on Regulatory Trading Book

(€ million)

I-MOD PERIMETER	END OF JUNE 2018	AVERAGE LAST 12 WEEKS	2018			2017
			AVERAGE	MAX	MIN	
Diversified UniCredit group SVaR	46.7	44.3	40.8	59.2	21.6	29.4

#### SVaR on Managerial Trading Book

(€ million)

STANDARDISED APPROACH PERIMETER	END OF JUNE 2018	AVERAGE LAST 12 WEEKS	2018			2017
			AVERAGE	MAX	MIN	
Russia	19.0	16.2	15.8	21.3	12.1	13.9
Turkey	2.5	2.4	3.2	4.4	2.0	1.9
Bosnia Herzegovina	0.0	0.0	0.0	0.0	0.0	0.0
Serbia	1.2	1.1	1.2	1.7	0.4	0.8
Romania	3.5	3.7	3.1	4.6	2.0	2.5
Bulgaria	0.7	0.5	0.5	0.7	0.5	0.7
Hungary	2.8	3.5	4.0	5.7	2.8	2.4
Czech Republic	6.7	7.2	6.2	8.7	4.0	3.5
Croatia	0.7	0.7	0.6	1.2	0.3	0.4
Slovenia	0.3	0.4	0.3	0.4	0.2	0.1
Baltics	0.0	0.0	0.0	0.0	0.0	0.0
Undiversified UniCredit group SVaR	86.2	84.5	84.1	99.0	74.8	69.6

## Part E - Information on risks and hedging policies

### Risk on trading book

#### IRC on Regulatory Trading Book

I-MOD PERIMETER	END OF JUNE 2018	AVERAGE LAST 12 WEEKS	2018			2017
			AVERAGE	MAX	MIN	
Diversified UniCredit group IRC	270.2	314.7	331.6	479.8	223.1	301.9

#### IRC on Managerial Trading Book

STANDARDISED APPROACH PERIMETER	END OF JUNE 2018	AVERAGE LAST 12 WEEKS	2018			2017
			AVERAGE	MAX	MIN	
Russia	23.3	9.7	30.0	112.5	0.1	10.7
Turkey	3.9	3.7	3.8	5.2	3.5	3.8
Serbia	11.5	13.7	13.9	18.9	3.8	10.2
Romania	18.6	17.9	15.1	22.2	3.6	20.0
Bulgaria	3.9	0.8	0.6	3.9	0.0	0.3
Hungary	19.2	28.3	31.4	43.0	17.0	27.6
Czech Republic	1.4	1.3	1.2	1.5	0.9	1.0
Croatia	6.0	5.8	4.7	8.0	3.0	4.1
Undiversified UniCredit group IRC	505.7	582.5	614.1	786.9	411.1	509.7

#### EU MR4 - Comparison of VaR estimates with gain/losses

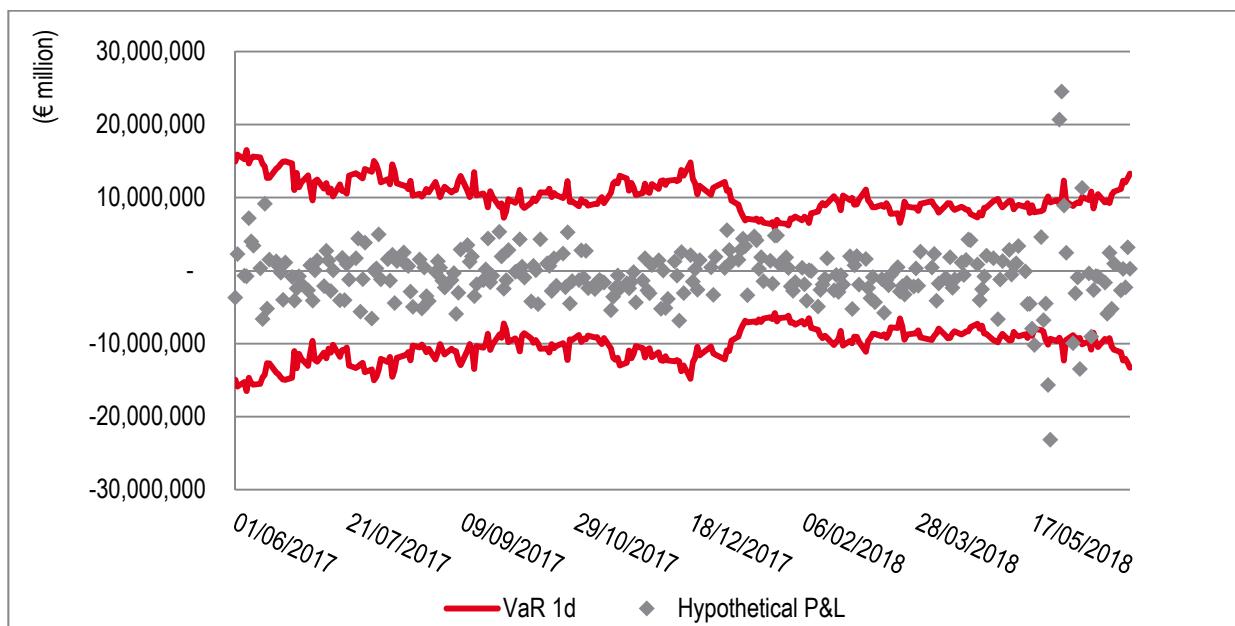
The following graph shows back-testing results referred to the market risk on the Trading Book, in which VaR results for the last twelve months are compared to the hypothetical "profit and loss" results for Group (I-Mod Perimeter).

In the second half of 2018, six VaR overshootings were observed for UniCredit group:

- 7 June 2018;
- 4 June 2018;
- 28 May 2018;
- 25 May 2018;
- 24 May 2018;
- 18 May 2018.

The overshooting were mostly caused by the Republic of Italy spread widening, explained by the increased political risk perception in the Eurozone, as a result of the new Italian government agenda.

Additional material drivers were US dollar appreciation against Euro, a widening in credit spread for UniCredit S.p.A., a larger spread between Federal Republic of Germany and several other sovereigns and supranationals, a decrease in Euro interest rates.



#### Managerial VaR

Below are reported the Managerial Diversified Trading Book VaR as of end of December 2017 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**

TRADING BOOK	(€ million)
END OF JUNE 2018	
Diversified UniCredit group as per internal model	14.72
RC Germany	7.64
RC Italy	5.93
RC Austria	0.46
RC CEE	3.04
Undiversified UniCredit group	22.40

#### 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.

The reduction of CVA own fund requirement with respect of year end 2017, is mainly due to the stressed CVA window change for UniCredit Bank AG from the Lehman crisis period to sovereign tension period, occurred in the first quarter of 2018.

#### **Risk on trading book**

##### **CVA trading book**

(€ million)

	2018		2017
	Q1	Q2	Q4
CVA	169.9	145.7	250.6
CVA VaR	22.0	13.9	32.8
CVA SVaR	101.5	92.3	167.8
CVA SA	46.4	39.5	50.0

#### **1.2.1 Interest rate risk and price risk - Regulatory trading book**

##### *Interest rate risk*

##### *Qualitative information*

###### *A. General aspects*

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.

## Part E - Information on risks and hedging policies

### Quantitative information

#### Interest-rate 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  $\pm 1\text{bp}/\pm 10\text{bps}$  and  $\pm 100\text{bps}$ .

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:

- $+50\text{bps}/-50\text{bps}$  for the one-day bucket;
- 0bps for the one-year bucket;
- $-50\text{bps}/+50\text{bps}$  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.

INTEREST RATES	+1BP LESS MONTH										+100BP -10BP +10BP -100BP				(€ million)	
	THAN 1 MONTH	+1BP 1 MONTH	+1BP 6 MONTHS	+1BP 1 YEAR	+1BP 5 YEARS	+1BP 10 YEARS	+1BP TO 20 YEARS	OVER 20 YEARS	+1 BP TOTAL	-10 BP	+10 BP	-100 PB	+100 BP	CW	CCW	
	Total	0.0	-0.8	0.7	0.1	1.3	-0.7	0.0	0.4	-2.8	3.3	-73.2	11.9	-16.8	21.1	
of which:																
EUR	-0.1	-0.8	0.5	0.3	1.2	-0.8	-0.2	0.2	-0.7	1.1	-46.4	-5.8	-8.4	13.1		
USD	0.0	-0.1	0.1	-0.2	0.0	0.0	0.0	-0.2	2.6	-2.8	27.0	-28.8	-1.0	0.8		
GBP	0.0	0.0	0.0	0.0	0.1	0.1	0.2	0.3	-2.8	2.9	-33.1	26.2	-12.2	11.7		
CHF	0.0	0.0	0.1	0.1	0.0	0.0	0.0	0.1	-0.9	0.9	-9.0	9.9	0.4	-0.2		
JPY	0.0	0.0	0.0	-0.1	0.1	0.0	0.0	0.1	-0.6	0.6	-5.9	5.6	2.0	-2.0		

Interest Rates	-30%		+30%	
	EUR	30.64	USD	-34.84
Interest Rates				
EUR		29.76		-33.32
USD		0.76		-1.51

### Price risk

#### Qualitative information

##### A. General aspects

As described above, 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 refers to the introduction on Risk Management Strategies and Processes and for the complex scenarios' description to the Stress Test paragraph.

## Quantitative information

### 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%.

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)	
							-30%	+30%
<b>Equities</b>							-31.54	18.19
EQUITIES	ALL MARKETS	DELTA CASH-EQUIVALENT	-20%	-10%	-1%	+1%	+10%	+20%
Europe		48.0	-	-	-	0.5	-	-
USA		-14.5	-	-	-	-0.1	-	-
Japan		-5.2	-	-	-	-0.1	-	-
Asia ex-Japan		12.9	-	-	-	0.1	-	-
Latin America		1.3	-	-	-	0.0	-	-
Other		8.6	-	-	-	0.1	-	-
<b>Total</b>		<b>51.2</b>	<b>-44.7</b>	<b>-5.0</b>	<b>-0.4</b>	<b>0.5</b>	<b>14.0</b>	<b>39.5</b>
<b>Commodity</b>		<b>1.1</b>	<b>-4.8</b>	<b>-0.8</b>	<b>-0.1</b>	<b>0.0</b>	<b>0.9</b>	<b>-1.0</b>

## Part E - Information on risks and hedging policies

### 1.2.2 Interest rate risk and price risk - Banking book

#### Interest rate risk

##### Qualitative information

###### A. General aspects, operational processes and methods for measuring interest rate risk

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 owned positions resulting from business operations and strategic investment decisions.

As at 29 June 2018, the sensitivity of interest income to an immediate and parallel shift of +100bps was +€1,033 million.

The sensitivity of the economic value of shareholders' equity to an immediate and parallel change in interest rates ("parallel shift") of +200bps was -€2,744 million as at 29 June 2018<sup>28</sup>.

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.

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 eight 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. 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 and CHF. 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 non-parallel shocks.

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 the hedging of the commercial business.

<sup>28</sup> The figures include modeled sensitivity estimates for assets and liabilities with not well-defined maturities, such as sight and savings deposits.

## Price risk

### Qualitative information

#### 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. The assessment of the whole Banking Book also takes account of this type of 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.

### 1.2.3 Exchange rate risk

#### 1.2.3.1 Exchange rate risk - Trading book

### Qualitative information

#### A. General aspects

As described above, risk relating to exchange rates 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.

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.

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.

#### B. Hedging exchange rate risk

The exchange risk hedging activity within the trading book is aimed at keeping the FX risk within the defined Granular and Global limits.

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

#### Exchange-rate sensitivity

Exchange-Rate Sensitivity assesses the economic impact of the appreciation or depreciation by 1%, 5% and 10% of each currency against all the others. Exposure to the various currencies is expressed as the "Delta cash equivalent" in euros: this is the euro equivalent of the currency amount which would expose the bank to the same exchange-rate risk arising in its actual portfolio.

The Group also calculates sensitivity to the volatility of exchange rates assuming a positive shift of 30% or negative change of 30% in volatility curves or matrixes.

The tables below show trading book sensitivities.

	(€ million)					
			-30%	+30%		
<b>Exchange Rates</b>			-2.39	1.29		

EXCHANGE RATES	CASH-EQUIVALENT	DELTA					
		-10%	-5%	-1%	+1%	+5%	+10%
USD	-103.4	25.5	11.7	1.0	-1.0	-0.9	3.3
GBP	-199.8	34.9	13.4	2.0	-2.0	-8.3	-14.0
CHF	1.0	3.4	0.0	0.0	0.0	0.0	-0.3
JPY	40.2	3.5	-0.5	-0.4	0.4	4.2	11.1

## Part E - Information on risks and hedging policies

### 1.2.3.2 Exchange rate risk - Banking book

#### Qualitative information

##### A. General aspects

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.

In the latter case, exchange risk originates from currency trading activities performed through the negotiation of the various market instruments and it is constantly monitored and measured by using internal models developed by Group companies. These models are also used to calculate capital requirements on market risks due to the exposure to such risk.

##### B. Hedging exchange rate risk

The Group adopts hedge strategies for profits and dividends arising from its subsidiaries not belonging to the euro zone. The hedging strategies takes into account market circumstances.

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.

### **Credit spread risk**

#### Qualitative information

##### A. General aspects

As described above, 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 1 MONTH LESS THAN 1 MONTH	+1BP 6 MONTHS TO 6 MONTHS	+1BP 1 YEAR TO 1 YEAR	+1BP 5 YEARS TO 10 YEARS	+1BP 10 YEARS TO 20 YEARS	+1BP OVER 20 YEARS	+1 BP TOTAL	+10BP	+100BP	
<b>Total</b>	0.0	-0.1	-0.2	-0.3	0.2	0.0	-0.7	-1.03	-10.5	-93.9
<b>Rating</b>										
AAA	0.0	0.0	0.0	0.2	0.0	0.0	0.2	0.3	3.1	35.3
AA	0.0	0.0	0.0	-0.2	0.1	0.0	-0.5	-0.6	-6.2	-55.1
A	0.0	0.0	0.0	-0.1	0.0	0.0	0.0	-0.1	-1.3	-12.5
BBB	0.0	-0.1	-0.1	-0.1	0.2	0.1	-0.4	-0.4	-4.5	-45.8
BB	0.0	0.0	0.0	0.0	-0.1	0.0	0.0	-0.1	-1.1	-11.3
B	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-0.2	-1.7
CCC and NR	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-0.3	-2.9	
<b>Sector</b>										
<b>Sovereigns &amp; Related</b>	0.0	-0.1	-0.1	-0.1	0.5	0.0	-0.7	-0.4	-3.6	-26.6
<b>ABS and MBS</b>	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-0.1	-0.9
<b>Financial Services</b>	0.0	0.0	0.0	-0.2	-0.3	0.0	0.0	-0.5	-5.7	-56.1
<b>All Corporates</b>	0.0	0.0	0.0	0.0	-0.1	0.0	0.0	-0.1	-1.0	-10.3
<i>Basic Materials</i>	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-0.1	-0.8
<i>Communications</i>	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-0.3	-2.9
<i>Consumer Cyclic</i>	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-0.2	-2.0
<i>Consumer Non cyclic</i>	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-0.1	-0.8
<i>Energy</i>	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-0.1
<i>Technology</i>	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-0.1	-0.9
<i>Industrial</i>	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-0.1	-0.5
<i>Utilities</i>	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-0.2	-2.2
<i>All other Corporates</i>	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-0.3

### 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.

UK growth, which is already suffering from an increase in uncertainty following the vote to leave the EU, would be hit by an intensification of political risks in the rest of the EU. Uncertainty will weigh on UK business investment, trade and capital flows, with knock-on effects on consumer confidence. It could also prolong negotiations over the UK's exit status from the EU.

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 2018 and contracting 0.2% in 2019, with a cumulative loss versus baseline of 3.4 p.p.

Inflation in the Eurozone will remain low in 2018 and 2019, reflecting a wider output gap and lower oil prices, while a weaker Euro is expected to partially offset some of these drags. The unemployment rate should resume, putting further downward pressure on nominal wage growth from the current weak levels.

## Part E - Information on risks and hedging policies

The ECB would cut the deposit rate, now de facto the true policy rate, by 10bp to -0.50%, 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 very close to the effective lower bound as side effects of negative rates start becoming more evident. Another dose of QE appears likely at a time of meaningful deviation from the price stability target.

In the UK, economic activity has slowed down and will contract in 2018 and 2019. 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 fall in inflation moderates wage growth. Capital outflows force a rapid adjustment of the UK's large current account deficit. The response of fiscal authorities is to ease policy, while the Bank of England remains in hold at 0.50%.

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, therefore direct and indirect trade linkages with Europe are not going to be a huge drag, even when accounting for the spillover on US investment activity. The main transmission channel of the shock is via lower equity prices, which directly affect US household finances and balance sheets. Although not particularly severe for the US economy, the shock will significantly limit the scope for further rate increases.

### *Protectionism, China slowdown & Turkey shock*

In this risk scenario, we assume the introduction of protectionist policies in the US (this, however, does not escalate into a global trade war), which intensify downward pressure on GDP growth in emerging markets, especially China, where growth slows from just below 7% to 3% by the end of 2019. On top of this, we assume a large growth shock in Turkey, mainly due to the deterioration of the domestic political framework picture.

This scenario implies 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. In addition, 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, with China accounting for 3-4% of total Eurozone exports (i.e. intra + extra EMU exports). Among the main Euro area countries, Germany has by far the largest exposure to trade and China. The latter accounts for about 6% of German exports, followed by France (about 4%), Italy (about 2.5%) and Spain (less than 2.0%). As a consequence, Germany is expected to be the most damaged country in this risk scenario, while Spain is likely to be the least impacted. Austria is treated differently, because it has only a small direct trade exposure to China, but very large exposure to Germany. In our estimates, this implies a growth shock that exceeds that for the Eurozone.

In this risk scenario, Eurozone growth is assumed to slow down to almost zero and slide in negative territory already in 2019 (-0.3%), with the pace of contraction easing in 2020. The cumulative GDP loss vs. baseline would be almost 4.5pp. Germany would experience a GDP contraction of almost 1% in 2018 and 1.7% in 2019. The negative impact of the trade and financial shocks on the German economy is assumed to be partly mitigated by fiscal policy (with the main aim to support labour income), while in the other Eurozone countries, where room for manoeuvre on fiscal policy is smaller, the fiscal deficit deterioration will largely reflect automatic stabiliser, like an increase in unemployment benefits. Lower oil prices work as automatic stabiliser, reducing the scale of the GDP shock in energy-importing countries.

Inflation in the Eurozone will likely be lower compared to Widespread Contagion, as higher tariffs on international trade are more than offset by the large decline in oil prices and increasing economic slack.

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 20bp over a two years horizon 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, but we believe the ECB is very close to the effective lower bound as side effects of negative rates start becoming more evident. Another dose of QE appears likely at a time of meaningful deviation from the price stability target.

The UK is an open economy, although the trade exposure to China is small. We assume a large adverse growth impact via the shock to global confidence and capital flows. The UK economy entered a mild recession in 2018, which will intensify in 2019.

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 some short term positive impact of protectionist measures and to its stronger reliance on domestic demand. However, in this scenario of a more global shock, weaker global growth is expected to slow the US recovery (GDP at 1.6% in 2018 and 1% in 2019) through weaker exports and a cutback in investment activity, which eventually will weigh on the labour market and thus on consumer spending as well. The Federal Reserve is likely to remain more accommodative compared to our baseline scenario.

#### *Interest rate shock*

In this risk scenario, we assume that Interest Rates (IR) in the Eurozone move sharply higher, by 250bp at the short end (refi rate) and by 300bp at the long end (10 years). Importantly, this IR increase is assumed to be totally exogenous, i.e. not driven by macro fundamentals like faster growth or inflation, therefore this scenario should mainly be seen as a purely technical exercise. We also assume that the IR increase is totally passed on to households and firms, meaning that there is no ECB facility that is capable to stop the full pass-through to the real economy. In the second year of the forecast horizon, IR start responding endogenously to macro developments and we assume that the ECB eases monetary policy to counter the material deterioration in the growth and inflation outlook triggered by the IR jump. We assume that almost half of the refi rate increase is reversed in 2019, the refi rate falls to 1.50% at the end of 2019.

The sharp rise in IR along with its pass-through is highly damaging for growth in the Eurozone (GDP: -0.0% in 2018, -0.8% in 2019), with a 5pp cumulative loss vs. baseline. Within the Eurozone, Italy is hit mainly because of high public debt while Spain because of the still high (although falling) leverage of the private sector. The growth damage is smaller in Germany, where leverage (both private and public) is relatively low. The recession causes a clear deterioration of the labour market, with the Eurozone unemployment rate seen rising back to an average of 9.4% in 2018 and 9.9% in 2019.

The Eurozone witnesses broadly flat growth in consumer prices in both years, due to the mix of falling oil prices and widening output gap.

The substantial tightening of financial conditions in the Euro area is transmitted to the UK economy via the significant trade and capital flows between the two economic areas. The UK enters a mild recession that lowers GDP to 0.0% in 2018 and to 0.4% in 2019, dragged down by high household and public debt. Inflation slows below 1.7% in 2018 and approaches 0% in 2019 as a result of the fall in oil prices and growing spare capacity. The external nature of the shock hits exports. Nonetheless, the current account deficit improves slightly faster than in the baseline scenario as capital markets force a more pronounced adjustment. Bank of England holds the Bank Rate at 0.50%.

The US economy should remain relatively less affected than the Eurozone also in this scenario. As consumer spending is expected to remain the main growth driver, the main transmission channels of this shock are higher interest rates and lower stock prices, which directly affect household finances and balance sheets. In particular, this shock with its sizeable negative impact on the stock market should have the largest effect on economic activity in the US, with GDP recording the largest cumulative deviation from the baseline. After the initial shock in IR at the beginning of the horizon, the Fed is expected to keep a more accommodative stance relative to our baseline scenario in the first year and remain on hold thereafter.

#### **Stress Test on Trading Book**

(€ million)

	END OF JUNE 2018		
	WIDESPREAD CONTAGION	PROTECTIONISM	IR SHOCK
<b>UniCredit group total</b>	<b>-217</b>	<b>-441</b>	<b>-75</b>
RC Germany	-149	-356	-92
RC Italy	-70	-82	60
RC Austria	4	3	-1
RC CEE	-2	-6	-42

Most of conditional losses in Trading Book are in UniCredit Bank AG and UniCredit S.p.A. and are mainly driven by CIB Fixed Income & Currencies and Equity and Derivative Trade business lines; a relevant contribution is also given by Markets Management business line mainly in Interest Rate Shock scenario.

Conditional profits in RC Italy in Interest Rate Shock scenario are mainly in Treasury business line and are driven by shocks on IR.

## Part E - Information on risks and hedging policies

### 1.4 Liquidity risk

#### *Qualitative information*

##### *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 fulfill its expected or unexpected payment obligations (by cash or delivery), current and future, without jeopardising its day-to day operations or its financial condition.

For further details report (including the structure and organisation) refer to the Liquidity Risk section in 2017 Consolidated Reports and Accounts (Part E, Section 3 - Liquidity Risk) as at 31 December 2017.

#### *The key principles*

The key principles are described the Liquidity Risk section in 2017 Consolidated Reports and Accounts (Part E, Section 3 - Liquidity Risk) as at 31 December 2017.

#### *Risk measurement and reporting systems*

For detailed information on Risk measurement and reporting systems refer to the Liquidity Risk section in 2017 Consolidated Reports and Accounts (Part E, Section 3 - Liquidity Risk) as at 31 December 2017, except for the information updated below.

#### *Liquidity stress test*

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.

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 2018 the Group liquidity stress test result on the combined scenario was always positive.

#### *Downgrading impacts*

Among the liquidity outflows that occur in a stress scenario, the bank monitors on a monthly basis the impact in terms of additionally required collateral that the bank may be required to provide given a downgrade of its own credit rating. All the relevant rating agencies are considered. 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.

At Group level the amount of material outflows due to deterioration of own credit quality, included in the components of the Liquidity Coverage Ratio, is equal to €5,464 million as at June 2018. The amount increased compared to December 2017 due to revision of OBG program impact.

#### *Risk mitigation*

For detailed information on Risk mitigation refer to the Liquidity Risk section in 2017 Consolidated Reports and Accounts (Part E, Section 3 - Liquidity Risk) as at 31 December 2017.

#### *Adequacy of the Liquidity Risk Management*

In the yearly process of the ILAAP, the senior management is required 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 2017, 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.

In this paragraph, an update of the LAS from ILAAP 2017 process is reported.

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), that is the overall amount of assets that are either accepted by Central Banks and/or market counterparties (i.e. are Central Bank eligible and/or marketable). 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).

In the first half of 2018, 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.

Similarly the Group Liquidity Coverage Ratio (LCR) was always well above the trigger (set above the minimum regulatory requirement of 100% in the first half of 2018), confirming that its liquidity reserve, the High Quality Liquid Assets (including cash), was large enough to cover one month of stress designed according to the regulatory hypothesis.

Through the Risk Appetite framework, the Group monitors and controls the evolution of the commercial activity through the funding gap. This metric quantifies the difference between commercial loans and commercial sources of funding and as such it represents the amount of loans to customers to be covered via funding provided/managed exclusively by Treasury/Finance. These sources of funding are typically more volatile than the commercial ones and the restriction placed on the funding gap ensures that the Group is not excessively exposed to the turbulence of the wholesale markets.

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.

Among the other structural liquidity metrics, the most relevant for the Group is the Net Stable Funding Ratio. In the first half of 2018, the Group NSFR (calculated according to the Quantitative Impact Study approach) Ratio was compliant with the trigger set above the minimum requirement of 100%.

## 1.5 Operational risks

### **Qualitative information**

#### *A. General aspects, operational processes and methods for measuring operational risk*

##### **Operational risk**

For this section refer to the last "2017 Consolidated Reports and Accounts".

##### **Group operational risk framework**

For this section refer to the last "2017 Consolidated Reports and Accounts".

##### **Organisational structure**

For this section refer to the last "2017 Consolidated Reports and Accounts".

##### **Internal validation process**

In compliance with regulations, an internal validation process for the operational risk control and measurement system has been set up at the Parent Company and in the relevant Group Entities in order to verify the compliance with regulations and Group standards. This process falls within the area of responsibility of Market, Operational and Pillar II Risks Validation unit, within the Group Internal Validation department.

Group methodologies for measuring and allocating the capital at risk and the IT system are validated at Parent Company level by the abovementioned function, as well as the implementation of the operational risk control and management system within the relevant Entities, which is firstly analysed via a self-assessment performed by local Operational Risk Management functions, following the technical instructions and policies issued by Group Internal Validation.

## Part E - Information on risks and hedging policies

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 report, together with the opinion of Group Internal Validation and Internal Audit report are submitted to the Entities' competent governing bodies. All the validation outcomes on the operational risk control and measurement system, both at Parent Company and controlled entities level, are annually consolidated within the annual validation report which, along with the annual Internal Audit report, is presented to the UniCredit Board of Directors.

Periodical reporting on validation activities is submitted also to "Group Operational & Reputational Risks Committee".

### Reporting

A reporting system has been developed to keep senior management and the management body regularly informed on the Group operational risk exposure and the risk mitigation actions.

In particular, monthly reports are provided on operational losses trend and the main initiatives undertaken to prevent or mitigate operational risk in the various business areas. Quarterly updates are provided on capital-at-risk figures.

### Operational risk management and mitigation

For this section refer to the last "2017 Consolidated Reports and Accounts".

### Stress test

For this section refer to the last "2017 Consolidated Reports and Accounts".

### Risk capital measurement and allocation mechanism

For this section refer to the last "2017 Consolidated Reports and Accounts".

### *B. Legal risks*

UniCredit and other UniCredit group companies are named as defendants in several legal proceedings. In particular, as at 30 June 2018, UniCredit and other UniCredit group companies were named as defendants in about 20,600 legal proceedings (excluding labor 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 appropriately fulfill 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 subjects 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. These cases include criminal proceedings, administrative proceedings brought by the relevant supervisory or prosecution authorities and/or claims in which the claimed damages and/or potential liability of the Group is not and cannot be determined, either because of how the claims are presented and/or because of the nature of the actual proceedings. In such cases, until the time when it will be possible to estimate reliably the potential outcome, no provisions are made. However, where it is possible to estimate reliably the amount of possible losses and the loss is considered likely, provisions have been made in the financial statements to the extent UniCredit, 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).

In order to provide for possible liabilities and costs that may result from pending legal proceedings (excluding labor law and tax cases), as at 30 June 2018, the UniCredit group set aside a provision for risks and charges of €1,710 million.

As at 30 June 2018 the total amount of claimed damages relating to judicial proceedings other than labor, tax and debt collections proceedings was €10.2 billion. 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 the UniCredit group is named as a defendant.

The estimate for reasonably possible liabilities and this provision are based upon information available as at 30 June 2018, however, given the many uncertainties inherent in legal proceedings, they involve significant elements of judgment. In particular, in some cases it is not possible to form a reliable estimate, for instance where proceedings have not yet been commenced or where the extent of legal and factual uncertainties makes any estimate speculative. 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.

This section also describes pending proceedings against UniCredit and/or other UniCredit group companies and/or employees (even former employees) that UniCredit 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.

## Madoff

### *Background*

UniCredit 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 UniCredit S.p.A. and certain of its affiliates with BLMIS, have been more fully disclosed in prior 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, UniCredit 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 claims against UniCredit 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) UniCredit Bank Austria AG (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) 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. The appeal remains pending. However, if that appeal were successful, the potential claim for damage 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 and its affiliated entities. Furthermore, to date and to the knowledge of UniCredit, there are no further actions commenced by parties other than the SIPA Trustee in relation to this matter.

#### *Claim by SPV OSUS Ltd.*

UniCredit and certain of its affiliates, UCB Austria, BAWFM and PAI, 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 removed to the United States District Court for the Southern District of New York on 20 April 2018. The plaintiffs' claims are based on common law, and are only aimed at obtaining monetary compensation, vis-à-vis all defendants in connection with alleged aiding and abetting a breach of fiduciary duty, aiding and abetting a fraud, aiding and abetting a conversion and knowing participation in a breach of trust in connection with the Madoff Ponzi Scheme. The case is brought on behalf of a purported assignee of an investor in BLMIS, with no specification of the claimed amount. On 5 July 2018, all defendants moved to dismiss all of the plaintiff's claims on various grounds including, without limitation, lack of personal jurisdiction, statute of limitations, and lack of proximate cause. Further briefing on the motions is expected.

### *Proceedings outside the United States*

Investors in the Primeo and Herald funds brought numerous civil proceedings in Austria. As at 30 June 2018, 39 civil proceedings remain pending with a claimed amount totaling €11 million plus interest, of which: 33 are pending before a judge of first instance with no judgment yet, and 4 are pending before the Court of Appeal with no judgment yet. In one case it is not yet known whether the claimant will bring an appeal before the Court of Appeal and in one case in which it is not yet known whether the claimant will bring an extraordinary appeal 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 23 final decisions with respect to prospectus liability claims asserted in the legal proceedings. With respect to claims relating to the Primeo funds, 13 final Austrian Supreme Court decisions have been issued in favor of UCB Austria.

## Part E - Information on risks and hedging policies

In two cases the Supreme Court did not accept UCB Austria's extraordinary appeal, thus making the decisions of the Court of Appeal in favor 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 favor of UCB Austria and 3 times in favor of the claimants. In a prospectus liability case with Primeo and Herald investments the Austrian Supreme Court ruled in favor 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 favor of UCB 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 UniCredit, 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 UniCredit, its subsidiaries, their respective employees or former employees or entities with which UniCredit 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. Save as described above, in compliance with international accounting standards, no provisions have been made for specific risks associated with Madoff related claims and charges.

### *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 Labor (with the claimed amount totaling about €20.26 million). The principal claim is prospectus liability. These civil proceedings are mainly pending in the first instance.

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.

In addition, several involved persons have been named as defendants in criminal proceedings in Austria which concern the Alpine bankruptcy case. UCB Austria has joined these proceedings as private party. The criminal proceedings are at the pre-trial stage. Unknown responsible persons of the issuing banks involved were also formally investigated by the public prosecutor's office. In May 2017, the Public Prosecutors Office against Corruption decided to close the part regarding the proceedings against unknown responsible persons of the issuing banks. Several appeals against this decision were rejected in January 2018.

Proceedings arising out of the purchase of UniCredit Bank AG (UCB AG) by UniCredit 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 I to have a review of the price paid to them by UniCredit, 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 UniCredit to UCB AG for UCB Austria and for the above mentioned CEE financial institutions. The opinion of the experts does not bind the court. UniCredit continues to believe that it has fully complied with the applicable law and that the amount paid to the minority shareholders was adequate. UniCredit will vigorously defend this position in the ongoing proceedings and has submitted its comments on the expert opinion to the court. The next oral hearing will likely be held in the first half of 2019. 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 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 UniCredit 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 given in December 2011 and May 2013, and which were, in general, positive for UniCredit. The Gremium referred the case back to the Commercial Court of Vienna. UniCredit 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 will decide on the price evaluation and other legal matters. UniCredit, considering the nature of the valuation methods used, believes that the amount paid to the minority shareholders was adequate.

At present, it is not possible to evaluate the amount under dispute and the possible risk connected with the above described Appraisal Proceeding.

#### *Financial sanctions matters*

In the past years, violations of US sanctions and certain US dollar payment practices have resulted in certain financial institutions entering into settlements and paying substantial fines and penalties to various US authorities, including the U.S. Treasury Department's Office of Foreign Assets Control ("OFAC"), the U.S. Department of Justice ("DOJ"), the District Attorney for New York County ("NYDA"), the U.S. Federal Reserve ("Fed") and the New York Department of Financial Services ("DFS"). More specifically, in March 2011, UCB AG received a subpoena from the NYDA relating to historical transactions involving certain Iranian entities designated by OFAC and their affiliates. In June 2012, the DOJ opened an investigation of OFAC-related compliance by UCB AG and its subsidiaries more generally.

In this context, UCB AG conducted a voluntary investigation of its 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 have been identified. In addition, UCB Austria independently conducted a voluntary investigation of its historical compliance with applicable U.S. financial sanctions and has similarly identified certain historical non-transparent practices. UniCredit has also conducted a voluntary review of its historical compliance with applicable U.S. financial sanctions. Each of these entities is cooperating with the relevant U.S. authorities and remediation activities relating to policies and procedures have commenced and are ongoing. Each Group entity subject to investigations is updating its regulators as appropriate.

It is also possible that investigations into historical compliance practices may be extended to other companies within the Group or that new investigations or proceedings may be commenced against UniCredit and/or the Group.

Recent violations of U.S. sanctions and certain U.S. dollar payment practices by other European financial institutions have resulted in those institutions entering into settlements and paying material fines and penalties to various U.S. authorities.

The investigations and/or proceedings into certain Group companies could therefore result in the payment of material fines and/or criminal or civil penalties (which at present cannot be quantified).

UniCredit, UCB AG and UCB Austria have recently commenced settlement discussions with the relevant US authorities to come to a resolution of these matters. However, these discussions are at a preliminary stage and UniCredit and the Group companies have not yet entered into any agreement with these authorities. Therefore it is not possible to determine the terms and timing of any resolution with any relevant authorities, including what final costs, remediation, payments or other criminal or civil liability may occur in connection with a final resolution.

While the timing of any agreement with the various U.S. authorities is currently not determinable, it is possible that settlement discussions with any or all of the Group entities could be completed by the end of the year.

The investigation costs, remediation required and/or payment or other legal liability incurred in connection with the proceedings could lead to liquidity outflows and could potentially negatively affect our net assets and net results and those of one or more of our subsidiaries. Such an adverse outcome to one or more of the Group entities subject to investigation could have a material adverse effect, also on a reputational basis, on the business, results of operations or financial condition of the Group, as well as on the ability of the Group to meet the relevant capital requirements.

## Part E - Information on risks and hedging policies

### *Proceedings related 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) at UCB AG. The findings of the Supervisory Board's investigation indicated that the bank sustained losses due to certain past acts/omissions of individuals.

The Supervisory Board has submitted a claim for compensation against three individual former members of the management board, not seeing reasons to take any action against the current members. These proceedings are ongoing. UniCredit, 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 am 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 possible 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 following the payment of a forfeiture of €5 million. At present, all criminal proceedings against UCB AG are terminated.

The Munich tax authorities are currently performing a regular field audit of UCB AG for the years 2009 to 2012 which *inter alia* includes the review of other transactions in equities around the dividend record date. During these years UCB AG performed, *inter alia*, securities-lending with different domestic counterparts which *inter alia* include 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 distribution of dividends, and which are the further consequences for the bank in case of different tax treatment. The same applies for the years 2013 until 2015 following the current regular tax audit mentioned above. 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 communication with the relevant Supervisory Authorities and competent tax authorities regarding these matters. UCB AG has made provisions deemed appropriate.

### *Proceeding relating to certain forms of banking operations*

UniCredit group is named as a defendant in several proceedings in matters connected to its operations with clients, which are not specific to the UniCredit group, rather affect the financial sector in general.

In this regard, as at 30 June 2018 (i) proceedings against UniCredit pertaining to compound interest, typical of the Italian market, had a total claimed amount of €1.078 million, mediations included; (ii) proceedings pertaining to derivative products, mainly affecting the Italian market (for which the claimed amount against UniCredit was €799 million, mediations included) and the German market (for which the claimed amount against UCB AG was €93.3 million); and (iii) proceedings relating to foreign currency loans, mainly affecting the CEE countries (for which the claimed amount was around €44 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 2018, the number of claims for refunds/compensation for compound interest did not show particular variations compared to 2017.

At present, UniCredit has made provisions deemed 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 relating 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 UniCredit 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 UniCredit 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.

As at 21 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 the decision by the Court of Justice of the European Union in *Slowakische Republik v Achmea BV*, dated 6 March 2018, in which the Court ruled, *inter alia*, that EU law is to be interpreted in a way that precludes an investor-State dispute resolution provision such as that contained in the Netherlands-Slovakia BIT, the arbitral tribunal held a hearing on 27 June 2018 regarding the impact of the Achmea decision on its jurisdiction. A decision is pending.

#### *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.

In addition, 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 of a customer as well as questions regarding the limitation period and thus the success prospects in a trial depend on individual circumstances of the particular case and therefore can hardly be prognosticated. 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.

#### 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 that time an indirect subsidiary of UniCredit. 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., PGAM and UniCredit 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 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 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., PGAM and UniCredit will all be released from all 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") 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"). 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.

## Part E - Information on risks and hedging policies

UniCredit 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 higher 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 UniCredit to pay, in favor 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 of 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 article 183 of the Code of Civil Procedure); and (ii) a second for €1.6 million.

As for the first case, in May 2016 the Court ordered UniCredit to pay approximately €12.6 million plus costs. UniCredit 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. UniCredit has made a provision for an amount it deems appropriate to cover the risk of the lawsuit.

### *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 others. UCB Austria (as successor to Creditanstalt) was joined as the fourteenth defendant in 2007 on the basis that it was banker to one of the defendants. Valauret S.A. is seeking damages 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 stayed following the opening of criminal proceedings by the French State that are ongoing. In December 2008, the civil proceedings were also stayed against UCB Austria. In UCB Austria's opinion, the claim is groundless and at present no provisions have been made.

### *I Viaggi del Ventaglio Group (IVV)*

In 2011 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 related. The first and third ones relate to allegedly unlawful conduct in relation to loans. The second one relates to disputed derivative transactions. UniCredit'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), UniCredit won in first instance. Respectively, in July 2016 and in September 2016 the plaintiffs filed an appeal against the decision and the next hearing for the filing of the parties' conclusions is scheduled for 16 January 2019; (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 Bank has started settlement negotiations with the Bankruptcy Trustee, which have already been approved by the Judge and the terms of which are currently being defined; 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 related to UniCredit's position. An additional report filed by the court-appointed expert is favourable for the defendants. The case has been adjourned to 29 January 2019 for the filing of the parties' conclusions.

### *Lawsuit brought by "Paolo Bolici"*

In May 2014, the company wholly owned by Paolo Bolici sued UniCredit in the Court of Rome seeking 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 UniCredit with the legal costs. UniCredit 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 UniCredit in favor 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 UniCredit).

In May 2013, certain criminal proceedings - related to act and offences representatives of a group of companies (the "Mazza Group") committed in 2005 with the collaboration of disloyal UniCredit's employees - came to an end with an exculpatory ruling (no case to answer). The Public Prosecutor and UniCredit appealed this decision. The next hearing is scheduled for 9 October 2018 to complete the hearing of witnesses.

Currently two lawsuits are pending for compensation claims against UniCredit:

- the first filed in June 2014 by the Mazza notary in the Court of Rome, demanding from UniCredit compensation for 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 second filed in March 2016 by Como S.r.l. and Camillo Colella in the Court of Rome, demanding damages from UniCredit 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.

In UniCredit's view, these lawsuits currently appear to be unfounded. UniCredit 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 UniCredit.

#### *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 Srl in November 2014.

In March 2016, So.De.Co., then controlled by Ludoil, summoned before the Court of Rome its former directors, NCP, UniCredit (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.

UniCredit 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 10 September 2018.

In November 2017, So.De.Co. served a claim against NCP and 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 10 September 2018 to allow the renovation of a previously incomplete service of the claim.

#### *Criminal proceedings*

UniCredit group and its representatives (including those no longer in office), are involved in various criminal proceedings and/or, as far as UniCredit is aware, are under investigation by the competent authorities who are ascertaining whether there are possible liabilities of UniCredit's representatives with regard to various cases linked to banking transactions, including, specifically, in Italy, investigations relating to checking any liability profiles in relation to the offence pursuant to article 644 (usury) of the Criminal Code.

At present, these criminal proceedings have not had significant negative impacts on the operating results and capital and financial position of UniCredit and/or the Group, however there is a risk that if UniCredit and/or other UniCredit group companies or their representatives (including those no longer in office) were to be convicted following the confirmed violation of laws prosecutable by criminal law this situation could have an impact on the reputation of UniCredit and/or UniCredit group.

For the sake of completeness, it should be noted that, on 13 October 2016 and 16 May 2017, the Public Prosecutor of the Court of Tempio Pausania informed UniCredit of two notices pursuant to article 415-bis (notice of the conclusion of the preliminary investigations) pursuant to the Code of Criminal Procedure as the party responsible for the administrative offence set out in article 24-ter of Legislative Decree 231/2001 as a result of offences contested by the former representatives of the Banca del Mezzogiorno - MedioCredito Centrale S.p.A. ("MCC"), later renamed "Capitalia Merchant S.p.A.", then "UniCredit Merchant S.p.A." and then merged by incorporation into UniCredit, as well as Sofipa SGR S.p.A. and Capitalia S.p.A. (then merged by incorporation into UniCredit).

The offences being investigated are those pursuant to articles 5 and 11 of Legislative Decree 74/2000 (offences involving income tax and VAT), article 416 of the Criminal Code (conspiracy) and article 318 of the Criminal Code (corruption of a public official).

The main proceedings RGNR 207/15 brings together three other separate ones (RGNR 608/16 - 375/15 and 2658/15) whereby UniCredit was only previously aware of 2658/15.

The offences being investigated with regard to the former representative of Capitalia S.p.A. are those pursuant to article 110 of the Criminal Code (participation in the crime) and articles 5 and 11 of Legislative Decree 74/2000.

## Part E - Information on risks and hedging policies

The investigation concerns a complex case involving UniCredit as the successor of MCC, relating to shareholdings owned by the above-mentioned MCC in the group for which Colony Sardegna S.à r.l. is the parent company. The directors of this company are charged with decisions concerning financial transactions which resulted in capital gains on behalf of third-party companies and to the detriment of the company managed, as well as failures to declare IRES income; the charges involving UniCredit refer to the years 2003/2011 (in May 2011 UniCredit Merchant S.p.A. actually sold its shareholding). The criminal investigation against one of the involved employees of the Bank was dismissed on 12 April 2018.

### *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 have been brought against UniCredit by members of the former Cassa di Risparmio di Roma Fund. These lawsuits, having been won in earlier proceedings by UniCredit, hang on appeal cases brought before the relevant courts of appeal and the Court of Cassation (as applicable) in which the main claim is a request that the funding levels of the former Cassa di Risparmio di Roma Fund be restored and that the individual social security accounts of each member be assessed and quantified. With reference to the main claim, the relief sought is estimated at €384 million. No provisions were made as these actions are considered to be unfounded.

### *D. Risks arising from tax disputes*

The following information pertains to the most relevant litigations born in 2018 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 arisen in the period

In 2018 have been served to UniCredit S.p.A. some deeds totaling over €5 million, regarding registration tax.

The matters of particular significance include nine notices of assessment, for a total amount of €4.8 million, served with regard to registration tax on guarantees referred to loans subject to the substitute tax provided for by D.P.R. 601/1973. Against all the notices of assessment the bank has filed claims with the tax court and has requested the cancellation to the Tax Authorities. As at 30 June 2018, the Tax Authorities have cancelled two notices of assessment for a total amount of €1.65 million.

In addition:

- the Tax Authorities notified to UniCredit Services S.C.p.A. (formerly UniCredit Business Integrated Solutions S.C.p.A.) a questionnaire regarding transfer pricing for 2013;
- the Tax Authorities notified to UniCredit S.p.A. a questionnaire regarding the tax treatment of dividend paid by Banca d'Italia in 2013 and 2014.

All the requests of information have been answered within the due date indicated by the Tax Authorities.

#### Updates on pending disputes and tax audits

With reference to 2018, the following updates are indicated:

- 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 partly not due the registration tax requested, for a total amount of €8.95 million. Therefore, the total value of all the litigations is reduced to €18.95 million. In addition the Second Degree Tax Court of Catania has issued a decision in favor of the bank relating to a notice of assessment of €0.23 million. Currently, all the litigations are pending and, in one case, the Tax Authorities filed a claim with the Supreme Court; with respect to this litigation, the bank has challenged the claim of the tax Authorities;
- in the financial statements as at 31 December 2017, a definitive favorable decision has been mentioned, which has cancelled the notices of assessment served to UniCredit Leasing S.p.A. for IRES and VAT 2005 (total value about €120 million). As a consequence, the Tax Authorities have also cancelled the notice of assessment served to UniCredit S.p.A. for IRES 2005 (as the consolidating company for tax purposes), for a total value of about €19 million;
- in 2017 the Tax Authorities served to UniCredit S.p.A. a notice of assessment referred to the liquidated company Dicembre 2007 S.p.A., of which UniCredit S.p.A. was a shareholder. The notice refers to the allegedly incorrect application of the participation exemption regime for the year 2011. The total amount requested amounts to €14.6 million, plus interest (€7.7 million for higher IRES and €6.9 million for penalties) and it has been requested to all the former shareholders. UniCredit S.p.A. is liable up to 46.67% of the higher sums requested; therefore, the share referred to UniCredit S.p.A. amounts to €6.9 million. The company has filed a claim with the Tax Court and it has cancelled the notice of assessment. Currently, the legal term for the appeal is pending;
- UniCredit Leasing S.p.A. has settled out of court two notices of assessment, relating to IRAP and VAT 2012 (total value €0.4 million) by means of the payment of €0.24 million (for taxes, penalties and interest);
- the same company has also settled out of court the litigation regarding VAT 2010 by paying €1.05 million, for higher tax and penalties, (plus interest) in comparison to higher sums requested equal to €1.7 million, for higher tax and penalties, (plus interest).

As at 31 December 2017 the total amount of provisions for tax risks amounted to €102.7 million (including provisions for legal expenses). As at 31 December 2017, the amount increased by €0.2 million for higher provisions for legal expenses. Therefore, the total amount of the provisions amounts to €102.9 million, including €6.7 million for legal expenses.

#### Tax proceedings in Germany

See paragraph "Legal risks".

#### *E. Tassara restructuring process*

On 23 December 2013 Carlo Tassara ("Tassara") and the creditor banks signed the third amendment agreement on the moratorium on debt payments.

The purpose of this transaction is to allow the company to better enhance certain assets under disposal, whose proceeds will be used to pay its financial debts.

The main terms and conditions of the Amendment Agreement include:

- 1) the postponement of the final expiry of the agreements to 31 December 2016;
- 2) the appointment of the 9 members composing the Board of Directors, with 6 independent members in accordance with the new corporate governance;
- 3) the conversion of the creditor banks' exposures into Strumenti Finanziari Partecipativi ("SFP") for a total amount of €650 million. The SFP, which can be traded once the restructuring agreement expires, have no maturity date and have a priority over any classes of shares with respect to the distribution of net income and reserves, as well as in case of liquidation of Carlo Tassara. The criteria to split the SFP among the banks was calculated taking into account the amount and the distribution of the unsecured debt and, for the difference, the uncovered portion of the secured debt. The value of the listed securities was determined on the basis of the 6-month average share price before the closing of the restructuring agreement;
- 4) the commitment of the creditor banks to subscribing additional SFP on a pro-rata basis if in the course of the plan material losses occur pursuant to Art.2447 of the Italian Civil Code;
- 5) the commitment of the creditor banks to converting into SFP the residual credits that should remain in place after the disposal of all the available-for-sale assets of Carlo Tassara;
- 6) the business continuity of Carlo Tassara will be ensured by enterprises with historical links with the Valcamonica area.

The existing collateral (pledge on Intesa Sanpaolo, Eramet and Cattolica Assicurazioni shares) remained in place after the signing of the above-mentioned agreements. On 27 December 2013, following the fulfillment of the conditions precedent to the effectiveness of the third amendment agreement, the banks subscribed the SFP worth €650 million.

UniCredit subscribed for 63,131,974 SFP with a nominal value of €1.00 each and totaling €63 million, issued by Tassara pursuant to the resolution of the Extraordinary Meeting of 23 December 2013, and agreed to contemporaneously pay up these SFP by voluntarily offsetting a portion of its loans (nominal value) to Tassara totaling €63 million, reducing the Bank's overall exposure to Tassara.

As a result of the above mentioned offsetting, part of the Bank's loans to Tassara (€63 million) was paid off and the Company's outstanding debts to the Bank decreased, with effect from 27 December 2013, by €63 million.

On 23 December 2013, in compliance with the governance provisions, the members of Carlo Tassara S.p.A.'s new Board of Directors were appointed.

Overall, therefore, the proceeds received during 2014 by Carlo Tassara S.p.A. as a result of collections made (for securities and dividends), amounted to about €853 million.

In 2015 Tassara sold listed securities (pledged and not pledged as collateral) and collected dividends worth approximately €459 million, which include the proceeds from the sale of 25.3% of the shareholding of Alior Bank SA, pursuant to the agreement concluded with PZU subscribed in May 2015. The sale, carried out in three stages, was concluded at the beginning of April 2016.

In 2016 the disposal of the portfolio securities allowed Carlo Tassara S.p.A. to get a revenue of approximately €220 million, of which €190 million realised through the disposal of the Eramet securities held by the subsidiary Carlo Tassara France S.A. to the creditor banks, against a debt compensation of the same amount. On 16 December 2016 when subscribing the disposal agreement, the creditor banks signed a commitment aimed at converting the residual loans in additional SFPs, should certain conditions precedent not be fulfilled.

In light of these agreements and following the realised disposal activities, UniCredit S.p.A. credit exposure with Carlo Tassara S.p.A. as at 30 June 2018 amounted approximately to €3 million gross (fully written-off), equal to 31 December 2017. For the purpose of providing complete information, it should be noted that as at 30 June 2018 UniCredit S.p.A. also holds overall No.32,237,751 SFPs issued by Carlo Tassara S.p.A., each with a nominal value of €1.00, recorded for an overall value of €1.00.

## Part E - Information on risks and hedging policies

### F. 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 the Bank might be involved in order to define them.

Considering the regulatory complexity and interpretations not always homogeneous, the Bank time-to-time assesses the accounting of provisions for risk and charges, aimed at facing costs, deemed probable, in a context that has increased the litigiousness at banking system level.

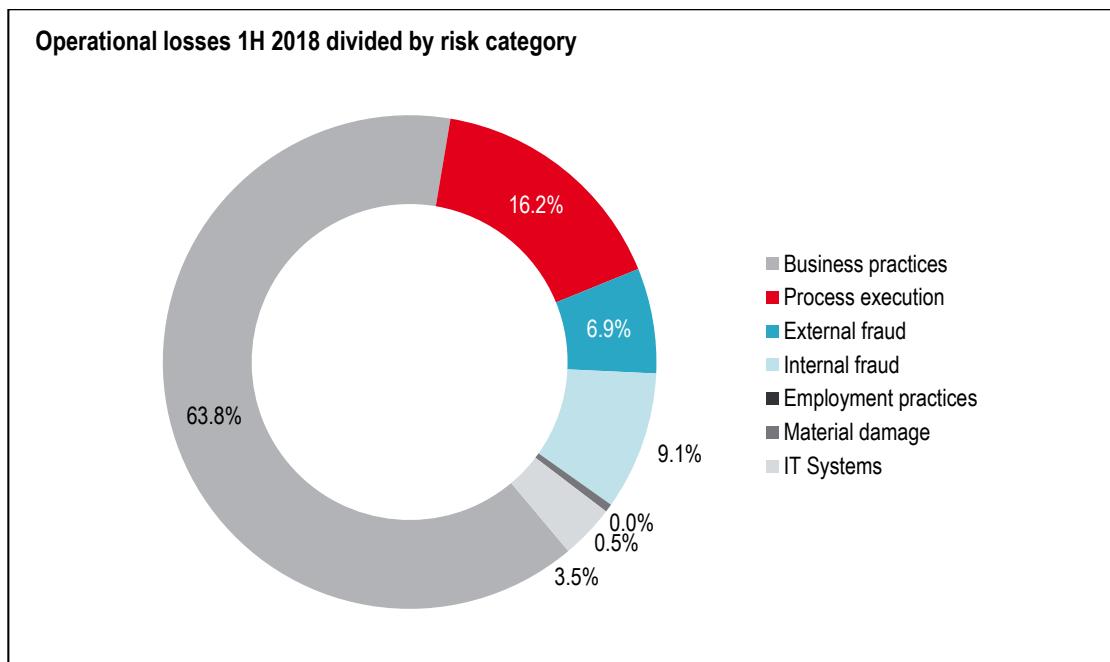
The trend in market interest rates resulted in the main benchmark reference for indexed loans, the Euribor, being negative. This has originated the issue of how to measure the overall interest rate for the clients, creating a fact pattern not existing so far. In light of such complexity, the underlying contracts with clients were subject to a deep monitoring. In this regard, and in compliance with the regulations in force, the Bank 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.

### Quantitative information

Detailed below is the percentage composition, 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 the Banca d'Italia in December 2013 (Circular No.285/2013 and following updates).

The major categories are as the following:

- internal fraud: losses due 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 due 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-fulfillment 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 due to business disruption and system failures or interruptions;
- process management, execution and delivery: losses due to operational or process management shortfalls, as well as losses arising from transactions with commercial counterparties, sellers and suppliers.



In 2018 the main source of operational risk was "Clients, products and business practices", a category which includes losses arising from the non-fulfillment 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 came from errors in process management, execution and delivery due to operational or process management shortfalls. There were also losses, occurred in decreasing order, stemming from internal fraud and external fraud.

The residual risk categories were IT systems related problems and damage to physical assets from external events.

## **1.6 Other risks**

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 other risks that the Group considers to be significant which mainly include:

- business risk;
- real estate risk;
- participation risk;
- reputational risk.

These risks are defined as follows:

### ***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 a serious deterioration in the market environment, changes in the competitive situation or customer behavior, but may also result from changes in the legal framework.

The exposure data used to calculate business risk are taken from the income statements of each Group Entity for which the risk is significant. Volatility and correlation are derived from the relevant profit & loss reports.

Business Risk focuses on the impact of unexpected shocks on future margins; in this context the margin is defined as a difference between earnings and costs not explained by risk factors already included in economic capital, as credit, market, operational risk. Business Risk embeds also the quantifiable risk component relating to the Strategic Risk.

Business Risk is calculated on a quarterly basis for monitoring and for budgeting purposes according to planning time scheduling.

### ***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 one-year time horizon, using a MonteCarlo simulation approach and assuming real estate returns have a non-gaussian distribution and are correlated.

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.

### ***Participation risk***

Participation risk stems from the equity 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 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 participation 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. Participation 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 of the main material Legal Entities is assessed for all the Pillar 2 risk types.

Credit, market, operational, business and real estate risks are measured quantitatively, by:

- economic capital and aggregation as an input for internal capital; and
- stress tests.

## Part E - Information on risks and hedging policies

On the other side, for small Legal Entities a synthetic approach (top down approach) is used, in which the book value changes of the entities are simulated using credit risk-like methods.

The Internal Capital represents the capital needed to face the potential losses inherent in the Group's business activities and it takes into consideration all the Pillar 2 risk types identified by the Group and which are quantifiable in terms of Economic Capital: credit, market, operational, business and real estate risks. The effect of the diversification between risk types is also calculated ("inter-risk diversification") together with the diversification effects at portfolio level ("intra-risk diversification"). In addition a capital add-on is calculated as prudential cushion in order to account for model uncertainty risk.

The capital aggregation is performed using the Bayesian Copula approach 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 or ad hoc if needed; it is also projected for budgeting purposes.

The multi-dimensional nature of risk makes it necessary 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, consistently 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.

The firm-wide stress test considers the various impacts of a given macro-economic scenario on all relevant risks. These scenarios are drawn analysing both significant market events happened in the past and plausible worst-case events not yet occurred. This assessment allows to analyse the capital requirements of the Group in stressed conditions over a two-year time horizon.

The output of the stress test is therefore, for each risk type and at aggregated level, a quantitative analysis of the capital requirements together with the calculations of the losses conditional on the selected stressed scenarios. In addition the total capital diversification benefit is also assessed.

From 2017 also the normative perspective has been introduced in addition to the Pillar II one (economic perspective). Stress test exercise is run in order to assess the viability of the regulatory capital under adverse scenarios (specifically the same scenarios used for Pillar II scope). Credit, Market and Operational RWAs as well as losses are simulated under stress conditions with the aim of to measure stressed capital ratios (CET 1, Tier 1, Total Capital Ratio).

The Group top management is involved in the ex-ante as well as 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.

Under the corporate governance system, the Parent Company's Group Risk Management is responsible for the Group Economic and Internal Capital methodology development and their measurement. The Parent Company is also responsible for setting and implementing the Group related processes.

The "Group Rules", after the approval, are sent to relevant LEs for approval and implementation.

### **Reputational risk**

UniCredit group defines Reputational Risk as the current or future risk of a loss or decline in profits or share value as a result of a negative perception of the bank's image by customers, counterparties, bank shareholders, investors or regulators.

Since 2010 UniCredit adopts the Group Reputational Risk Governance Guidelines, replaced in 2016 by the refreshed Group Reputational Risk management policy and which aim at defining a general set of principles and rules for assessing and controlling reputational risk. In addition since 2017 the new Global Process Regulation "Reputational Risk management for Material Events" is in force. This process aims at defining a straightforward escalation process to the Holding Company's Top 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 Group Operational & Reputational Risks Department of UniCredit S.p.A. and to dedicated functions within the Group companies.

In addition, the setup of the Group Operational and Reputational Risk Committee ensures consistency in reputational risk policies, methodologies and practices across Divisions, Business Units and Legal Entities, controlling and monitoring the Group Reputational Risk portfolio. Furthermore the Transactional Credit Committees are 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".

Eventually the "Human Rights Commitment" aims to identify and manage human rights risks and reduce potential human rights violations.

### ***Top and emerging risks***

In UniCredit the management and monitoring of risks is based on a dynamic approach; Top 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/Top Management and the Board of Directors which take the appropriate actions to manage and mitigate risks.

Until June 2018, the Group paid particular attention to the following kind of risks:

- Geopolitical Risks existing in the areas where UniCredit operates, especially in Turkey and Russia;
- Economic Consequences coming from "Brexit";
- Risks stemming from the current Regulatory developments that could affect Group profitability.

#### ***1. Geopolitical risks***

Uncertainties regarding geopolitical tensions warrants caution in Russia and Turkey.

##### **Russia**

Despite the aggravation of the stalemate between Russia and the West could lead to further sanctions and tensions with EU countries and US, the Russian economic system showed some improvements over the last months of the macroeconomic scenario with Sovereign rating upgrade to BBB, Ruble appreciation and restored Inflation growth at sustainable level.

Economic system growth remains a point of attention also in light of possible development of Russian foreign policy, of sanctions' impact and tariff barriers imposed by United States on some strategic commodities (i.e. aluminium).

##### **Turkey**

The projected economic growth in Turkey is likely to remain expansionary ahead of the elections due in late 2019, albeit recording a slowdown from the 2017 height levels. Challenges emanating from external vulnerabilities due to uncertainties in Government's policy and turbulent geopolitical environment continue to persist and could alter the economy's performance going-forward in case of escalation.

In 2018 GDP growth is forecasted at 4.3%, inflation remaining near 10% and a Current Account deficit well above 6% of GDP.

#### ***2. Economic consequences coming from "Brexit"***

The result of June 2016 referendum has introduced UK into an unprecedented period of uncertainty, with sufficient progress been made since the trigger of the Art.50 of the EU Treaty in March 2017 only on the broad terms of the UK's withdrawal from the EU ("Brexit").

The recent agreement, reached in December 2017 between the EU and the UK during the first phase of discussions, concerns a broad array of withdrawal issues (i.e. the financial settlement and citizens' rights) and does not provide enough visibility on future trade arrangements.

However, within March 2019, a number of complex issues on trade negotiations are still to be solved and the Brexit outcome depends heavily on the challenging 2018 trade negotiations as a "no-deal" scenario under World Trade Organisation (WTO) rules might severely impact UK industries.

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 exposure towards the UK resident counterparties is limited and manageable given UC's business model based on a multi-hub structure which allows us to flexibly react to any Brexit outcome by leveraging on continental EU UniCredit hubs.

#### ***3. Current Regulatory environments***

Over the last few years the regulatory framework in which financial institutions act has become increasingly complex and stricter. This complexity, has been fed by 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 our Group and introduce additional challenges for the general banking sector profitability and capital requirements.

## Part E - Information on risks and hedging policies

The most relevant changes are the following:

- revision of 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 goal is to restrict the usage of internal models for measuring credit risk on some specific portfolios and the return to a more stringent standardised approach, to eliminate internal models for operational risks. These revisions complement the already finalised change to the market risk framework (Fundamental Review of Trading Book), 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. 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 using internal models extensively;
- in March 2018 the ECB published an Addendum to the Guidance on NPL, introducing the "Prudential provisioning backstop for non-performing exposure". The Addendum supplements the ECB's Guidance on NPLs management, by specifying quantitative supervisory expectations concerning the minimum levels of prudential coverages expected for new non-performing exposures (NPEs). The new rules on the prudential coverage are based on the length of time an exposure has been classified as non-performing (i.e. the "vintage") as well as the collateral held (if any): after two years of vintage, provisions are expected to be 100% for unsecured (parts of) NPEs and after seven years of vintage provisions should be 100% also for the secured (parts of) NPEs. Similar rules are included in the Proposal of the amendment of the Capital Requirements Regulation (CRR), published by the European Commission on 14 March 2018 which, setting rules under Pillar 1 framework, shall be applied to all newly originated loans since 14 March 2018 that became NPEs. The EU Commission regulation final publication is still pending;
- entry into force of the 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 is expected by the end of 2018 for application starting in 2019;
- 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 with a liquidity buffer to survive a 30-days period of stress (which was phased in since 1 October 2015 until 31 December 2017), 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. The NSFR will be introduced in the European Union through the regulatory proposals named "CRR II/CRD V" and the entry into force will depend on the related legislative process, currently deemed likely to finish by the end of 2018, for application starting in 2021;
- entry into force of the Bank Recovery and Resolution Directive ("BRRD") which implies the implementation of a framework where, in case of severe crises, the losses of the banks can be transferred to the shareholders, holders of subordinated debt, of non-subordinated and non-guaranteed debt, and finally to the depositors for the part exceeding the deposit guarantee (€100.000), known as "bail-in". In this context, the same BRRD introduces a requisite for bail-inable liabilities, the Minimum Requirement for Own Funds and Eligible Liabilities ("MREL"), in order to ensure that the bank, should the bail-in be applied, has enough liabilities to absorb the losses and to guarantee compliance with primary capital requirements applicable for the authorisation of banking activities, as well as to produce sufficient confidence in the bank. At a global regulatory level instead, the Financial Stability Board has finalised an international standard that determines the minimum amount of liabilities and own funds subject to bail-in for Systemically Important Banks (like UniCredit): the Total Loss Absorbency Capacity ("TLAC"), applicable from 2019. A proposal by the European Commission was published in November 2016 for the implementation of TLAC in the European Union, also taking into account the above mentioned MREL; the related EU legislative process will probably last until the end of 2018;
- discussion on the removal of the 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 to remove this preferential treatment. On the one hand, the Basel Committee, although it has not yet reached a consensus on making any changes to the regulatory treatment of sovereign exposures at this stage, published a discussion paper last in December, envisaging a high-level proposal of regulatory change which foresees the elimination of both the zero risk weight on sovereign exposures and the usage of internal models, together with the introduction of a concentration limit on sovereign exposures. On the other hand, the European Parliament published earlier last year another proposal of regulatory change based on the introduction of a concentration charge only.





# Part F - Consolidated shareholders' equity

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## 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 management reports for internal and external use;
  - analysis and monitoring of limits;
  - analysis and performance monitoring of the capital ratios of the Group and single companies.

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 - Risk Adjusted Performance Management) 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 relevant importance in the definition of corporate strategies, as, on 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 as following:

- risk or employed capital: this is the equity component provided by shareholders (employed capital) which must be remunerated through an income generation greater 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, with the exception of the capital allocated to Fineco which is determined as the highest between the regulatory capital and internal capital.

The capital management activity, performed by the Capital Management unit of Group Planning, Capital Management & Strategic ALM, is aimed at defining the target level of capitalisation for the Group and its companies in line with supervisory regulations and the appetite to risk.

UniCredit group has identified a Fully Loaded Common Equity Tier 1 Ratio Target above 12.5% as of 2019, as communicated in December 2016 within the Strategic Plan 2019 and confirmed in December 2017 during the update on Trasform 2019.

The Strategic Plan defines the reference macroeconomic scenario, the Group strategic guidelines and the main economic and financial targets as well as the dividend payout assumptions in coherence with the Common Equity Tier 1 Ratio Target.

The complete Strategic Plan presentation is available on the Group website, at the following link:

(<https://www.unicreditgroup.eu/content/dam/unicreditgroup-eu/documents/en/investors/Capital-Markets-Day/2017/UniCredit-Capital-Markets-Day-2017-Update-on-Transform-2019.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 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.

## Section 2 - Own funds and banking regulatory ratios

### 2.1 Regulatory framework

Banca d'Italia Circular No.285 of 17 December 2013, and subsequent amendments, states that the asset and liability items to be included in the regulatory scope of consolidation are to be calculated according to the consolidation methods provided for by the regulations governing the preparation of financial statements (Banca d'Italia Circular No.262/2005).

It should be noted that the scope of consolidation is determined according to the prudential regulations and, even if maintaining a general alignment, may differ from the scope of the consolidated financial statements, determined under IAS/IFRS.

In more detail, the following consolidation methods are applied:

- the line-by-line consolidation method, to banking, financial and instrumental companies belonging to the banking group;
- the proportionate consolidation method, to banking, financial and instrumental companies in which the banking group or the bank holds a stake of at least 20%, when they are owned by the banking group or the bank jointly with other parties and in accordance with agreements signed with them;
- the equity method: a) to the other banking and financial companies in which the banking group or the bank holds a stake (provided that the bank also holds stakes of at least 20% subject to joint control) of at least 20% or subject to significant influence; b) to businesses, other than banking, financial and instrumental companies, owned exclusively or jointly by the banking group (or the bank) or subject to significant influence.

For more information regarding exclusion and exemption from consolidation see the general instructions contained in Banca d'Italia Circular No.115/1990.

### 2.2 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 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 1 Capital (AT1);
- Tier 2 Capital (T2);  
the sum of T1 and T2 generates the Total Own funds (Total Capital).

#### *Transitional capital requirements<sup>29</sup> and buffers for UniCredit group*

The capital requirements applicable to the Group as at 30 June 2018 in coherence with CRR article 92 are the following (Pillar 1):

- CET1: 4.50%
- T1: 6.00%
- Total Capital: 8.00%

<sup>29</sup> 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 at 30 June 2018.

## Part F - Consolidated shareholders' equity

In addition to such requirements, the Group shall also meet, through CET1 capital, the following additional requirements:

- **2.00%**, as Pillar 2 Requirements for 2018 in coherence with SREP results;
- **1.875%**, as Capital Conservation buffer<sup>30</sup> (CCB) according to CRDIV article129;
- **0.75%**, as Global Systemically Important Institutions ("G-SII") buffer<sup>31</sup>;
- **0.03%**, as Countercyclical Capital buffer<sup>32</sup> (CCyB) according to the CRDIV article 160 (paragraphs from 1 to 4), to be calculated on a quarterly basis<sup>33</sup>.

Therefore, as at 30 June 2018, the Group shall meet the following overall capital requirements:

- CET1: **9.16%**
- T1: **10.66%**
- Total Capital: **12.66%**

Please, find below a scheme of UniCredit group transitional capital requirements and buffers which also provide evidences of TSCR (Total SREP Capital Requirement) and OCR (Overall Capital Requirement) related to the outcome of the SREP process held in 2017 and applicable for 2018:

### 2018 Transitional capital requirements and buffers for UniCredit group

REQUIREMENT	CET1	T1	TOTAL CAPITAL
<b>A) Pillar 1 Requirements</b>	<b>4.50%</b>	<b>6.00%</b>	<b>8.00%</b>
<b>B) Pillar 2 Requirements</b>	<b>2.00%</b>	<b>2.00%</b>	<b>2.00%</b>
<b>C) TSCR (A+B)</b>	<b>6.50%</b>	<b>8.00%</b>	<b>10.00%</b>
<b>D) Combined capital buffer requirement, of which:</b>	<b>2.66%</b>	<b>2.66%</b>	<b>2.66%</b>
1. Capital Conservation buffer (CCB)	1.875%	1.875%	1.875%
2. Global Systemically Important Institution buffer (G-SII)	0.75%	0.75%	0.75%
3. Institution-specific Countercyclical Capital buffer (CCyB)	0.03%	0.03%	0.03%
<b>E) OCR (C+D)</b>	<b>9.16%</b>	<b>10.66%</b>	<b>12.66%</b>

Following table shows **UniCredit group transitional Capital ratios as at 30 June 2018** compared with previous periods:

UNICREDIT GROUP CONSOLIDATED CAPITAL RATIOS TRANSITIONAL	2Q18			1Q18	4Q17	3Q17	2Q17
	RATIOS	Delta Q/Q	Delta Y/Y				
<b>CET1 Capital ratio</b>	12.57%	-0.56%	-0.36%	13.13%	13.73%	13.94%	12.93%
<b>Tier 1 Capital ratio</b>	14.12%	-0.59%	-0.19%	14.71%	15.36%	15.32%	14.31%
<b>Total Capital ratio</b>	16.42%	-0.70%	-0.83%	17.13%	18.10%	18.19%	17.25%

### Transitional consolidated own funds

Regarding the transitional adjustments as at 30 June 2018 it is worth mentioning that the following ones are still applicable:

- 20% for the actuarial losses calculated according to CRR article 473 (40% for 2017);
- 40% of the phase-out limit for the Additional Tier 1 and Tier 2 capital instruments subject to Grandfathering in coherence with CRR article 486 (50% for 2017).

### Consolidated profit eligible

The profit eligible as at 30 June 2018 (€2,136 million, net of tax effect) is recognised in CET1 capital for €1.709 million, i.e. excluding €427 million related to the Group dividends calculated at the date.

The net profit 2018 as at 30 June 2018 is included in CET1 capital following the authorisation by the competent Authority according to CRR article 26(2).

### IFRS9

Starting from 1 January 2018, IFRS9 accounting standard was adopted, envisaging a new framework for provisioning computation based on expected loss rather than on incurred loss. Refer to "Basis of preparation" section of the Press Release issued on 10 May 2018 for all details on this topic.

<sup>30</sup> In October 2016, Banca d'Italia 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 buffer is 1.875% for 2018; and from 1 January 2019 will be 2.50%.

<sup>31</sup> To be increased by 0.25% per year till the target of 1.00% in 2019. Note that UniCredit group was identified by the Banca d'Italia as an O-SII authorised to operate in Italy, and it has to maintain a CET1 capital buffer equal to 0.25% for 2018; such level 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 CRDIV article 131.14, the higher of the G-SII and the O-SII buffer will apply: hence, UniCredit is subject to the application of 0.75% G-SII buffer for 2018.

<sup>32</sup> Amount rounded to two decimal numbers. With reference to 30 June 2018: (I) countercyclical capital rates have generally been set at 0%, except for the following countries: United Kingdom (0.50%); Czech Republic (0.50%); Hong Kong (1.875%); Iceland (1.25%); Norway (2.00%); Sweden (2.00%); Slovakia (0.50%); (II) with reference to the exposures towards Italian counterparties, Banca d'Italia has set the rate equal to 0%.

<sup>33</sup> In coherence with the transitional regime granted by Banca d'Italia, for 2018 institution-specific countercyclical capital buffer consists of CET1 capped to 1.875% of the total RWA of the institution.

UniCredit group has decided not to apply the transitional arrangements for IFRS9 specified in article 473a of CRR. As a consequence, UniCredit Own Funds, Risk Weighted Assets, Capital Ratios and Leverage Ratios already reflect the full impact of IFRS9 application.

#### ***FINO***

With reference to the FINO securitisations, the completion of the Phase 2 executed during the first quarter 2018 allowed the recognition of the regulatory Significant Risk Transfer (SRT); consequently, starting from first quarter 2018, the regulatory treatment is based on the retained notes rather than on the underlying portfolio (as happened till 31 December 2017).

#### ***Atlante Fund and Italian Recovery Fund (ex Atlante Fund II)***

As at 30 June 2018, the investment held by UniCredit 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 balance sheet foresees the application of the CRR article 128 (Items associated with particular high risk). 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 CRR), for the calculation of the related Risk Weighted Assets.

#### ***Financial conglomerate***

As at 30 June 2018 reporting date, the UniCredit group is allowed to not be subject to the supplementary supervision, although it is recognised as a financial conglomerate by the Joint Committee according to the 23 October 2017 communication (ref. JC 2017 70).

### **1. Common Equity Tier 1 Capital - CET1**

Common Equity Tier 1 Capital mainly includes the following elements:

- Main Common Equity Tier 1 Capital items, recognised 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 (e.g. ordinary shares); (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 interest for the computable amount recognised by CRR.
- Prudential filters of Common Equity Tier 1 Capital: (I) filter related to increase in its equity under the applicable accounting framework that results from securitised 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 under an actual or contingent obligation to purchase 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 at 30 June 2018, CET1 includes ordinary shares issued by UniCredit S.p.A, equal to €20.297 million, among the others elements, such item does not includes €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 main AT1 elements are the 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 CRR (grandfathering). Refer to Annex 1 for the capital instruments main features templates.

### **3. Tier 2 Capital - T2**

The main T2 elements are the 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 CRR (grandfathering).

## Part F - Consolidated shareholders' equity

As at 30 June 2018, T2 Capital:

- does not include instruments having a contractual amortisation plan in line with regulatory rules stated by CRR article 63;
- includes, according to CRR article 484(5) among grandfathered instruments, the amount of such instruments issued before 31 December 2011 and subject to the grandfathering provisions.

Refer to Annex 1 for the capital instruments main features templates.

	06.30.2018	12.31.2017	(€ '000)
<b>OWN FUNDS</b>			
<b>A. Common Equity Tier 1 Capital (CET1) before prudential filters</b>	<b>50,024,862</b>	<b>53,439,671</b>	
of/w grandfathered CET1 instruments	-	-	
<b>B. CET1 Prudential Filters (-)</b>	<b>(1,037,105)</b>	<b>(786,087)</b>	
<b>C. CET1 gross of deductions and transitional adjustments (A +/- B)</b>	<b>48,987,758</b>	<b>52,653,584</b>	
<b>D. Items to be deducted from CET1</b>	<b>3,879,894</b>	<b>4,182,874</b>	
<b>E. Transitional adjustments - Effect on CET1 (+)</b>	<b>222,319</b>	<b>408,845</b>	
<b>F. Common Equity Tier 1 Capital (C - D + E)</b>	<b>45,330,183</b>	<b>48,879,555</b>	
<b>G. Additional Tier 1 Capital (AT1) gross of deductions and transitional adjustments</b>	<b>5,664,395</b>	<b>5,901,651</b>	
of/w grandfathered AT1 instruments	1,033,613	1,292,090	
<b>H. Items to be deducted from AT1</b>	<b>71,241</b>	<b>80,776</b>	
<b>I. Transitional adjustments - Effect on AT1 (+)</b>	<b>-</b>	<b>2,576</b>	
<b>L. Additional Tier 1 Capital (G - H + I)</b>	<b>5,593,154</b>	<b>5,823,451</b>	
<b>M. Tier 2 (T2) Capital gross of deductions and transitional adjustments</b>	<b>9,259,203</b>	<b>10,244,498</b>	
of/w grandfathered T2 instruments	381,847	498,487	
<b>N. Items to be deducted from T2</b>	<b>942,255</b>	<b>732,084</b>	
<b>O. Transitional adjustments - Effect on T2 (+)</b>	<b>-</b>	<b>238,756</b>	
<b>P. Tier 2 Capital (M - N + O)</b>	<b>8,316,948</b>	<b>9,751,170</b>	
<b>Q. Total Own Funds (F + L + P)</b>	<b>59,240,285</b>	<b>64,454,176</b>	

It is worth mentioning that as at 30 June 2018 the following transitional adjustments are applicable:

- 20% for the actuarial losses calculated according to CRR article 473 (ref. to item E of the template);
- 40% of the phase-out limit for the Additional Tier 1 and Tier 2 capital instruments subject to Grandfathering in coherence with CRR article 486 (ref. to items G and M of the template).

*Description of main capital items as at 30 June 2018*

### A. Common Equity Tier 1 Capital (CET1) before prudential filters

This item, equal to €50,025 million, includes:

- paid up instruments for €20,297 million;
- share premium for €13,371 million: increasing of €178 million compared to 31 December: this item includes mainly the following effects:
  - capital increase connected with the medium-term incentive plan for the Group's personnel for €60 million;
  - increase of the share premium for €112 million mainly reflects the effects related to the completion of the governance actions (i.e. elimination of the 5% limit for the exercise of the voting rights and mandatory conversion of saving shares into ordinary shares);
- other reserves for €22,569 million including retained earnings. Such amount includes the net year end consolidated profit as at 30 June 2018, equal to €2,136 million, recognised in CET1 capital for €1,709 million excluding €427 million related to the Group dividends calculated at the date, following the authorization by the competent Authority according to CRR article 26(2).
- minority interests eligible in CET1 capital for €263 million;
- accumulated other comprehensive income, negative for €6,474 million; among the others, such item includes the following items whose regulatory treatment is outlined below:
  - reserves for actuarial losses (IAS19)<sup>34</sup> for €2,511 million<sup>35</sup>;
  - reserves on capital instruments and debt securities measured at fair value for €106 million with a reduction compared to December equal to €1,499 million which mainly reflect the trend related to the valuation of Italian government bonds;
  - revaluation reserve on exchange differences: amount of the negative reserve included in this item for €4,621 million.

This item does not include €609 million reclassified under Additional Tier 1 Capital, related to the ordinary shares underlying the Usufruct contract (Cashes) reclassified in the Item "G. Additional Tier 1 Capital (AT1) gross of deductions and transitional adjustments".

<sup>34</sup> As at 1 January 2013, following the entry into force of the amendments to IAS19 (IAS19R), the elimination of the corridor method, requiring recognition of present value of defined benefit obligations, will result in an impact on the Group's net equity related to the recognition in the revaluation reserves of actuarial net losses not previously recognised in line with such method.

<sup>35</sup> In this item is associated the amount of the positive transitional adjustment, equal to €222 million, included in section "E. Transitional adjustments - Effect on CET1 (+)".

#### *B. CET1 Prudential Filters*

This item, negative for €1,037 million, includes:

- filters required by CRR, principally referred to:
  - negative filter (CRR Art.33) related to cash flow hedge reserve of financial instruments, equal to €283 million, cumulative gains and losses due to changes in own credit risk on fair valued liabilities, equal to €27 million, fair value gains and losses arising from the institution's own credit risk related to derivative liabilities, equal to €169 million;
  - negative filter on additional value adjustments (CRR Art.34), equal to €181 million;
- national filters as required by Banca d'Italia Circular No.285, referred to:
  - multiple goodwill redemption ("affrancamenti mutipli"), equal to €350 million<sup>36</sup>;
  - gain on sale of properties mainly used in operations ("cessione in blocco"), equal to €28 million.

#### *D. Items to be deducted from CET1*

This item, equal to €3,880 million, includes the following main elements:

- goodwill and other intangible assets, for €3,315 million;
- deferred tax assets that rely on future profitability and do not arise from temporary differences, for €414 million;
- deductions for securitisations, for €95 million.

#### *E. Transitional adjustments - Effect on CET1*

This item, positive for €222 million as at 30 June 2018 is referred to the positive adjustment on reserves for actuarial losses (IAS19) equal to 20% of the amount calculated according to CRR article 473.

As at 31 December 2017, in this item were included also the following transitional adjustments, finished as at 1 January 2018:

- negative adjustment related to the exclusion of 20% of unrealised gains related to debt instruments and capital instruments classified in the portfolio "Available For Sale - AFS";
- positive adjustment for the 20% of the deduction related to deferred tax assets that rely on future profitability and do not arise from temporary differences;
- positive adjustment due to the inclusion of minority interests subject to transitional adjustments;
- positive adjustment for the 20% of the deduction related to the excess of expected losses compared to provisions.

#### *G. Additional Tier 1 Capital (AT1) - gross of deductions and transitional adjustments*

Compared to 31 December 2017 (amount equal to €5,902 million), the amount as at 30 June 2018 (equal to €5,664 million) reflects the reduction from 50% to 40% of phase-out limit in coherence with CRR article 486.

#### *M. Tier 2 (T2) Capital gross of deductions and transitional adjustments*

This item includes, among the other elements:

- eligible subordinated instruments included in Tier 2 capital for €7,414 million;
- instruments issued by subsidiaries and included in Tier 2 Capital for €514 million;
- the excess of credit risk adjustments compared to expected losses for €950 million, included in Tier 2 Capital up to 0.6 % of risk-weighted exposures, in accordance with CRR Art.62.

#### *O. Transitional adjustments - Effect on T2*

As at 31 December 2017 in this item were included also the following transitional adjustments, finished as at 1 January 2018:

- negative adjustments related to the deduction of 50% of the residual amount referred to direct positions held in AT1 instruments issued by FSE in which a significant investment is held;
- positive adjustment due to the inclusion of instruments issued by subsidiaries and included in Tier 2 Capital according to transitional provisions;
- negative adjustment for the deduction of 50% of the residual amount related to the excess of expected losses compared to provisions;
- the national positive filter as regulated by Banca d'Italia Circular No.285, equal to 20% of 50% of unrealised gains on AFS.

<sup>36</sup> The amount of the filter refers to 5/5 of the amount subject to neutralization calculated according to Banca d'Italia 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, No.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").

## Part F - Consolidated shareholders' equity

### 2.3 Capital adequacy

Capital Adequacy		(€ '000)			
ITEMS/VALUES		UNWEIGHTED ASSETS		WEIGHTED ASSETS/REQUIREMENTS	
		06.30.2018	12.31.2017	06.30.2018	12.31.2017
<b>A. RISK ASSETS</b>					
<b>A.1 CREDIT AND COUNTERPARTY RISK</b>		<b>837,809,711</b>	<b>867,501,479</b>	<b>311,931,059</b>	<b>307,186,610</b>
1. Standardised approach <sup>(1)</sup>		337,624,345	399,466,403	150,032,886	150,944,503
2. IRB approaches		480,235,859	446,933,095	158,270,133	154,020,456
2.1 Foundation		15,756,979	15,441,149	9,920,014	10,177,945
2.2 Advanced		464,478,880	431,491,946	148,350,119	143,842,511
3. Securitisations		19,949,507	21,101,981	3,628,040	2,221,651
<b>B. CAPITAL REQUIREMENTS</b>					
<b>B.1 Credit and counterparty risk</b>				<b>24,954,485</b>	<b>24,574,929</b>
<b>B.2 Credit valuation adjustment risk</b>				<b>145,659</b>	<b>250,621</b>
<b>B.3 Settlement risk</b>				<b>784</b>	<b>1,359</b>
<b>B.4 Market Risk</b>				<b>1,140,590</b>	<b>1,032,485</b>
1. Standard approach				170,022	144,817
2. Internal Models				970,568	887,668
3. Concentration Risk				-	-
<b>B.5 Operational Risk</b>				<b>2,502,365</b>	<b>2,602,224</b>
1. Basic indicator approach				203,040	223,778
2. Traditional standardised approach				286,904	294,426
3. Advanced measurement approach				2,012,421	2,084,020
<b>B.6 Other calculation elements</b>				<b>111,339</b>	<b>26,400</b>
<b>B.7 Total capital requirements</b>				<b>28,855,221</b>	<b>28,488,017</b>
<b>C. RISK ASSETS AND CAPITAL RATIOS</b>					
<b>C.1 Risk Weighted Assets</b>				<b>360,690,262</b>	<b>356,100,221</b>
<b>C.2 Common Equity Tier 1 Capital/Risk weighted assets (CET1 capital ratio)</b>				<b>12.57%</b>	<b>13.73%</b>
<b>C.3 Tier 1 Capital/Risk weighted assets (Tier 1 capital ratio)</b>				<b>14.12%</b>	<b>15.36%</b>
<b>C.4 Total Own Funds/Risk weighted assets (Total capital ratio)</b>				<b>16.42%</b>	<b>18.10%</b>





## Part H - Related-party transactions

Related-party transactions

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## Part H - Related-party transactions

### Related-party transactions

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 but not consolidated<sup>37</sup>;
- 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, the General Manager 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, as a listed issuer and subject to Banca d'Italia regulations, has adopted the "Global Policy for the management of transactions with persons in conflict of interest", approved by UniCredit's Board of Directors with the positive opinion of the Related-Parties and Equity Investments Committee and of the Board of Statutory Auditors, which is published on UniCredit website ([www.unicreditgroup.eu](http://www.unicreditgroup.eu)), designed to define preliminary and conclusive rules with respect to transactions initiated by UniCredit, 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 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 applies specific control procedures regulated in the Global Policy: Internal controls on risk activities with subjects in conflict of interests, also approved by UniCredit's Board of Directors, upon recommendation of the Related-Parties and Equity Investments Committee and the Board of Statutory Auditors.

In first half 2018, 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.

See also paragraph "Certifications and other communications" in the Consolidated Interim Report on Operations of this document.

<sup>37</sup> For the purposes of this Consolidated First Half Financial Statements as at 30 June 2018 transactions and outstanding balances between consolidated companies were written off as described in Part A.

The following table sets out the assets, liabilities, guarantees and commitments as at 30 June 2018, for each group of related parties, pursuant to IAS24; only the valued items are shown.

**Related-party transactions: balance sheet items**

AMOUNTS AS AT 06.30.2018							(€ '000)	
CONTROLLED NOT CONSOLIDATED	JOINT VENTURE	ASSOCIATED COMPANIES	KEY MANAGEMENT PERSONNEL	OTHER RELATED PARTIES	TOTAL	% ON CONSOLIDATION	SHAREHOLDERS <sup>(*)</sup>	% ON CONSOLIDATION
Financial assets at fair value through profit or loss	-	91,134	1,091,087	-	-	1,182,221	1.12%	37,185
a) Financial assets held for trading	-	91,134	1,005,712	-	-	1,096,846	1.32%	37,185
c) Other financial assets mandatorily at fair value	-	-	85,375	-	-	85,375	0.38%	-
Financial assets at fair value through other comprehensive income	-	-	111,487	-	-	111,487	0.11%	-
Financial assets at amortised cost	139,315	3,991,992	2,100,712	2,660	212,998	6,447,677	1.17%	1,193,413
a) Loans and advances to banks	-	2,721,112	880,549	-	-	3,601,661	4.78%	-
b) Loans and advances to customers	139,315	1,270,880	1,220,163	2,660	212,998	2,846,016	0.60%	1,193,413
Non-current assets and disposal groups classified as held for sale	2,000	3,236	39,502	-	1	44,739	4.89%	-
Other assets	2,246	3,345	139,064	-	-	144,655	1.87%	-
<b>Total - Assets</b>	<b>143,561</b>	<b>4,089,707</b>	<b>3,481,852</b>	<b>2,660</b>	<b>212,999</b>	<b>7,930,779</b>	<b>1.03%</b>	<b>1,230,598</b>
Financial liabilities at amortised cost	20,100	18,406	8,822,800	66,648	309,287	9,237,241	1.37%	30,626
a) Deposits from banks	17	15,922	6,862,317	-	-	6,878,256	5.30%	24,452
b) Deposits from customers	20,083	2,484	1,960,483	66,648	309,287	2,358,985	0.52%	6,174
Financial liabilities held for trading and designated at fair value	-	25,715	128,844	-	-	154,559	0.25%	-
Liabilities associated with disposal groups classified as held for sale	-	-	2,466	-	-	2,466	3.14%	-
Other liabilities	1,738	564	23,703	7	-	26,012	0.17%	-
<b>Total - Liabilities</b>	<b>21,838</b>	<b>44,685</b>	<b>8,977,813</b>	<b>66,655</b>	<b>309,287</b>	<b>9,420,278</b>	<b>1.25%</b>	<b>30,626</b>
Guarantees given and commitments	242,782	3,387,357	2,570,385	95	3,247	6,203,866	-	4,352

Note:

(\*) Shareholders and related companies holding more than 2% of voting shares in UniCredit.

## Part H - Related-party transactions

The following table sets out the impact of transactions, for each group of related parties, on Income statements; only the valued items are shown.

### Related-party transactions: profit and loss items

	AMOUNTS AS AT 06.30.2018							(€ '000)	
	CONTROLLED NOT CONSOLIDATED	JOINT VENTURE	ASSOCIATED COMPANIES	KEY MANAGEMENT PERSONNEL	OTHER RELATED PARTIES	TOTAL	% ON CONSOLIDATION <sup>(*)</sup>	SHAREHOLDERS <sup>(*)</sup>	% ON CONSOLIDATION <sup>(*)</sup>
10. Interest income and similar revenues	1,107	69,400	47,889	10	4,078	122,484	1.64%	5,680	0.08%
20. Interest expenses and similar charges	-	(1,552)	(16,363)	-	(83)	(17,998)	0.83%	(2,911)	0.13%
<b>30. Net interest margin</b>	<b>1,107</b>	<b>67,848</b>	<b>31,526</b>	<b>10</b>	<b>3,995</b>	<b>104,486</b>	<b>1.97%</b>	<b>2,769</b>	<b>0.05%</b>
40. Fees and commissions income	2,488	2,828	419,552	13	2,799	427,680	10.31%	950	0.02%
50. Fees and commissions expenses	(686)	(470)	(6,763)	-	-	(7,919)	1.27%	(358)	0.06%
<b>60. Net fees and commissions</b>	<b>1,802</b>	<b>2,358</b>	<b>412,789</b>	<b>13</b>	<b>2,799</b>	<b>419,761</b>	<b>11.90%</b>	<b>592</b>	<b>0.02%</b>
70. Dividend income and similar revenues	-	-	106,554	-	-	106,554	33.73%	-	-
80. Net gains (losses) on trading	-	(21,585)	(14,298)	-	4,029	(31,854)	11.21%	4,234	1.49%
110. Net gains (losses) on other financial assets/liabilities at fair value through profit or loss	-	-	(1,602)	-	(1,984)	(3,586)	3.48%	-	-
a) Financial assets/liabilities designated at fair value	-	-	68	-	-	68	0.04%	-	-
b) Other financial assets mandatorily at fair value	-	-	(1,670)	-	(1,984)	(3,654)	5.70%	-	-
<b>120. Operating income</b>	<b>2,909</b>	<b>48,621</b>	<b>534,969</b>	<b>23</b>	<b>8,839</b>	<b>595,361</b>	<b>6.14%</b>	<b>7,595</b>	<b>0.08%</b>
130. Net losses/recoveries on credit impairment relating to	(30)	-	(15,592)	20	(57)	(15,659)	1.46%	790	0.07%
a) Financial assets at amortised cost	(30)	-	(15,592)	20	(57)	(15,659)	1.47%	790	0.07%
190. Administrative expenses	113	513	(279,811)	(4)	(13,852)	(293,041)	4.88%	-	-
a) Staff costs	281	521	(2,618)	-	(7,855)	(9,671)	0.30%	-	-
b) Other administrative expenses	(168)	(8)	(277,193)	(4)	(5,997)	(283,370)	10.33%	-	-
200. Net provisions for risks and charges	92	-	(36)	-	1	57	0.01%	-	-
230. Other operating expenses/income	278	2,232	(17,827)	13	24	(15,280)	2.82%	-	-
<b>240. Operating costs</b>	<b>483</b>	<b>2,745</b>	<b>(297,674)</b>	<b>9</b>	<b>(13,827)</b>	<b>(308,264)</b>	<b>5.20%</b>	<b>-</b>	<b>-</b>

Note:

(\*) Shareholders and related companies holding more than 2% of voting shares in UniCredit.

(\*\*) Percentage calculated on the absolute value of the total of the corresponding item.

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.
  - In this regard, on 15 February 2013 the Board of Directors of US approved the executive plan relating to the "Invoice Management" transaction aimed at the formation of a joint venture with the partner Accenture S.p.A. (Accenture) for the provision of back office services with respect to the "active and passive cycle" (issuance, receipt, verification, recording and payment of invoices). In relation to this, US transferred, with effect from 1 April 2013, its "active and passive cycle" business unit to the company formed by Accenture and called "Accenture Back Office and Administration Services S.p.A." and sold to Accenture some of the shares resulting from the transfer. Following the transaction, US holds 49% of Accenture Back Office and Administration Services S.p.A.'s (ABAS) share capital; the remaining 51% is held by Accenture (which is the controlling shareholder).
  - Afterwards, 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 UniCredit Business Integrated Solution e 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). It should be noted that in April 2018 ABAS ceased to be a related-party following its sale.
- With reference to transactions with Mediobanca S.p.A. ("Mediobanca"), in addition to the transactions falling within the ordinary course of business and financial activity, UniCredit S.p.A. has entered into a thirty-year usufruct agreement on UniCredit 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 in November 2008. These shares were concomitantly used in support of the issuance of convertible securities denominated "CASHES". Following the resolutions of UniCredit S.p.A.'s Extraordinary Meeting of December 2011, the number of shares underlying the usufruct agreement 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. In 2018 the first installment referred to the 2017 result has been paid for €30 million; as contractual conditions for installment payments referred to 2016 result have not been met, the related four instalments (May 2017, August 2017, November 2017 and February 2018) were not paid.
- 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, it should be noted that:
  - in June 2017, an agreement was signed with MBCredit Solution S.p.A. (member of Mediobanca group) for the non-recourse sale in three tranches of bad exposures from consumer loan portfolios, two tranches of which were completed in 2017 and the third tranche was completed in the first half of 2018;
  - in November and December 2017, two further agreements were signed with MBCredit Solution S.p.A. for (i) the non-recourse sale of a portfolio of loans with the Italian SME segment and (ii) for the sale of a portfolio of loans deriving from unsecured terminated lease agreements;
  - in June 2018, UniCredit S.p.A. has reached an agreement with MBCredit Solutions S.p.A. in relation to the disposal on a non-recourse basis (pro-soluto) of a non-performing unsecured consumer credit portfolio, in Italy. The portfolio consists of Italian unsecured consumer credits with a gross book value of approximately €124 million;
  - UniCredit and MBCredit Solutions S.p.A. have also reached an agreement for the disposal of further Italian unsecured consumer loans of the same nature, originated from second quarter 2018 to the end of the year.
- In January 2018, a settlement and of binding term-sheet for contract amendment (STA) was signed amending administrative services contracts between UniCredit Services and Enterprise Services - Shared Service Center S.p.A. (ES-SCC), which is 49% owned by UniCredit Services and 51% owned by Enterprise Services Italia S.r.l., for the management of UniCredit S.p.A. and UniCredit Bank Austria AG personnel. The agreement provides for the termination of the service contract in Italy and the sale of the interest held by UniCredit Services to the majority shareholder during 2018, as well as an extension of the term of the service contract in Austria until 2033. On 14 May 2018 the amendment to the Master Services Agreement (MSA), that implements the contents of the STA with reference both to Italy and Austria, was signed. On 21 May 2018, pursuant to the Master Service Agreement, UniCredit Services exercise the right to terminate for convenience the Italy Local Services Agreement, with effect starting from 1 July 2018. Accordingly, ES-SCC shall perform the Termination Assistance Services as defined in MSA and continue performing all the Services provided for the Italy LSA until 31 December 2018.

## Part H - Related-party transactions

- 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 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).





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## 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), Fineco, Group Corporate Centre and Non Core.

#### Commercial Banking Italy

Commercial Banking Italy is composed by UniCredit S.p.A. 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 Centre with supporting functions for the Italian business.

In relation to individual clients (Households and clients of specialised network Private Banking), 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.

In relation to corporate customers, Commercial Banking Italy operates trying to guarantee both the support to the economic and entrepreneurial system and the profitability and quality of its portfolio. The current Corporate channel is organised on the territory with about 693 Managers divided in 56 Corporate Areas.

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 through its branch network.

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).

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, commercial real estate customers and wealth management customers. In particular: the Corporate segment 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; the private clients segment serves retail customers and private banking customers with banking and insurance solutions across all areas of demand. In detail, all-round advisory offering reflects the individual and differentiated needs of these customer groups in terms of relationship model and product offering.

The Segment also includes the local Corporate Centre, which performs tasks as sub-holding towards other sub-group legal entities.

#### Commercial Banking Austria

Commercial Banking Austria provides all 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: Retail, Corporate (excluding CIB clients, but including the product factories Factoring and Leasing), Private Banking (with its two well-known brands Bank Austria Private Banking and Schoellerbank AG) and the local Corporate Centre. Retail covers business with private individuals, ranging from mass-market to affluent customers and business customers. Corporates covers the entire range of SMEs and medium-sized and large companies which do not access capital markets (including real estate and public sector).

A broad coverage of the Retail and Corporate business lines is ensured through its nation-wide branch network. The goal of Commercial Banking Austria is to strengthen regional responsibility, to increase synergies, effectiveness and to improve time-to-market; therefore customer service teams can now adjust more quickly to local market changes.

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 specialised products and services, combining geographical proximity with a 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 network in Western, Central and Eastern 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).

The dedicated country-specific commercial networks (CIB Network Italy, CIB Network Germany, CIB Network Austria, CIB Network France, International Network) 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 and the marketing of the relevant products:

- **Financing and Advisory (F&A)** - F&A is the expertise centre 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 standardised 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 specialised 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 centralised 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 and Trade Finance products and global securities services.

## Central and Eastern Europe (CEE)

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

## Fineco

FinecoBank is UniCredit group's direct multichannel bank. It has one of the largest financial advisors' network in Italy and it is the leading bank in Italy for equity trades. FinecoBank S.p.A. offers an integrated business model combining direct banking and financial advice, with a single free-of-charge account including banking, credit, trading and investment services, also available through applications for smartphone and tablet. With its fully integrated platform, FinecoBank S.p.A. is the benchmark for modern investors.

## Group Corporate Centre

The Group Corporate Centre'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.

## Non Core

Starting from the first quarter 2014 the Group decided to introduce a clear distinction between above described 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

(€ '000)

	COMMERCIAL BANKING ITALY	COMMERCIAL BANKING GERMANY	COMMERCIAL BANKING AUSTRIA	CENTRAL EASTERN EUROPE	CORPORATE & INVESTMENT BANKING	FINECO	GROUP CORPORATE CENTRE	NON CORE	CONSOLIDATED GROUP TOTAL 06.30.2018
Net interest	1,775,089	741,960	335,822	1,317,821	1,114,079	137,001	(147,862)	40,373	5,314,283
Dividends and other income from equity investments	39,890	2,840	67,431	198,346	9,416	20	51,363	-	369,306
Net fees and commissions	1,954,162	407,078	312,386	427,066	310,564	145,967	(54,105)	(27,852)	3,475,266
Net trading income	26,288	48,853	47,984	200,040	459,421	27,617	27,807	(29,097)	808,913
Net other expenses/income	(44,501)	56,253	20,218	12,076	63,676	584	(3,631)	(11,104)	93,571
<b>OPERATING INCOME</b>	<b>3,750,928</b>	<b>1,256,984</b>	<b>783,841</b>	<b>2,155,349</b>	<b>1,957,156</b>	<b>311,189</b>	<b>(126,428)</b>	<b>(27,680)</b>	<b>10,061,339</b>
Payroll costs	(1,173,651)	(481,414)	(285,190)	(373,139)	(293,783)	(41,499)	(579,378)	(18,378)	(3,246,432)
Other administrative expenses	(1,093,674)	(382,519)	(230,859)	(331,195)	(484,962)	(126,918)	622,906	(73,894)	(2,101,115)
Recovery of expenses	210,802	4,770	-	117	672	48,624	40,461	42,152	347,598
Amortisation, depreciation and impairment losses on tangible and intangible assets	(34,520)	(17,839)	(6,065)	(61,588)	(1,462)	(4,849)	(269,949)	(13)	(396,285)
<b>Operating expenses</b>	<b>(2,091,043)</b>	<b>(877,002)</b>	<b>(522,114)</b>	<b>(765,805)</b>	<b>(779,535)</b>	<b>(124,642)</b>	<b>(185,960)</b>	<b>(50,133)</b>	<b>(5,396,234)</b>
<b>OPERATING PROFIT</b>	<b>1,659,885</b>	<b>379,982</b>	<b>261,727</b>	<b>1,389,544</b>	<b>1,177,621</b>	<b>186,547</b>	<b>(312,388)</b>	<b>(77,813)</b>	<b>4,665,105</b>
Net writedowns of loans and provisions for guarantees and commitments	(430,941)	(61,978)	54,621	(205,684)	161,306	(1,157)	(2,707)	(513,804)	(1,000,344)
<b>OPERATING NET PROFIT</b>	<b>1,228,944</b>	<b>318,004</b>	<b>316,348</b>	<b>1,183,860</b>	<b>1,338,927</b>	<b>185,390</b>	<b>(315,095)</b>	<b>(591,617)</b>	<b>3,664,761</b>
Other charges and provisions	(157,829)	(157,421)	(92,655)	(140,649)	(412,881)	(3,699)	(193,836)	(22,401)	(1,181,371)
Integration costs	(1,594)	(332)	638	(459)	(273)	(4)	10,955	(11)	8,920
Net income from investments	1,177	111,204	(5,187)	3,665	9,342	5,158	96,952	-	222,311
<b>PROFIT BEFORE TAX</b>	<b>1,070,698</b>	<b>271,455</b>	<b>219,144</b>	<b>1,046,417</b>	<b>935,115</b>	<b>186,845</b>	<b>(401,024)</b>	<b>(614,029)</b>	<b>2,714,621</b>

#### A.2 - Breakdown by business segment: balance sheet amounts and RWA

(€ '000)

BALANCE SHEET AMOUNTS	COMMERCIAL BANKING ITALY	COMMERCIAL BANKING GERMANY	COMMERCIAL BANKING AUSTRIA	CENTRAL EASTERN EUROPE	CORPORATE & INVESTMENT BANKING	FINECO	GROUP CORPORATE CENTRE	NON CORE	CONSOLIDATED GROUP TOTAL 06.30.2018
<b>CUSTOMERS LOANS (NET REPOS AND IC)</b>	<b>141,442,620</b>	<b>83,173,870</b>	<b>44,560,979</b>	<b>61,758,543</b>	<b>76,334,144</b>	<b>2,431,444</b>	<b>3,156,561</b>	<b>10,088,203</b>	<b>422,946,364</b>
<b>CUSTOMERS DEPOS (NET REPOS AND IC)</b>	<b>145,029,095</b>	<b>89,176,111</b>	<b>47,595,471</b>	<b>62,386,980</b>	<b>44,387,957</b>	<b>21,073,595</b>	<b>3,108,909</b>	<b>1,001,234</b>	<b>413,759,352</b>
<b>TOTAL RISK WEIGHTED ASSETS (BASEL 3)</b>	<b>87,802,250</b>	<b>34,777,494</b>	<b>21,398,934</b>	<b>87,121,863</b>	<b>80,521,014</b>	<b>2,308,614</b>	<b>31,392,827</b>	<b>15,367,267</b>	<b>360,690,262</b>

#### A.3 - Staff

STAFF (KFS group fully considered)	COMMERCIAL BANKING ITALY	COMMERCIAL BANKING GERMANY	COMMERCIAL BANKING AUSTRIA	CENTRAL EASTERN EUROPE	CORPORATE & INVESTMENT BANKING	FINECO	GROUP CORPORATE CENTRE	NON CORE	CONSOLIDATED GROUP TOTAL 06.30.2018
Employees (FTE)	30,912	9,244	4,939	23,992	3,331	1,095	14,712	414	88,640

The amounts related to 2017 differ from the ones published at that time. For further details refer to the information at the bottom of the reclassified income statement.

#### A.1 - Breakdown by business segment: income statement

(€ '000)

	COMMERCIAL BANKING ITALY	COMMERCIAL BANKING GERMANY	COMMERCIAL BANKING AUSTRIA	CENTRAL EASTERN EUROPE	CORPORATE & INVESTMENT BANKING	FINECO	GROUP CORPORATE CENTRE	NON CORE	CONSOLIDATED GROUP TOTAL 06.30.2017
Net interest	1,873,026	878,791	361,318	1,285,546	1,087,025	126,969	(316,725)	112,043	5,407,993
Dividends and other income from equity investments	40,653	549	68,032	189,230	11,629	12	43,199	-	353,304
Net fees and commissions	1,915,409	420,183	308,045	431,761	325,657	129,598	(57,036)	(41,317)	3,432,300
Net trading income	23,864	59,186	14,863	216,303	737,614	25,992	(29,378)	4,340	1,052,784
Net other expenses/income	(45,183)	72,814	32,856	18,114	34,250	(233)	(1,193)	(35,129)	76,296
<b>OPERATING INCOME</b>	<b>3,807,769</b>	<b>1,431,523</b>	<b>785,114</b>	<b>2,140,954</b>	<b>2,196,175</b>	<b>282,338</b>	<b>(361,133)</b>	<b>39,937</b>	<b>10,322,677</b>
Payroll costs	(1,273,777)	(522,228)	(307,177)	(369,597)	(319,343)	(38,924)	(647,753)	(20,984)	(3,499,783)
Other administrative expenses	(1,124,747)	(391,561)	(241,691)	(336,579)	(521,130)	(123,881)	631,559	(87,314)	(2,195,344)
Recovery of expenses	191,422	1,968	-	20	728	46,492	56,463	46,787	343,880
Amortisation, depreciation and impairment losses on tangible and intangible assets	(33,816)	(20,356)	(6,906)	(58,600)	(1,296)	(4,845)	(266,902)	(12)	(392,733)
<b>Operating expenses</b>	<b>(2,240,918)</b>	<b>(932,177)</b>	<b>(555,774)</b>	<b>(764,756)</b>	<b>(841,041)</b>	<b>(121,158)</b>	<b>(226,633)</b>	<b>(61,523)</b>	<b>(5,743,980)</b>
<b>OPERATING PROFIT</b>	<b>1,566,851</b>	<b>499,346</b>	<b>229,340</b>	<b>1,376,198</b>	<b>1,355,134</b>	<b>161,180</b>	<b>(587,766)</b>	<b>(21,586)</b>	<b>4,578,697</b>
Net writedowns of loans and provisions for guarantees and commitments	(488,775)	(61,621)	73,835	(269,436)	(85,453)	(1,650)	(3,587)	(590,052)	(1,426,739)
<b>OPERATING NET PROFIT</b>	<b>1,078,076</b>	<b>437,725</b>	<b>303,175</b>	<b>1,106,762</b>	<b>1,269,681</b>	<b>159,530</b>	<b>(591,353)</b>	<b>(611,638)</b>	<b>3,151,958</b>
Other charges and provisions	(138,184)	(70,363)	(80,230)	(141,838)	(104,956)	(3,150)	(24,972)	(34,441)	(598,134)
Integration costs	(2,375)	(1,907)	(32)	(10,038)	(665)	(13)	2,817	(28)	(12,241)
Net income from investments	(3,924)	1,382	7,250	9,131	(36,135)	(353)	(126,424)	(291)	(149,364)
<b>PROFIT BEFORE TAX</b>	<b>933,593</b>	<b>366,837</b>	<b>230,163</b>	<b>964,017</b>	<b>1,127,925</b>	<b>156,014</b>	<b>(739,932)</b>	<b>(646,398)</b>	<b>2,392,219</b>

#### A.2 - Breakdown by business segment: balance sheet amounts and RWA

(€ '000)

BALANCE SHEET AMOUNTS	COMMERCIAL BANKING ITALY	COMMERCIAL BANKING GERMANY	COMMERCIAL BANKING AUSTRIA	CENTRAL EASTERN EUROPE	CORPORATE & INVESTMENT BANKING	FINECO	GROUP CORPORATE CENTRE	NON CORE	CONSOLIDATED GROUP TOTAL 12.31.2017
<b>CUSTOMERS LOANS (NET REPOS AND IC)</b>	<b>137,437,427</b>	<b>80,898,638</b>	<b>44,336,458</b>	<b>59,965,992</b>	<b>71,497,254</b>	<b>1,926,504</b>	<b>2,732,309</b>	<b>14,219,390</b>	<b>413,013,972</b>
<b>CUSTOMERS DEPOS (NET REPOS AND IC)</b>	<b>140,934,841</b>	<b>91,581,651</b>	<b>46,271,524</b>	<b>62,405,820</b>	<b>47,989,900</b>	<b>20,058,626</b>	<b>3,504,347</b>	<b>1,044,339</b>	<b>413,791,048</b>
<b>TOTAL RISK WEIGHTED ASSETS (BASEL 3)</b>	<b>85,591,503</b>	<b>33,999,479</b>	<b>20,963,252</b>	<b>85,995,509</b>	<b>75,639,234</b>	<b>2,331,771</b>	<b>29,984,916</b>	<b>21,594,559</b>	<b>356,100,221</b>

#### A.3 - Staff

	COMMERCIAL BANKING ITALY	COMMERCIAL BANKING GERMANY	COMMERCIAL BANKING AUSTRIA	CENTRAL EASTERN EUROPE	CORPORATE & INVESTMENT BANKING	FINECO	GROUP CORPORATE CENTRE	NON CORE	CONSOLIDATED GROUP TOTAL 12.31.2017
<b>STAFF (KFS group fully considered)</b>									
Employees (FTE)	32,339	9,962	5,092	24,089	3,310	1,082	15,614	464	91,952



# Annexes

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# Reconciliation between reclassified balance sheet and income statement accounts and mandatory reporting schedules

An explanation for the restatement of comparative figures is provided in the previous sections.

## Consolidated balance sheet

	(€ million)
	AMOUNTS AS AT
	06.30.2018
<b>ASSETS</b>	
Cash and cash balances	21,238
<i>Item 10. Cash and cash balances</i>	21,238
Financial assets held for trading	83,262
<i>Item 20. Financial assets at fair value through profit and loss: a) Financial assets held for trading</i>	83,262
Loans to banks	73,004
<i>Item 40. Financial assets at amortised cost: a) Loans and receivables with banks</i>	75,395
less: Reclassification of debt securities in Other financial assets	(2,438)
+ Reclassification of loans from Other financial assets - <i>Item 20 c)</i>	46
Loans to customers	458,787
<i>Item 40. Financial assets at amortised cost: b) Loans and receivables with customers</i>	476,255
less: Reclassification of debt securities in Other financial assets	(19,963)
+ Reclassification of loans from Other financial assets - <i>Item 20 c)</i>	2,495
Other financial assets	148,841
<i>Item 20. Financial assets at fair value through profit and loss: b) Financial assets designated at fair value</i>	-
<i>Item 20. Financial assets at fair value through profit and loss: c) Other financial assets mandatorily at fair value</i>	22,512
less: Reclassification of loans in Loans to banks	(46)
less: Reclassification of loans in Loans to customers	(2,495)
<i>Item 30. Financial assets at fair value through other comprehensive income</i>	99,917
<i>Item 70. Equity investments</i>	6,552
+ Reclassification of debt securities from Loans to banks - <i>Item 40 a)</i>	2,438
+ Reclassification of debt securities from Loans to customers - <i>Item 40 b)</i>	19,963
Hedging instruments	5,700
<i>Item 50. Hedging derivatives</i>	3,287
<i>Item 60. Changes in fair value of portfolio hedged items (+/-)</i>	2,413
Property, plant and equipment	9,077
<i>Item 90. Property, plant and equipment</i>	9,077
Goodwill	1,484
<i>Item 100. Intangible assets of which: goodwill</i>	1,484
Other intangible assets	1,864
<i>Item 100. Intangible assets net of goodwill</i>	1,864
Tax assets	11,998
<i>Item 110. Tax assets</i>	11,998
Non-current assets and disposal groups classified as held for sale	915
<i>Item 120. Non-current assets and disposal groups classified as held for sale</i>	915
Other assets	7,740
<i>Item 80. Insurance reserves charged to reinsurers</i>	-
<i>Item 130. Other assets</i>	7,740
<b>Total assets</b>	<b>823,908</b>

continued: Consolidated balance sheet

LIABILITIES AND SHAREHOLDERS' EQUITY		AMOUNTS AS AT
		06.30.2018 (€ million)
Deposits from banks		129,747
<i>Item 10. Financial liabilities at amortised cost: a) Deposits from banks</i>		129,747
Deposits from customers		456,094
<i>Item 10. Financial liabilities at amortised cost: b) Deposits from customers</i>		456,094
Debt securities issued		87,567
<i>Item 10. Financial liabilities at amortised cost: c) Debt securities in issue</i>		87,567
Financial liabilities held for trading		52,454
<i>Item 20. Financial liabilities held for trading</i>		52,454
Financial liabilities designated at fair value		8,524
<i>Item 30. Financial liabilities designated at fair value</i>		8,524
Hedging instruments		6,254
<i>Item 40. Hedging derivatives</i>		3,386
<i>Item 50. Value adjustment of hedged financial liabilities (+/-)</i>		2,868
Tax liabilities		1,066
<i>Item 60. Tax liabilities</i>		1,066
Liabilities included in disposal groups classified as held for sale		79
<i>Item 70. Liabilities referable to disposal groups classified as held for sale</i>		79
Other liabilities		25,825
<i>Item 80. Other liabilities</i>		15,048
<i>Item 90. Provision for employee severance pay</i>		796
<i>Item 100. Provisions for risks and charges</i>		9,981
<i>Item 110. Technical reserves</i>		-
Minorities		837
<i>Item 190. Minority shareholders' equity (+/-)</i>		837
Group shareholders' equity:		55,462
- Capital and reserves		53,325
<i>Item 120. Valuation reserves</i>		(6,474)
<i>Item 140. Equity instruments</i>		4,610
<i>Item 150. Reserves</i>		20,860
<i>Item 160. Share premium</i>		13,393
<i>Item 170. Share capital</i>		20,940
<i>Item 180. Treasury shares (-)</i>		(3)
- Net profit (loss)		2,136
<i>Item 200. Profit (Loss) for the period (+/-)</i>		2,136
<b>Total liabilities and shareholders' equity</b>		<b>823,908</b>

# Reconciliation between reclassified balance sheet and income statement accounts and mandatory reporting schedules

## Consolidated balance sheet

	(€ million)
	AMOUNTS AS AT
<b>ASSETS</b>	12.31.2017
Cash and cash balances	64,493
<i>Item 10. Cash and cash balances</i>	64,493
Financial assets held for trading	74,686
<i>Item 20. Financial assets held for trading</i>	74,686
Loans to banks	70,983
<i>Item 60. Loans and receivables with banks</i>	70,983
Loans to customers	438,895
<i>Item 70. Loans and receivables with customers</i>	447,727
+ Reclassification of debt securities with customers	(8,832)
Other financial assets	147,496
<i>Item 30. Financial assets at fair value through profit or loss</i>	22,073
<i>Item 40. Available-for-sale financial assets</i>	104,101
<i>Item 50. Held-to-maturity investments</i>	6,277
<i>Item 100. Equity investments</i>	6,212
+ Reclassification of debt securities with customers	8,832
Hedging instruments	5,676
<i>Item 80. Hedging derivatives</i>	3,431
<i>Item 90. Changes in fair value of portfolio hedged items (+/-)</i>	2,245
Property, plant and equipment	8,449
<i>Item 120. Property, plant and equipment</i>	8,449
Goodwill	1,484
<i>Item 130. Intangible assets of which: goodwill</i>	1,484
Other intangible assets	1,902
<i>Item 130. Intangible assets net of goodwill</i>	1,902
Tax assets	12,658
<i>Item 140. Tax assets</i>	12,658
Non-current assets and disposal groups classified as held for sale	1,111
<i>Item 150. Non-current assets and disposal groups classified as held for sale</i>	1,111
Other assets	8,958
<i>Item 110. Insurance reserves attributable to reinsurers</i>	-
<i>Item 160. Other assets</i>	8,958
<b>Total assets</b>	<b>836,790</b>

continued: Consolidated balance sheet

	(€ million)
	AMOUNTS AS AT
	12.31.2017
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>	
Deposits from banks	123,244
<i>Item 10. Deposits from banks</i>	123,244
Deposits from customers	462,895
<i>Item 20. Deposits from customers</i>	462,895
Debt securities issued	98,603
<i>Item 30. Debt securities in issue</i>	98,603
Financial liabilities held for trading	55,784
<i>Item 40. Financial liabilities held for trading</i>	55,784
Financial liabilities designated at fair value	3,011
<i>Item 50. Financial liabilities at fair value through profit or loss</i>	3,011
Hedging instruments	6,610
<i>Item 60. Hedging derivatives</i>	3,568
<i>Item 70. Changes in fair value of portfolio hedged items (+/-)</i>	3,042
Tax liabilities	1,093
<i>Item 80. Tax liabilities</i>	1,093
Liabilities included in disposal groups classified as held for sale	185
<i>Item 90. Liabilities included in disposal groups classified as held for sale</i>	185
Other liabilities	25,141
<i>Item 100. Other liabilities</i>	15,573
<i>Item 110. Provision for employee severance pay</i>	917
<i>Item 120. Provisions for risks and charges</i>	8,650
<i>Item 130. Insurance reserves</i>	-
Minorities	894
<i>Item 210. Minorities (+/-)</i>	894
Group Shareholders' Equity:	59,331
- Capital and reserves	53,858
<i>Item 140. Revaluation reserves</i>	(4,327)
<i>Item 160. Equity instruments</i>	4,610
<i>Item 170. Reserves</i>	19,297
<i>Item 180. Share premium</i>	13,400
<i>Item 190. Share capital</i>	20,881
<i>Item 200. Treasury shares (-)</i>	(3)
- Net profit (loss)	5,473
<i>Item 220. Net profit (loss) for the year (+/-)</i>	5,473
<b>Total liabilities and shareholders' equity</b>	<b>836,790</b>

## Reconciliation between reclassified balance sheet and income statement accounts and mandatory reporting schedules

### Consolidated income statement

	(€ million)
	H1
	2018
Net interest	5,314
Item 30. Net interest margin	5,312
less: Net interest margin of industrial companies	2
less: Purchase Price Allocation effect	-
Dividends and other income from equity investments	369
Item 70. Dividend income and similar revenue	316
less: Dividends from held for trading equity instruments included in Item 70	(278)
Item 250. Profit (Loss) of equity investments - of which: Profit (Loss) of equity investments valued at equity	331
Net fees and commissions	3,475
Item 60. Net fees and commissions	3,528
+ Other administrative expenses - of which: outsourced services for the management of non-performing loans	(53)
Net trading income	809
Item 80. Net gains (losses) on trading	284
+ Dividends from held for trading equity instruments (from Item 70)	278
Item 90. Net gains (losses) on hedge accounting	16
Item 100. Gains (Losses) on disposal and repurchase of: c) financial liabilities	(2)
Item 100. Gains (Losses) on disposal or repurchase of: b) financial assets at fair value through other comprehensive income	131
+ Gains (Losses) on disposal and repurchase of financial assets at amortised cost - different from loans (from Item 100 a)	-
Item 110. Net gains (losses) on other financial assets/liabilities at fair value through profit and loss	103
Net other expenses/income	94
Item 230. Other operating expenses/income	541
less: Integration costs	-
less: Other operating income - of which: recovery of costs	(324)
+ Net value adjustments/write-backs on property, plant and equipment in operating lease assets (from Item 210)	(75)
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"	29
less: Other operating income - Other income from invoicing JVs	(21)
less: Other administrative expenses - of which: outsourced services for the management of non-performing loans - penalties	-
+ Result of industrial companies	(68)
+ Gains (Losses) on disposal and repurchase of financial assets at amortised cost - performing loans (from Item 100 a)	9
Gains (Losses) on disposals of investments in operating lease assets (from Item 280)	5
<b>OPERATING INCOME</b>	<b>10,061</b>
Payroll costs	(3,246)
Item 190. Administrative expenses: a) staff costs	(3,260)
less: Administrative expenses: a) staff costs of industrial companies	2
less: Integration costs	12
Other administrative expenses	(2,101)
Item 190. Administrative expenses: b) other administrative expenses	(2,742)
less: Administrative expenses: b) other administrative expenses of industrial companies	6
less: Administrative expenses - Contributions to the Resolution Funds, Deposit Guarantee Schemes (DGS), Bank Levy and Guarantee fees for DTA	621
less: outsourced services for the management of non-performing loans and penalties	53
+ Net value adjustments/write-backs on leasehold improvements (on non-separable assets) classified as "Other assets" - (from Item 230)	(29)
less: Integration costs	(9)
Recovery of expenses	348
+ Other net operating income - of which: recovery of costs (from Item 230)	324
+ Other operating income - Transitional revenues from Pekao and Pgam - (from item 230)	2
+ Other operating income - Other income from invoicing JVs	21
Amortisation, depreciation and impairment losses on intangible and tangible assets	(396)
Item 210. Net value adjustments/write-backs on property, plant and equipment	(245)
less: Impairment losses/write backs on property owned for investment	(68)
less: Net value adjustments/write-backs of tangible in operating lease assets (from Item 210)	75
less: Integration costs	(13)
Item 220. Net value adjustments/write-backs on intangible assets	(204)
less: Integration costs	-
less: Net write-downs on property, plant and equipment and intangible assets of industrial companies	57
less: Purchase Price Allocation effect	3
<b>Operating costs</b>	<b>(5,396)</b>
<b>OPERATING PROFIT (LOSS)</b>	<b>4,665</b>

continued: Consolidated income statement

	(€ million)
	H1
	2018
<b>OPERATING PROFIT (LOSS)</b>	<b>4,665</b>
Net write-downs on loans and provisions for guarantees and commitments	(1,000)
Item 100. Gains (Losses) on disposal and repurchase of: a) financial assets at amortised cost	2
less: Gains (Losses) on disposals/repurchases on loans and receivables - performing loans	(9)
less: Gains (Losses) on disposal and repurchase of financial assets at amortised cost - debt securities	-
Item 130. Net losses/recoveries on impairment relating to: a) financial assets at amortised cost	(1,063)
less: Recoveries on impairment relating to: a) financial assets at amortised cost - debt securities	(25)
Item 130. Net losses/recoveries on impairment relating to: b) Financial assets at fair value through other comprehensive income	(7)
less: Net losses/recoveries on impairment relating to: b) Financial assets at fair value through other comprehensive income - debt securities	7
Item 140. Gains/Losses from contractual changes with no cancellations	(2)
less: Gains/Losses from contractual changes with no cancellations - debt securities	-
Item 200. Net provisions for risks and charge - of which: a) commitments and financial guarantees given	94
less: Net losses on impairment other financial assets - contribution to National Interbank Deposit Guarantee Fund (F.I.T.D.)	2
<b>NET OPERATING PROFIT (LOSS)</b>	<b>3,665</b>
Other charges and provisions	(1,181)
Item 200. Net provisions for risks and charges - of which: b) other net provision	(560)
less: Net provisions for risks and charges of industrial companies	1
+ Administrative expenses - Contributions to Resolution Funds, Deposit Guarantee Schemes (DGS), Bank Levy and Guarantee fees for DTA	(621)
+ Provisions for risks and charges - contribution to National Interbank Deposit Guarantee Fund (F.I.T.D.)	(2)
Surplus on release of integration provision	1
Integration costs	9
Integration costs before Purchase Price Allocation effect	9
less: Purchase Price Allocation effect	-
Net income from investments	222
+ Net losses/recoveries on impairment relating to: of which: a) financial assets at amortised cost - debt securities (from Item 130)	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)	(7)
+ Gains/Losses from contractual changes with no cancellations - debt securities (from Item 140)	-
+ Impairment losses/write backs on property owned for investment (from Item 210)	68
Item 250. Profit (Loss) of equity investments - of which: write-backs/impairment losses and gains/losses on disposal of associates valued at equity	(5)
Item 260. Net gains (losses) on tangible and intangible assets measured at fair value	-
Item 280. Gains (Losses) on disposal on investments	153
less: Gains (Losses) on disposals on investments in operating lease assets (from Item 280)	(5)
less: Industrial companies	(6)
less: Purchase Price Allocation effect	-
<b>PROFIT (LOSS) BEFORE TAX</b>	<b>2,715</b>
Income tax for the period	(479)
Item 300. Tax expense (income) from continuing operations	(485)
less: Tax expense related to profit from continuing operations of industrial companies	7
less: Purchase Price Allocation effect	(1)
<b>NET PROFIT (LOSS)</b>	<b>2,236</b>
Profit (Loss) from non-current assets held for sale, after tax	14
Item 320. Profit (Loss) after tax from discontinued operations	14
<b>PROFIT (LOSS) FOR THE PERIOD</b>	<b>2,249</b>
Minorities	(111)
Item 340. Minorities' profit (loss) for the period	(111)
<b>NET PROFIT (LOSS) ATTRIBUTABLE TO THE GROUP BEFORE PPA</b>	<b>2,138</b>
Purchase Price Allocation effect	(2)
Goodwill impairment	-
Item 270. Goodwill Impairment	-
<b>NET PROFIT (LOSS) ATTRIBUTABLE TO THE GROUP</b>	<b>2,136</b>

# Reconciliation between reclassified balance sheet and income statement accounts and mandatory reporting schedules

## Consolidated income statement

	(€ million)
	H1
	2017
Net interest	5,408
<i>Item 30. Net interest margin</i>	5,216
less: Net interest margin of industrial companies	-
+ Reclassification of interests from impairment losses on loans	192
less: Purchase Price Allocation effect	-
Dividends and other income from equity investments	353
<i>Item 70. Dividend income and similar revenues</i>	248
less: Dividends from held for trading equity instruments included in item 70	(213)
<i>Item 240. Profit (Loss) of investments - of which: Profit (Loss) of equity investments valued at equity</i>	318
Net fees and commissions	3,432
<i>Item 60. Net fees and commissions</i>	3,060
+ Reclassification of net fees vs. PGAM and PEKAO	443
+ Reclassification of indemnities for the management of non-performing loans	1
less: Other administrative expenses - of which: outsourced services for the management of non-performing loans	(79)
+ Other operating income - of which: recovery of costs - commissioni istruttoria veloce (CIV)	8
Net trading income	1,053
<i>Item 80. Gains (Losses) on financial assets and liabilities held for trading</i>	667
+ Dividends from held for trading equity instruments (from item 70)	213
+ Gains (Losses) on disposal not realised on Pekao equity stake underlying the Equity-linked Certificates issued by UniCredit S.p.A. (from item 310)	5
<i>Item 90. Fair value adjustments in hedge accounting</i>	52
<i>Item 100. Gains (Losses) on disposal or repurchase of: d) financial liabilities</i>	11
+ Gains (Losses) on disposal or repurchase of: b) available-for-sale financial assets (from item 100)	222
<i>Item 110. Gains (Losses) on financial assets/liabilities at fair value through profit or loss</i>	(116)
Net other expenses/income	76
+ Gains (losses) on disposals/repurchases on loans and receivables - not impaired position (from item 100 a)	27
<i>Item 220. Other net operating income</i>	516
less: Other operating income - of which: recovery of costs	(300)
less: Other operating income - of which: recovery of costs - commissioni istruttoria veloce (CIV)	(8)
less: Net write-downs/-backs of tangible operating lease assets (from item 200)	(68)
less: Write-downs on leasehold improvements (on non-separable assets) - No Group	32
less: Other operating income - Other income from invoicing JVs (only with respect to Ubis)	(43)
+ Result of industrial companies	(86)
less: Reclassification of indemnities for the management of non-performing loans	(1)
less: Integration costs	2
Gains (Losses) on disposals of investments - assets leasing operation (from item 270)	6
<b>OPERATING INCOME</b>	<b>10,323</b>
Payroll costs	(3,500)
<i>Item 180. Administrative costs: a) staff expense</i>	(3,513)
less: Administrative expenses: a) employee payroll costs - Provision for post retirement benefit obligations - Settlement Gains (Losses)	-
less: Administrative costs: a) staff expenses of industrial companies	9
less: Integration costs	3
Other administrative expenses	(2,195)
<i>Item 180. Administrative costs: b) other administrative expense</i>	(2,713)
less: Administrative costs: b) other administrative expense of industrial companies	17
less: Administrative costs - Contributions to the Resolution Funds, Deposit Guarantee Schemes (DGS), Bank Levy and Guarantee fees for DTA	451
less: outsourced services for the management of non-performing loans	79
Write-downs on leasehold improvements (on non-separable assets) - No Group	(32)
less: Integration costs	3
Recovery of expenses	344
<i>Item 220. Other net operating income - of which: Operating income - recovery of costs</i>	300
+ Other operating income - Other income from invoicing JVs (only with respect to Ubis)	43
Amortisation, depreciation and impairment losses on intangible and tangible assets	(393)
<i>Item 200. Impairment/write-backs on property, plant and equipment</i>	(343)
less: Impairment losses/write backs on property owned for investment	17
less: Net write-downs/-backs of tangible operating lease assets (from item 200)	68
less: Integration costs	1
<i>Item 210. Impairment/write-backs on intangible assets</i>	(195)
less: Net write-downs on property, plant and equipment and intangible assets of industrial companies	57
less: Purchase Price Allocation effect	3
<b>Operating costs</b>	<b>(5,744)</b>
<b>OPERATING PROFIT (LOSS)</b>	<b>4,579</b>

continued: Consolidated income statement

	(€ million)
	H1
	2017
<b>OPERATING PROFIT (LOSS)</b>	<b>4,579</b>
Net impairment losses on loans and provisions for guarantees and commitments	(1,427)
Item 100. Gains (Losses) on disposal and repurchase of: a) loans	16
less: Gains (Losses) on disposals/repurchases on loans and receivables - not impaired position (from item 100 a)	(27)
Item 130. Net losses/recoveries on impairment: a) loans	(1,414)
less: Reclassification of interests from impairment losses on loans	(192)
Item 130. Net losses/recoveries on impairment: d) other financial assets	188
less: Net losses on impairment other financial assets - contribution to National Interbank Deposit Guarantee Fund (F.I.T.D.)	3
<b>NET OPERATING PROFIT (LOSS)</b>	<b>3,152</b>
Other charges and provisions	(598)
Item 190. Net provisions for risks and charges	(148)
less: Provisions for risks and charges of industrial companies	-
+ Administrative costs - contributions to Resolution Funds, Deposit Guarantee Schemes (DGS), Bank Levy and Guarantee fees for DTA	(451)
+ Provisions for risks and charges - contribution to National Interbank Deposit Guarantee Fund (F.I.T.D.)	(3)
Surplus on release of integration provision	3
Integration costs	(12)
+ Administrative expenses: a) employee payroll costs - Provision for post retirement benefit obligations - Settlement Gains (Losses)	-
Integration costs before Purchase Price Allocation effect	(12)
Net income from investments	(149)
Item 130. Net losses/recoveries on impairment: b) available-for-sale financial assets	(189)
Item 130. Net losses/recoveries on impairment: c) held-to-maturity investments	6
Impairment losses/write backs on property owned for investment (from item 200)	(17)
Item 240. Profit (Loss) of investments of which: write-backs/impairment losses and gains/losses on disposal of associates valued at equity	(14)
Item 250. Gains (Losses) on tangible and intangible assets measured at fair value	(1)
Item 270. Gains (Losses) on disposal of investments	72
less: Gains (Losses) on disposals of investments - assets leasing operation (from item 270)	(6)
less: Industrial companies	-
<b>PROFIT (LOSS) BEFORE TAX</b>	<b>2,392</b>
Income tax for the period	(362)
Item 290. Tax expense (income) related to profit or loss from continuing operations	(348)
less: Tax expense related to profit from continuing operations of industrial companies	3
less: Reclassification of UPASSMNG - UCI	(16)
less: Purchase Price Allocation effect	(1)
<b>NET PROFIT (LOSS)</b>	<b>2,030</b>
Profit (Loss) from non-current assets held for sale, after tax	29
Item 310. Profit (Loss) after tax from discontinued operations	460
less: Reclassification of net fees vs. PGAM and PEKAO	(426)
less: Gains (Losses) on disposal not realised on Pekao equity stake underlying the Equity-linked Certificates issued by UniCredit S.p.A.	(5)
<b>PROFIT (LOSS) FOR THE PERIOD</b>	<b>2,059</b>
Minorities	(204)
Item 330. Minorities	(204)
<b>NET PROFIT (LOSS) ATTRIBUTABLE TO THE GROUP BEFORE PPA</b>	<b>1,855</b>
Purchase Price Allocation effect	(2)
Goodwill impairment	-
Item 260. Impairment of goodwill	-
<b>NET PROFIT (LOSS) ATTRIBUTABLE TO THE GROUP</b>	<b>1,853</b>

## Definition of terms and acronyms

### **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.

### **Absorbed capital**

Absorbed capital represents the amount of capital that the Group sets aside as a buffer against potential losses and needs to support its business activities and all positions held. It is measured by the regulatory capital and the internal capital. The regulatory capital is obtained by multiplying risk-weighted assets by target Common Equity tier 1 ratio. The internal capital is the sum of the economic capital, obtained through aggregation of the capital needed to cover the different types of risk measured according to internal models, plus a reserve to consider the effects of the cycle and model risk.

### **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). Only for Fineco and Private Banking, it is measured by the maximum between the result of the Regulatory Capital and Internal Capital. The Internal Capital is the capital needed to cover, with an high level of confidence, the risks faced by the Group measured according to internal models.

### **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.

**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).

**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**

In the light of the crisis that in recent years 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 CRD IV "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.

**Budget**

Statement forecasting the future costs and revenues of a business.

**CBO - Collateralised Bond Obligations****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.

## Definition of terms and acronyms

### **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.

### **Consumer ABS**

ABS (see item) in which the collateral consists of consumer credits.

### **Corporate**

Customer segment consisting of medium to large businesses.

**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 ratio between loan loss provisions and 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 CRD IV "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**

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.

**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.

## Definition of terms and acronyms

### **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.

### **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).

### **EVA - Economic Value Added**

Expresses the ability to create value in monetary terms. 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 absorbed capital.

### **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.

### **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.

**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.

**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".

**IMA**

Internal Models Approach is an approach to calculate market risk capital requirement using internal models.

## Definition of terms and acronyms

### **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.

### **(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.

### **Investment banking**

Banking segment devoted to the subscription and placement of newly issued securities, as well as the trading of financial instruments.

### **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/longterm averages of market parameters.

### **KPI - "Key Performance Indicators"**

Set of indicators used to evaluate the success of a particular 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.

**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.

**Medium Term Note**

Bond with a maturity of between 5 and 10 years.

**Merchant banking**

This term covers activities such as the subscription of securities, shares or debt instruments, by corporate customers for subsequent placement on the market, the taking of more permanent equity interests but always with a view to subsequent disposal, and the conduct of business consultancy activities for the purposes of mergers and acquisitions or restructurings.

**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.

## Definition of terms and acronyms

### **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.

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 aimed at so-called "high-end" private 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 - Rating Integrato Privati (Individuals Integrate Rating).

**RISB**

IRB calculation model - Rating Integrato Small Business (Small Business Integrate 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.

## Definition of terms and acronyms

### **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 Enterprise.

### **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.

### **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.

### **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.

**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.

# Maximise commercial bank value.



We continue to maximise commercial bank value, with the ongoing transformation resulting in higher productivity. Our activities in Western Europe are benefitting from the revamped network with new service models for retail and SME customers as well as a strong multichannel strategy. We have further strengthened our leadership positions in CEE and CIB, while keeping a strong focus on risk.

# Certification

Condensed Interim Consolidated Financial Statements Certification pursuant to Art.81-ter of  
Consob Regulation No.11971/99, as amended

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# Condensed Interim Consolidated Financial Statements Certification pursuant to Art.81-ter of Consob Regulation No.11971/99, as amended

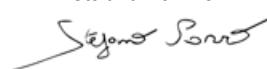
1. The undersigned Jean Pierre Mustier (as Chief Executive Officer) and Stefano Porro (as the Manager in Charge with preparing the financial reports) of UniCredit S.p.A., also in compliance with Art.154-bis (paragraphs 3 and 4) of Italian Legislative Decree No.58 of 24 February 1998, do hereby certify:
  - 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 2018 Condensed Interim Consolidated Financial Statements.
2. The adequacy of administrative and accounting procedures employed to draw up the 2018 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 2018 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 2018

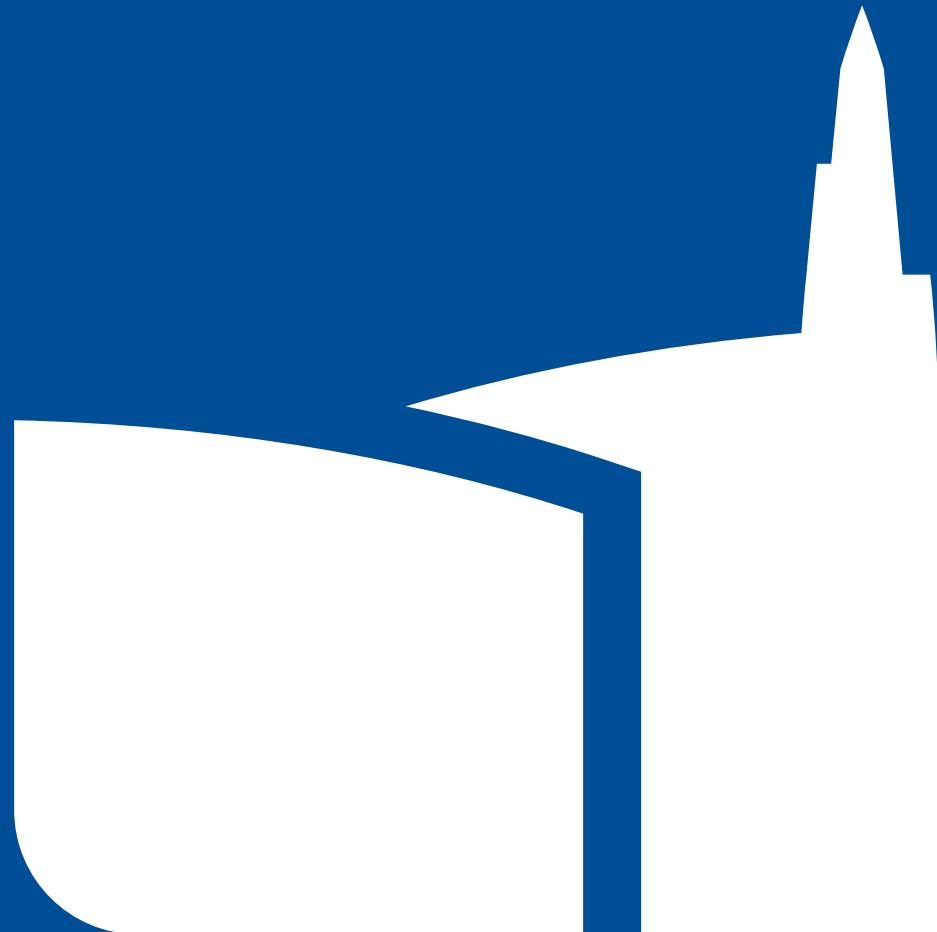
Jean Pierre MUSTIER



Stefano PORRO



# 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. We are positioned as best in class in terms of European corporate governance.

# Report of the External Auditors

Report on review

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## 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, 2018 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, 2018 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 9, 2018

*This report has been translated into the English language solely for the convenience of international readers.*

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